

## FRANCHISE DISCLOSURE DOCUMENT



Shoot 360 Nation LLC  
12403 NE 60<sup>th</sup> Way, #D-1  
Vancouver, WA 98682  
Phone: 360-433-9841  
[www.Shoot360.com](http://www.Shoot360.com)  
[Franchise@Shoot360.com](mailto:Franchise@Shoot360.com)

**Franchised Business:** Shoot 360 Gyms are basketball training facilities that operate under the “Shoot 360®” name and logos, using our basketball shooting, passing and ball handling training equipment and related software. We offer single unit franchises and area development rights for the right to open and operate one or more Shoot 360 Gyms.

**Total Initial Investment:** The total investment necessary to begin operation of a Shoot 360 Gym franchise is ~~\$637,000~~658,500 - ~~\$2,210,000~~2,143,000, which includes ~~\$455,000~~454,500 - ~~\$1,025,000~~1,036,500 that must be paid to the franchisor or its affiliate. The total investment necessary to begin operation of a Shoot 360 area developer franchise depends on how many Shoot 360 Gyms you commit to develop. The total investment necessary to enter into an area development agreement for the right to develop three Shoot 360 Gyms is ~~\$757,000~~778,500 - ~~\$2,330,000~~2,263,000 (for the total estimated initial investment to ~~begin operation of~~develop your first Shoot 360 Gym ~~and plus~~ the ~~development fee for the second and third Gyms~~Development Fee), which includes ~~\$575,000~~574,500 - ~~\$1,145,000~~1,156,500 that must be paid to the franchisor or its affiliate.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Brad Butterworth, our Senior Business Development Executive, at 12403 NE 60<sup>th</sup> Way, #D-1, Vancouver, WA 98682, 360-433-9841.

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

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

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

Issuance Date: ~~December 22~~January 16, 2023~~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 <b>Exhibit J</b> .
<b>How much will I need to invest?</b>	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or <b>Exhibit I</b> includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only Shoot 360 Gym in my area?</b>	Item 12 and the "territory" provisions in the Franchise Agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What's it like to be a Shoot 360 Gym franchisee?</b>	Item 20 or <b>Exhibit J</b> lists current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

## What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

### Some States Require Registration

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

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State-Specific Addenda in **Exhibit G**.

## Special Risks to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution.** The Franchise Agreement and the Area Development Agreement require you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Oregon. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Oregon than in your own state.
2. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the Franchise Agreement and Area Development Agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
3. **Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments, may result in termination of your franchise and loss of your investment.
4. **Supplier Control.** You must purchase all or nearly all of the inventory & supplies necessary to operate your business from the franchisor, its affiliates, or from suppliers that franchisor designates at prices that the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchised business.
5. **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.
6. **Unopened Outlets.** The franchisor has signed a significant number of franchise agreements with franchisees who have not yet opened their outlets. If other franchisees are experiencing delays in opening their outlets, you may also experience delays in opening your own outlet.

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

## MICHIGAN PROVISIONS

### ~~THE FOLLOWING PROVISIONS APPLY ONLY TO TRANSACTIONS GOVERNED BY~~ NOTICE MANDATED BY SECTION 8 OF THE MICHIGAN'S FRANCHISE INVESTMENT LAW

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

The following is applicable to you if you are a Michigan resident or your franchise will be located in 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) ~~(1)~~ A prohibition on the right of a franchisee to join an association of franchisees.
- (b) ~~(2)~~ A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided by Michigan law. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) ~~(3)~~ 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) ~~(4)~~ A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years, and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) ~~(5)~~ 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) ~~(6)~~ 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) ~~(7)~~ 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) ~~A.~~ The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
  - (ii) ~~B.~~ The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
  - (iii) ~~C.~~ The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
  - (iv) ~~D.~~ 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) ~~(8)~~ 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) ~~(9)~~ 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 MICHIGAN ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.~~

~~ANY QUESTIONS REGARDING THIS NOTICE SHOULD BE DIRECTED TO THE OFFICE OF THE ATTORNEY GENERAL, CONSUMER PROTECTION DIVISION, ATTN: FRANCHISE SECTION, G. MENNEN WILLIAMS BUILDING, 525 W. OTTAWA STREET, 6TH FLOOR, LANSING, MICHIGAN~~

The fact that there is a notice of this offering on file with the Michigan attorney general does not constitute approval, recommendation, or endorsement by the attorney general.

Any questions regarding this notice should be directed to the Michigan Department of Attorney General, Consumer Protection Division, Attn: Franchise, G. Mennen Williams Building, 525 W. Ottawa St., 1st Floor, Lansing, Michigan 48933, tel. (517) 373-7117.

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## **List of Exhibits**

- EXHIBIT A List of State Administrators
- EXHIBIT B Agents for Service of Process
- EXHIBIT C Franchise Agreement
  - Schedule 1 Approved Location, Protected Area, Notice Addresses
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  - ~~Schedule 10~~8 Addendum to Lease
- EXHIBIT D Area Development Agreement
  - Exhibit A Development Territory, Fee, Quota and Deadlines
  - Exhibit B Franchise Agreement
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  - Exhibit D Spousal Consent
  - Exhibit E Developer's Owners
- EXHIBIT E Confidentiality, Non-Disclosure and Non-Competition Agreement
- EXHIBIT F General Release
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- EXHIBIT H Best Practices Manual Table of Contents
- EXHIBIT I Financial Statements
- EXHIBIT J Shoot 360 Gym Locations
- ~~EXHIBIT K Receipts (2 copies)~~

## ITEM 1

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

The franchisor is Shoot 360 Nation LLC, referred to in this disclosure document as “Company,” “we,” “us” and “our.” A person who buys a franchise from us is referred to as “you.” If you are a corporation, limited liability company or other business entity, “you” also includes your owners.

In this disclosure document, the term “Shoot 360 Gym” refers to a basketball training facility using our distinctive marks, gym format and operating methods, whether owned and operated by our Operating Affiliate or a franchisee, while “Franchised Gym” specifically refers to the Shoot 360 Gym that you will develop and operate.

#### The Franchisor, Parents and Affiliates

We are a Washington limited liability company formed on August 14, 2019. Our principal place of business is 12403 NE 60th Way, #D-1, Vancouver, WA 98682 (tel. 360-433-9841). **Exhibit B** lists our agents for service of process. We do business under the name “Shoot 360” and have offered franchises for Shoot 360 Gyms since August 2019. We do not do business under any other names or operate Shoot 360 Gyms, and have not engaged in or offered franchises in any other line of business.

We are a subsidiary of Shoot 360 Inc., a Washington corporation with the same principal place of business as ours (our “Operating Affiliate”). Our Operating Affiliate has operated basketball training gyms since April 2012, and ~~currently operates as of October 31, 2024 operated a~~ Shoot 360 GymsGym in Vancouver, Washington ~~and Beaverton, Oregon~~ (see **Exhibit J** for a list of operating Shoot 360 Gyms). ~~These facilities are~~ This facility is of the same type as those operated by our Shoot 360 Gym franchisees, ~~and provide a testing ground for many of our processes and innovations.~~ Our Operating Affiliate also operated a Shoot 360 Gym in Beaverton, Oregon that it sold to two of our principals in August 2023. Our Operating Affiliate ~~provides basketball training equipment and installation services to our franchisees.~~ It has not been engaged in any other line of business. ~~Our dissolved affiliate Shoot 360 Franchise, LLC, registered to offer franchises in 2017, but never offered or sold any franchises other than the manufacture and installation of the equipment in the Shoot 360 Package.~~ Neither we nor our ~~affiliates~~ Operating Affiliate have offered franchises in any other line of business. We have no predecessor.

#### The Franchises We Offer

We and our ~~affiliates~~ Operating Affiliate have implemented advanced technologies and coaching approaches to create an engaging basketball training environment, focused on basketball shooting, passing, and ball handling measurement and development. Our goal is to help individual basketball players reach their maximum potential grounded in a fun, safe environment that emphasizes gaming, quality repetition, and perfect practice standards. To do this, our technology instantly provides metrics about passing, ball handling and shooting performance. This information can be used to build personalized workout programs for each individual athlete. Shoot 360 Gyms use our innovative basketball training facility with specialized equipment, furnishings, and training software.

You must sell all products, services and other items or offerings we require, including competitive shooting leagues, fitness classes, skill assessment combines, adult memberships, camps and clinics. You must also offer the types of memberships we require along with the pricing structures we require.

Shoot 360 Gyms operate year-round, and exhibit some seasonal variation. Summer months (June-August) tend to have the highest membership levels and Fall months (September-November) tend to have the lowest membership levels. ~~In 2024, we intend to test and introduce shooting leagues and fitness classes as additional programs offered at Shoot 360 Gyms.~~

Each Shoot 360 Gym is identified by the Shoot 360 trademarks, service marks, commercial symbols and logos and other distinctive branding and trade dress elements that we designate (collectively, "Licensed Marks"). We promote Shoot 360 Gyms on our website [www.Shoot360.com](http://www.Shoot360.com) and through various social media sites and local marketing efforts. From our website, we provide an active link for each Shoot 360 Gym where we display the [Shoot 360](#) Gym's operating hours, location and travel directions.

We offer franchises to qualified area developers who agree to open a specific number of Shoot 360 Gyms ("Development Quota") in a specified geographic area ("Development Territory") by specific development deadlines ("Development Deadlines"). We will mutually agree upon the Development Quota, Development Territory and Development Deadlines before you sign the Area Development Agreement (**Exhibit D**). You will sign a Franchise Agreement for the first Shoot 360 Gym when you sign the Area Development Agreement, and will sign a separate Franchise Agreement on [Company's our](#) then-current form (which may differ from the form attached to this disclosure document) for each additional Shoot 360 Gym in your Development Quota when you obtain site approval [from us](#) for the new location.

We also offer single unit franchises awarding you the right, under a Franchise Agreement (**Exhibit C**), to open a single Shoot 360 Gym at an "Approved Location," which is a location that you identify and we approve following our site selection procedures.

The Franchise Agreement (**Exhibit C**) explains the requirements of the franchise. You must operate the Franchised Gym in accordance with the "Shoot 360 System," which is a term that we use to describe our comprehensive business methods, standards, policies, requirements and specifications which cover [various subject matter including](#) the following ~~subject matters~~: (i) the design, trade dress and build-out requirements for the Franchised Gym; (ii) specifications for equipment and supplies; (iii) designation of ~~standard~~ membership options and services; (iv) instructions for basketball training operations and management, including scheduling and athlete tracking; (v) requirements for using or selling approved goods and services; (vi) use of a designated [point of sale system](#) ("POS System") and mobile application, including record keeping, financial and operational reporting requirements; (vii) customer service and merchandising standards; (viii) advertising and branding strategies; (ix) comprehensive training programs; and (x) requirements for using our intellectual property rights, including our non-public ~~Confidential Information~~ [confidential information](#).

We may service National Accounts within your Development Territory or Protected Area. We may, but have no obligation to, offer you the opportunity to service a National Account within your Development territory or Protected Area. We consider a "National Account" to be any customer that wishes to obtain services at multiple Shoot 360 Gyms and that negotiates with us for centralized billing or pricing terms for training or other products or services offered under the Shoot 360 System.

After you sign the Franchise Agreement, we will give you access to our confidential Best Practices Manual (“Manual”), which contains our policies and procedures relevant to your franchise duties and operations and explains the Shoot 360 corporate culture and system standards and specifications. Our Manual is a collection of information and forms in written and electronic format including content that we post on a password-protected Internet portal. During the term of the Franchise Agreement, we may modify the Shoot 360 System as frequently as we believe is in the best interests of the Shoot 360 brand, and we will make corresponding changes to the Manual. We will notify you of changes to the Manual by written or electronic bulletins or other announcements, and you must conform to all changes at your expense within the time we allow, which will be reasonable for the specific type of change that we implement. Changes that we make to the Manual will not modify your fundamental rights under the Franchise Agreement.

### **Market and Competition**

The market for basketball training facilities and related products and services is well-developed and competitive. Shoot 360 services and products are sold primarily to youth and young adult athletes seeking to improve their basketball skills and increase their playing opportunities. Our ~~patent-protected~~ training technologies provide the first physical-to-digital training experience in the market, making training both productive and fun. The principal sources of direct competition for Shoot 360 Gyms are athletic clubs, private basketball training coaches, YMCA and similar facilities, and basketball-specific training programs. The businesses with which you should expect to compete include national or regional franchise systems and other chains, and independently owned local facilities located in the area of the Franchised Gym. Recreational basketball leagues and school basketball teams and their coaches will also be sources of competition.

There is also active competition for managerial and service personnel, as well as for attractive commercial real estate sites. Some competitors may have greater financial resources and longer operating histories than we have. You should take these competitive factors into account before deciding to purchase a Shoot 360 Gym franchise.

### **Laws and Regulations**

There are no laws or regulations that are specific to the basketball training industry. However, Shoot 360 Gyms are subject to federal, state and local laws affecting public facilities generally, including: (i) building and construction codes; (ii) restrictions against smoking in public places; (iii) fire safety and emergency preparedness laws; (iv) standards regarding public health, sanitation and waste disposal; and (v) the American With Disabilities Act.

In addition to laws that apply specifically to public facilities, Shoot 360 Gyms are subject to laws and regulations affecting businesses generally. These laws include wage and hour laws, equal employment opportunity laws, occupational health and safety laws, environmental regulations, tax regulations, business licensing requirements, the American With Disabilities Act, laws prohibiting false advertising and other unfair business practices, and the USA Patriot Act and Executive Order 13224.

You are responsible for investigating and complying with all applicable laws in the geographic area in which you are interested in opening a Shoot 360 Gym, and should consider their effect and the cost of compliance.

## ITEM 2

### BUSINESS EXPERIENCE

#### **Craig Moody, President and LLC Manager**

Craig Moody has been our President and LLC Manager since our inception in August 2019. He has been President and a member of the board of directors of our Operating Affiliate since its inception in April 2012. From July 2009 to August 2020, Mr. Moody also co-owned and operated Northwest Classic Homes in Vancouver, Washington.

#### **Terry Michaelson, Chief Executive Officer**

Terry Michaelson has been our CEO, as well as CEO of our Operating Affiliate, since February 2020. From January 2014 to February 2020, he owned and operated Michaelson Consulting LLC in Lake Oswego, Oregon. ~~From November 2016 to November 2019, Mr. Michaelson served as CEO of Portland Bottling Company in Portland, Oregon.~~

#### **Mark Moreland, Chief Financial Officer, Shoot 360 Inc.**

Mark Moreland has been the Chief Financial Officer of our Operating Affiliate since September 2021, and also provides us with financial oversight under our management agreement with our Operating Affiliate. Prior to joining us, Mr. Moreland served as CFO of HighKey Snacks in Orlando, Florida, from January to August 2021, and as CFO of Full Sail Brewing in Portland, Oregon, from June 2015 to December 2020.

#### **Marcos Montas, Senior Director of Franchise Operations**

Marcos Montas has been our Senior Director of Franchise Operations since our inception in August 2019, and has ~~served as Regional Operations Manager of~~ been with our Operating Affiliate since ~~September 2018. From September 2013 to September 2018, he was a coach and facility general manager for of our Operating Affiliate in Vancouver, Washington~~ 2013 serving in a variety of roles such as: Coach/Trainer, Equipment Maintenance Specialist, Inventory Management Specialist, General Manager, Manager of Sales & Marketing, & Regional Operations Manager.

#### **Brad Butterworth, Senior ~~Business~~Global Franchise Development Executive**

Brad Butterworth has been our Senior ~~Business~~Global Franchise Development Executive since ~~June 2022, after serving~~ January 2023. He served as our Senior Business Development Executive Officer from June 2022 to January 2023. Before that he served as our National Director of Franchise Sales since from February 2021 to June 2022. He previously served as Athletic Director for King's Way Christian Schools in Vancouver, Washington, from May 2019 to November 2020. ~~From March 2015 to May 2019, Mr. Butterworth was a coach and Regional General Manager for our Operating Affiliate in Indianapolis, Indiana and Vancouver, Washington.~~

#### **Bernard Doering, Sales and Operations Consultant**

Bernard Doering has ~~served us as a~~ been our Sales and Operations Consultant since April 2023. Before that, he had been retired since March 2022. From August 2016 to March

2022, Mr. Doering served as Senior Vice President of Global Sales and Marketing for Foundation Fitness LLC (d/b/a Stages Cycling) in Vancouver, Washington.

**Brad Barbarick, Business Development Executive**

Brad Barbarick ~~joined the~~has been on our Shoot 360 business development team ~~in~~since July 2023, after having been part of the franchise operations team working with franchisees on curriculum, programming, coaching, and player development since March 2022. Before joining Shoot 360, Mr. Barbarick served as Director of Athletics at Portland Community College from July 2019 to February 2022. ~~From April 1994 to March 2019, he was the men's head basketball coach and an assistant professor of exercise sport science at Concordia University in~~ Portland, Oregon.

**Jason Perkins, Director, ~~Membership Growth & Experience~~National Director of Sales**

Jason Perkins has ~~served as~~been our National Director of ~~Membership Growth and Experience~~Sales since May 2023. From March 2019 to April 2023, he was Director of On-Court Training and Facility Operations for the Golden State Warriors in Oakland, California. From September 2009 to January 2020, Mr. Perkins also owned Hoopology LLC in San Diego, California.

**Mariah Ladd, Franchise Marketing Manager**

Mariah Ladd ~~joined Shoot 360 in October 2023 as the~~has been our Franchise Marketing Manager since October 2023. She began her marketing career in 2013 at Intel in Portland, Oregon, where she held various marketing roles until January 2022. From January 2022 to October 2023, Ms. Ladd worked in marketing for Open Sesame in Portland, Oregon. A former collegiate basketball player, Mariah continues to coach and mentor players.

**~~Jason Grant~~Rian Chung, Chief Technology Officer**

~~Jason Grant has been our Chief Technology Officer since May 2022. Prior to joining Shoot 360, he worked for Carnival Corporation from 2010 to April 2022 in Seattle, Washington, most recently serving as Senior Vice President/CIO overseeing technology for Princess, Holland America Line, Seabourn and P&O Australia, after previously holding the roles of Vice President of IT and Vice President of Fleet IT~~

Rian Chung has been our Chief Technology Officer since September 2024. From September 2016 to September 2018, he served as Director of Product for Xperi in Calabasas, California. From September 2018 to September 2024, he was Director of Product for Perceive in San Jose, California.

**ITEM 3**

**LITIGATION**

No litigation is required to be disclosed in this Item.

## ITEM 4

### BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

## ITEM 5

### INITIAL FEES

#### **Initial Franchise Fee**

The Initial Franchise Fee is \$60,000. The Initial Franchise Fee is due and payable in full when you sign the Franchise Agreement. The Initial Franchise Fee is fully earned by us when paid and is non-refundable. We determine the Initial Franchise Fee in a uniform matter. However, we may excuse or reduce the Initial Franchise Fee in individual cases in our discretion. For example, we may award existing franchisees who have excelled in the Shoot 360 ~~system~~System an Initial Franchise Fee reduction or waiver to obtain additional Franchise Agreements. We may also reduce the Initial Franchise Fee by \$5,000-\$10,000 in certain situations. For example, if we have a need for a franchisee in a specific market or we want to incentivize a prospect to join the Shoot 360 System.

We also offer a 10% discount off the Initial Franchise Fee to purchasers of a Shoot 360 franchise who are Veterans of the United States military. To qualify for the Veteran discount you must be a current member of the United States military, or a veteran who received an honorable discharge from a branch of the United States military at the time of the purchase of the franchise. This discount does not apply to the purchase of an Area Development Agreement or any Initial Franchise Fee opened under that Agreement.

The Initial Franchise Fee we charged in our last fiscal year ranged from \$0 to \$60,000.

#### **Shoot 360 Package**

~~Prior to~~Before opening the Franchised Gym, you must purchase ~~from us or our approved supplier~~ a package of basketball training equipment, branding materials, and other equipment we specify for the Franchised Gym ("Shoot 360 Package"). The specific package will be determined by us after consultation with you, based upon the size and layout of the Approved Location. You must purchase the Shoot 360 Package from us. e We may change these payment and supply arrangements in the future. The Shoot 360 Package price includes delivery and installation, and the price and related payment terms will be based on the pricing schedule in effect at the time of your order. Under the current pricing and terms schedule (Schedule 2 to the Franchise Agreement, **Exhibit C**), the Shoot 360 Package price ranges from ~~\$390,000~~389,500 to ~~\$955,000~~966,500 plus applicable taxes for a Shoot 360 Gym with five to eight training units.

If you enter into an Area Development Agreement, you ~~will be required to~~must pay \$250,000 toward the Shoot 360 Package ~~Price~~price for the first Shoot 360 Gym in the Development Quota at the time you enter into the Area Development Agreement. You must pay the ~~balance of the 50% down payment toward the Shoot 360 Package Price for the first Shoot 360 Gym when you obtain approval of the location for the Franchised Gym, and pay the~~ remaining payments according to our standard payment terms. For the second and

subsequent ~~Shoot 360~~Franchised Gyms in the Development Quota, you will pay ~~the a sum equal to~~ 50% ~~of the Shoot 360 Package price for such Franchised Gyms, as a~~ down payment when you obtain approval of the location for ~~the such~~ Franchised Gym and sign the Franchise Agreement, and pay the remaining payments according to our standard payment terms.

### **Conditions for Refund**

~~The Initial Franchise Fee is fully earned by us when paid and is non-refundable except if we terminate the Franchise Agreement under the following conditions: if you fail to (i) obtain our written approval of the particular premises for the Franchised Gym within 120 days after the effective date of the Franchise Agreement; or (ii) deliver an executed copy of the lease and an Addendum to Lease in the form attached to the Franchise Agreement (**Exhibit C**) for the Approved Location within 180 days after the effective date of the Franchise Agreement; (iii) complete any construction required to render the Approved Location ready for installation of the Shoot 360 Package within 240 days after the Effective Date; or (iv) open the Franchised Gym for business to the public within one year of the Effective Date.~~

~~If we terminate the Franchise Agreement under conditions (i), (ii) or (iii) above, we (or our designated supplier, as applicable) will refund up to 50% of the Initial Franchise Fee and up to 85% of the Shoot 360 Package price (to the extent paid by you and conditioned upon return of the Shoot 360 Package without wear or damage). If we terminate the Franchise Agreement based on your failure to open the Franchised Gym by the deadline, we (or our designated supplier, as applicable) will refund up to 50% of the Initial Franchise Fee and up to 75% of the Shoot 360 Package price (to the extent paid by you and conditioned upon return of the Shoot 360 Package without wear or damage). You must sign our form of general release (**Exhibit F**) as a condition of obtaining the refund. Except as described above, the Shoot 360 Package price is non-refundable.~~

### **Construction Drawings & Plans**

You will pay us a fee of \$5,000 to \$10,000 for the preparation of construction drawings and plans for your Franchised Gym. This fee is payable before your Franchised Gym opens, upon receipt of our invoice, and is non-refundable after we have prepared the drawings.

### **Development Fee**

If we agree to award you area development rights, you will pay us a Development Fee when you sign the Area Development Agreement. The amount of the Development Fee depends on the number of Shoot 360 Gyms in your minimum development commitment or Development Quota (generally a minimum of three locations). We compute the Development Fee in a uniform manner as follows: (1) \$60,000 for the first four Shoot 360 Gyms; plus (2) \$40,000 for each additional Shoot 360 Gym in the Development Quota; plus (3) \$250,000 toward the Shoot 360 Package price for the first Shoot 360 Gym in the Development Quota. Of the Development Fee, we credit \$60,000 to the Initial Franchise Fee for the first Shoot 360 Gym you develop. Then, when you obtain site approval to develop the second through fourth Shoot 360 Gyms in the Development Quota, we will credit \$60,000 of the Development Fee toward the Initial Franchise Fee payable under the new Franchise Agreement. When you obtain site approval for the fifth and subsequent Shoot 360 Gyms in the Development Quota, we will credit \$40,000 of the Development Fee toward the Initial Franchise Fee payable under the new Franchise Agreement. If you do not then have a certified trainer who will provide the initial training program for the fifth and subsequent Shoot 360 Gyms (a "Certified Trainer ") (or

otherwise do not qualify for the discounted Initial Franchise Fee,) you will pay us the remaining balance of the Initial Franchise Fee ~~due~~due under the Franchise Agreement. We may alter the way we compute and/or credit the Development Fee depending on the situation and in our sole discretion.

The Development Fee is fully earned when paid and is not refundable. If you fail to open a Shoot 360 Gym by a Development Deadline, we may terminate the Area Development Agreement, which will result in the loss of any unexpired development rights and a forfeiture of any unapplied Development Fees. As a result, if we terminate the Area Development Agreement before the final development deadline, we will not refund or credit any portion of the unused Development ~~Fees~~Fee to any other fees that you must pay to us under any Franchise Agreements then in effect.

**Sale of an Operating Shoot 360 Gym Owned by an Affiliate**

~~If an affiliate of ours agrees to sell you all of the assets of an operating Shoot 360 Gym, you must, as a condition of the sale of assets, meet our qualifications for new franchisees and purchase franchise rights from us. In other words, we treat the sale of franchise rights, and the sale of assets, as two separate, but integrated transactions that must occur simultaneously so that, on the same date, you acquire both a franchise license and title to the assets of the operating Shoot 360 Gym. Depending upon the physical condition of the Shoot 360 Gym premises, equipment and other assets, we may require you to upgrade the premises and equipment to our then-current design standards for new Shoot 360 Gyms. We will identify any mandatory renovation changes before you sign the Franchise Agreement or purchase the assets so that you can investigate the additional investment costs.~~

~~You and our affiliate that owns the operating Shoot 360 Gym will negotiate the price and other terms and conditions of sale for the asset transaction. The price and other terms of sale will vary in individual cases based on the operating performance and market potential of the Shoot 360 Gym being sold. Before you sign a letter of intent or open an escrow for the purchase and sale of the Shoot 360 Gym assets, you must submit an application to us for the franchise rights. Depending on the payment terms that you negotiate, all or part of the purchase price for the Shoot 360 Gym assets and goodwill may be payable to the selling affiliate before your business opens. On the closing date for the sale of the Shoot 360 Gym assets, you will sign the Franchise Agreement and pay us the Initial Franchise Fee (and 50% of the Shoot 360 Package Price, if applicable).~~

~~At this time, we do not require you to make any other payments to us or our affiliates for goods or services before the "Opening Date," which is the first day that a Shoot 360 Gym begins serving the general public.~~

**ITEM 6**

**OTHER FEES**

TYPE OF FEE		AMOUNT	DUE DATE	REMARKS
Monthly Training Unit Fee <u>Royalty</u> (Note 1)	12% of Gross Revenue	On the 5th day of each month for the prior month.	Ranges from \$1,450 (x 8 units) to \$1,600 (x 5 units) per Shoot 360 Training Unit, depending on the	Monthly  See the Pricing Schedule (Schedule 2 to the Franchise Agreement) for more details.

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
		<del>number of Training Units at the</del> <u>Revenue includes all revenue generated by your Franchised Gym.</u>	
Gym Management Applications	\$500	Monthly	Paid to us. The software includes scheduling, athlete practice management, billing, point-of-sale, sales pipeline management, and gym management functions.
Brand Development Fee (See Note <a href="#">42</a> ) (not yet required)	An amount we specify, up to 2% of Gross Revenue	Monthly	This obligation arises only if we create a Brand Development Fund. We have no such fund at this time.
Local Advertising (See Note <a href="#">23</a> )	An amount we specify up to 2% of Gross Revenue, with a minimum of \$500 per month	Monthly	<del>Paid</del> <u>If you fail to suppliers spend the required amount in any given year you must pay us the difference.</u> Your contributions to a Regional Advertising Co-Op, if any, will be credited to your Local Advertising obligation.
Co-op Advertising Fee (See Note <a href="#">23</a> ) (Not yet required)	An amount determined by the Co-Op board, not to exceed 1% of Gross Revenue	The terms of payment will be set by the Co-op board, which members of the Co-op elect.	This obligation arises only if we create a Regional Advertising Co-op for your area. We have no such co-ops at this time. We credit all Co-op Advertising Fees that you pay toward your minimum Local Advertising obligation.
Basketball Training Equipment and Supplies	Varies depending on the items you order	Within 30 days after invoice	This includes replenishment and replacement of equipment and supplies purchased from us <del>or our Operating Affiliate</del> , to meet the standards in the Manual. You must purchase these items, but you choose the quantity and timing.
Annual Meeting	Registration fee may vary, currently \$500- <u>per person, capped at \$2,500 per person per meeting for the term of your Franchise Agreement</u>	At registration, prior to the Annual Meeting	We may require the attendance of up to two of your Certified Managers, Primary Owners or other designated personnel. You are also responsible for your employees' salaries and travel expenses during the Annual Meeting (travel expenses are generally paid to third parties).
Additional Training after Opening Date (See Note <a href="#">34</a> )	Then-current training rate in the Manual (currently \$500 per day, not pro-rated for partial days), plus our staff's travel expenses	Daily fee is due before training begins; travel expenses within 30 days after our invoice	We provide additional training after the Opening Date by agreement either at the Franchised Gym or at another operating Shoot 360 Gym. We may also require that you or your Certified Managers complete additional training to correct any operating deficiencies. You are responsible for your employees' salaries and travel expenses during all training programs (travel expenses are paid to third parties). In consideration of the payment of the transfer fee, we do not charge

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
			training fees to provide our then-current initial training program to the approved buyer's owners and general managers who have not previously completed it.
Additional Assistance	Then-current training rate in the Manual (currently \$500 per day, not pro-rated for partial days), plus our staff's travel expenses	Daily fee is due before assistance begins; travel expenses within 30 days after our invoice	This assistance is provided at our discretion, and includes help that you request with set-up and operation of your franchise in addition to our established training programs and franchise oversight and support processes.
Alternate Supplier Testing Fee	Based on our actual cost, but not to exceed \$1,000 per request, plus reimbursement of direct expenses (for example, to visit a proposed supplier's facility)	Upon receipt of invoice	See Item 8 for details regarding the supplier approval process.
Late Fee/Interest	1.5% per month (but not to exceed the maximum legal rate of interest then permitted by Applicable Law)	Interest accrues from the due date until you pay the arrearage and late charge/interest in full.	Applies to all amounts payable to us under the Franchise Agreement. Late payment is a material default under the Franchise Agreement. By charging interest, we do not waive our right to terminate the Franchise Agreement on account of late payment.
Compliance Audit Costs	Reimbursement of our fees, costs and expenses incurred in connection with the audit (including reasonable accounting and legal fees and travel expenses)	Upon receipt of invoice	Payable only if our audit shows an understatement of Gross Revenue of 2% or more for any period. Regardless of the size of the understatement, the full amount of any underpayment and associated late fees/interest are due within 10 days of notice to you.
<del>Mystery Shopper Fee (Not yet required) (See Note 4)</del>	<del>Based on actual costs, which we currently estimate will range between \$200 and \$500 per year</del>	<del>We may direct you to pay us the Mystery Shopper Fee which we will forward to the mystery shopper company or have you remit payment directly to the mystery shopper company according to the company's payment terms. Payment to us is due within 10 days of invoice unless we indicate otherwise.</del>	<del>The amount of Mystery Shopper Fees will depend on the charges that the mystery shopper company imposes and the frequency of mystery shopper visits. The mystery shopper company may increase its fee at any time. We may direct the mystery shopper company to increase the number of visits to a particular Shoot 360 Gym if, in our sole judgment, the location's mystery shopper scores or other information indicates operating or customer service deficiencies.</del>
Service Charge for Insurance (See Note 5)	Reimbursement of our cost to purchase required insurance, plus a service charge equal to 25% of the cost	Upon receipt of invoice	The service charge is payable only if you fail to carry the insurance we require and we <del>decide to</del> purchase the insurance coverage for you. We have no obligation to obtain coverage for you and may, instead, terminate the Franchise Agreement

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
			based on your breach.
Remedial Work to Correct Unhealthy or Unsafe Condition	Reimbursement of our actual direct costs in performing the work (including labor, materials, travel, supervision and subcontractors) plus a service charge equal to 25% of the cost of the remedial or corrective work-	Upon receipt of invoice.	Payable only <del>if we elect to</del> if we elect to correct any unhealthy or unsafe condition at the Franchised Gym. We have no obligation to perform remedial work and may, instead, at our option terminate the Franchise Agreement based on your breach of your obligation to operate in compliance with all laws and in a safe and sanitary manner.
Renewal Fee	\$10,000	When you notify us of your exercise of the renewal option (at least 3 months, but not more than 6 months, before expiration of the current term)	See conditions of renewal in Item 17 and in the Franchise Agreement. The Area Development Agreement does not provide for a renewal term.
Transfer Fee – <del>(Area Development Agreement)</del>	\$10,000 (\$5,000 if the proposed transferee is an existing Shoot 360 franchisee in good standing)	When you apply for our consent to a proposed Event of Transfer pertaining to the area development rights.	If we refuse to consent to the proposed Event of Transfer, we may keep up to \$2,500 of the Transfer Fee to cover our expenses in reviewing the proposed transfer request. If we consent to the proposed Event of Transfer and do not exercise our right of first refusal, the buyer will <del>assume</del> <u>sign our then-current area development agreement (which may contain materially different terms than in your agreement) which will have a term equal to the remaining term of your Area Development Agreement for the remaining term.</u>
Transfer Fee – <del>(Franchise Agreement)</del>	\$10,000 (\$5,000 if the proposed transferee is an existing Shoot 360 franchisee in good standing)	When you apply for our consent to a proposed Event of Transfer pertaining to any single Shoot 360 Gym.	If we refuse to consent to the proposed Event of Transfer, we may keep up to \$2,500 of the Transfer Fee to cover our expenses in reviewing the proposed transfer request. If we consent to the proposed Event of Transfer and do not exercise our right of first refusal, the buyer will <del>assume your Franchise Agreement for the</del> <u>sign our then-current franchise agreement (which may contain materially different terms than in your agreement) which will have a term equal to</u> remainder of your term and any then-remaining renewal term.
Transfer Fee - Qualified Transfers (See Note 6)	\$1,500 per Qualified Transfer	When you submit your notification of the intended Qualified Transfer	“Qualified Transfer” means a sale, assignment, transfer, pledge, encumbrance, or other alienation of ownership interests in <del>Franchisee</del> <u>franchisee</u> not resulting in a Change of Control.
Management Fee	The then-current fee that	Payable monthly <del>for the</del>	This fee applies only if we elect to

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
(See Note 7)	we publish in the Manual (currently, 15% of Gross Revenue)	<del>same period as the Monthly Training Unit Fee</del>	manage the Franchised Gym after a death or incapacity that results in a Change of Control or the lack of a Certified Manager. See Item 17.
Indemnification and Defense	All costs including attorneys' fees; amount will vary depending on circumstances	As we incur expenses and present them to you	You must reimburse us for our losses resulting from the operation of your business. We may retain our own legal counsel. You must reimburse us for our legal and other professional expenses related to the claim.
<a href="#">Relocation Fee</a>	<a href="#">\$2,500</a>	<a href="#">At the time you request relocation</a>	<a href="#">Only payable if you seek to relocate your Franchised Gym.</a>

General Notes to the Item 6 Disclosures: Except as indicated, you will make all payments to us. All payments are non-refundable except the transfer fee, of which we will refund all but \$2,500 if we refuse to consent to a proposed transfer. At this time, we impose and collect continuing fees in a uniform manner. However, we may reduce fees in individual cases in our discretion. We also reserve the right to change the type and amount of fees that we require new franchisees to pay. If you have not timely reported Gross Revenue to us for any reporting period, we can, at our option, debit your account for: (a) 110% of the fees transferred from your account for the last reporting period for which a report of the Gross Revenue was provided to us; (b) the amount due based on information we have regarding your business activities; or (c) 110% of the fees transferred from your account for the same period in the prior year. Other than the Royalty, we may change any of the fees in this chart on 30 days written notice to you.

We collect most fees by way of a preauthorized bank deduction or automated clearing house ("ACH") system. Under the Franchise Agreement, you must maintain a dedicated operating account with sufficient funds in the account at all times so that we may debit amounts owed for Royalties and Brand Development Fees, if applicable payable to us. The current POS System that you must use gives us the ability to access Gross Revenue information and determine the amount of Royalty and Brand Development Fees payable to us. The terms of your agreement with your bank must include providing us with no less than 30 days' written notice before you or the bank may make any change to the operating account that would affect our ability to collect Royalty and Brand Development Fees through our ACH payment system. We may change the accounting period for paying and reporting all fees to us on no less than 30 days written notice. We may also designate different accounting periods for paying fees and reporting Gross Revenue and other financial results of the Franchised Gym.

NOTE 1. ~~Brand Development Fees.~~

~~We do not currently collect Brand Development Fees. However, upon no less than 30 days' written notice, we may begin collecting a Brand Development Fee of up to two percent (2%) of Gross Revenue Royalty.~~ "Gross Revenue" means ~~the aggregate of~~ all revenue and income from operating the Franchised Gym, whether payment is in cash or by credit card or other generally accepted form of payment, including noncash payment systems like gift cards. Gross Revenue includes the actual proceeds received from the sale of all memberships, products, services, merchandise, or other goods or services of any kind. For the sake of clarity, Gross Revenue includes: (a) the value of goods and services bought by customers by redeeming gift cards; and (b) the proceeds from any business interruption insurance. Gross Revenue excludes: (i) sales taxes and other taxes separately stated, if any, collected from customers

and paid to taxing authorities; (ii) refunds and credits made in good faith to arms' length customers; (iii) the amount of any checks dishonored or returned and the amount of any charge backs or reversals of credit card transactions with customers; and (iv) proceeds from the sale of authorized gift cards to customers.

~~We collect most fees by way of a preauthorized bank deduction or automated clearing house ("ACH") system. Under the Franchise Agreement, you must maintain a dedicated operating account with sufficient funds in the account at all times so that we may debit the entire Monthly Training Unit Fees (and Brand Development Fees, if applicable) payable to us. The current POS System that you must use gives us the ability to access Gross Revenue information and determine the amount of Brand Development Fees payable to us. The terms of your agreement with your bank must include providing us with no less than 30 days' written notice before you or the bank may make any change to the operating account that would affect our ability to collect Monthly Training Unit Fees and Brand Development Fees through our ACH payment system. We may change the accounting period for paying and reporting all fees to us on no less than 30 days written notice. We may also designate different accounting periods for paying fees and reporting Gross Revenue and other financial results of the Franchised Gym.~~

#### NOTE 2

NOTE 2. Brand Development Fees. We do not currently collect Brand Development Fees. However, upon no less than 30 days' written notice, we may begin collecting a Brand Development Fee of up to 2% of Gross Revenue.

NOTE 3. Local and Regional Advertising. You must spend a minimum amount on local advertising and marketing of the Franchised Gym after the Opening Date and account to us for your expenditures. The "Opening Date" is the first day that a Shoot 360 Gym begins serving the general public. We must approve all local advertising and marketing materials that you create before you may use them. If you do not spend the monthly minimum amount we require on local advertising we can require you to pay us the difference between what you spent and what you were supposed to spend.

"Local advertising and marketing" includes all forms of advertising, marketing and promotion in any media channel and includes print, television and radio advertising; flyers and other printed advertising materials; in-store promotional materials; outdoor advertising; promotional and marketing events at or involving your Franchised Gym; youth sports and yearbook sponsorships; gift card giveaways; and website content, including advertising that you conduct on third-party and social media websites. Local advertising also includes fees that you pay to a third-party agency to create local advertising content, provide public relations exposure, or manage social networking content for you.

Additionally, upon no less than 30 days written notice, we may establish a regional advertising cooperative (a "Regional Advertising Co-op") for a geographic area that includes the Franchised Gym. We may require that you pay Co-op Advertising Fees of up to 1% of Gross Revenue to the Regional Advertising Co-op which the Regional Advertising Co-op will deposit into a "Regional Marketing Fund". We, alone, may decide to create or end a Regional Advertising Co-op or merge one or more neighboring areas into a larger Regional Advertising Co-op.

We may charge you a fee of up to \$500 to customize your Franchised Gym's webpage on the Shoot 360 website, ~~www.Shoot360.com~~. If we do, we will credit the fee to your minimum obligation for local advertising expenditures.

NOTE ~~3~~4. Training Expenses. At this time, our initial training program consists of six separate modules: (i) Owner Consultations; (ii) Managerial Consultations; (iii) Manager-In-Training (MIT) Program; (iv) Managerial Virtual Trainings; ~~(v) Staff Virtual Trainings;~~ and ~~(vi)~~(v) Go-Live Training. Item 11 describes these modules, their length and location, when they begin relative to when you sign the Franchise Agreement, and who must attend each module. We may modify our training programs at any time.

~~The Initial Franchise Fee compensates us for providing the initial training program and we do not charge an additional training fee for providing initial training before and in connection with the opening of the Franchised Gym. Similarly, the Transfer Fee compensates us for providing the initial training program to your buyer if we consent to an Event of Transfer, and you will not pay additional training fees in that context.~~ For any training that you and your employees receive, you are responsible for paying all personal expenses for yourself and your employees to attend training, including transportation, lodging, meals, salary and other personal charges.

Once the Franchised Gym opens, you may enroll later hires in our training sessions according to their job classification and subject to space availability. We may charge training fees for training classes that we provide to you and your employees at your or our request after the Franchised Gym opens. You will pay our then-current per person training fee at the time you or your employee enroll in the training class. Our current per person training fee is \$500 per day (for up to 8 hours per day, with no prorating for a partial day). We may revise training fees at any time. We may limit enrollment in training classes based on space availability.

Your Franchised Gym must be under the direct, full-time supervision of a “Certified Manager,” which is a management-level employee who (i) successfully completes the entire initial training program required for managerial employees; (ii) devotes full-time and attention to supervising the day-to-day operations of the Franchised Gym; and (iii) passes a Certified Manager exam to qualify as a Certified Manager, if required by the initial training program. A Certified Manager may, but need not, be a “Primary Owner.” The term “Primary Owner” refers to any person who owns 10% or more of the equity or voting shares of a business entity that is a franchisee. ~~Because of the possibility that management-level personnel may turn over and your Certified Manager may leave, we recommend that you employ at least two full-time management-level employees who qualify as Certified Managers.~~ You will be in breach of the Franchise Agreement and subject to termination if you do not have at least one full-time Certified Manager operating the Franchised Gym at all times.

With an Event of Transfer, you, as the selling franchisee, will remain responsible for the day-to-day supervision and performance of the Franchised Gym until the buyer qualifies at least one individual (which may be a Primary Owner) as a full-time Certified Manager. In other words, you may have to extend the closing date for the Event of Transfer until the buyer qualifies at least one individual as a Certified Manager.

We may require that you and your Certified Managers attend and complete to our satisfaction refresher training programs or seminars, up to 40 hours of programs and seminars per year. These programs and seminars will be held at locations we designate. You may be required to pay our then-current per person training fee at the time you or your employee enrolls in the training class. You will also be responsible for paying all travel, living and other expenses and compensation for attending these programs and seminars.

~~NOTE 4. Mystery Shopper Fee. In the future, we may introduce a mystery shopper program using the services of an outside mystery shopper company that will perform regular mystery~~

~~shopper visits at the Franchised Gym in order to provide you with critical feedback and insight into the effectiveness of your operations from a customer's perspective. If and when we implement the program, you must participate in it. The mystery shopper program will supply us with benchmark data that will help us compare the performance of the Franchised Gym against local competitors and other Shoot 360 Gyms and franchise owners and develop chain-wide benchmarks and competitive intelligence benefiting all Shoot 360 Gyms. We may collect a Mystery Shopper Fee or, alternatively, at our option, have you pay the mystery shopper company's fees directly to the company. In our discretion, we may use more than one mystery shopper company. In setting your Mystery Shopper Fee, we intend to pass through the fees which the mystery shopper company charges us to visit the Franchised Gym. Based on our knowledge of the fees that mystery shopper companies charge today and the number of mystery shopper visits we anticipate the mystery shopper company will make each year to Shoot 360 Gyms in good standing, we estimate that your Mystery Shopper Fees will range between \$200 and \$500 per year. However, the fees may be higher. Not only may the mystery shopper company that we select increase its fees per visit, but we may direct the mystery shopper company to increase the number of visits to a particular Shoot 360 Gym due to mystery shopper scores indicating operating deficiencies, customer relations problems or similar matters which, in our judgment, require further investigation and follow-up.~~

NOTE 5. Insurance. We identify in the Manual the types and minimum limits of insurance coverage that you must carry. ~~We make no representation that the coverage will be sufficient for your business or purposes. You need to evaluate if your business will require greater coverage or other types of insurance.~~ Payments for insurance are made to third-party insurance companies unless you fail to maintain the required insurance and we elect to obtain it for you, in which case we may require you to reimburse our costs to obtain the insurance on your behalf, plus a 25% service fee.

Our current minimum insurance requirements for each Shoot 360 Gym are as follows:

- (1) Comprehensive general liability insurance with minimum coverage of with minimum liability coverage of \$1,000,000 per occurrence and \$2,000,000 aggregate combined single limit (including broad form contractual liability), or the higher amount required by the premises lease, insuring you, us and any of our affiliates that we designate against claims for personal injury or property damage from your business operations.
- (2) Abuse and Sexual Misconduct liability insurance with minimum coverage of \$1,000,000.
- (3) An umbrella liability policy with not less than \$2,000,000 per occurrence and aggregate combined single limit as excess over general liability coverage.
- (4) Workers' compensation coverage meeting the minimum statutory requirements and with employer's liability limits for bodily injury by accident or disease of not less than \$1,000,000 per accident or disease, which may be met in the form of primary and excess/umbrella coverage.
- (5) Employment practices liability insurance with minimum coverage of \$1,000,000.

- (6) General casualty insurance, including fire and extended coverage, vandalism and malicious mischief insurance for the full replacement value of your premises and its contents with the following minimum limits:

REQUIRED COVERAGE	MINIMUM LIMITS OF COVERAGE
General Aggregate	\$2,000,000
Products/Completed Operations Aggregate	\$2,000,000
Personal and Advertising Injury	\$1,000,000
Each Occurrence	\$1,000,000
Fire Damage (any one fire)	\$300,000

- (7) Automobile insurance for each vehicle used to operate the Franchised Gym with minimum coverage of \$1,000,000 each occurrence, which may be met in the form of primary and excess coverage, and including coverage for owned, hired and non-owned automobiles.
- (8) Cyber security insurance with minimum coverage of \$100,000.
- (9) Business interruption insurance sufficient to cover your expenses (including payments due to us), profits and losses for a minimum period of 12 months from the date of a closure due to an insured loss.
- (10) Additional insurance if required by the premises lease for the Approved Location, or otherwise by Applicable Law.

~~Any person or firm that you hire as a general contractor or to perform comparable services must maintain general liability and builder's risk insurance with comprehensive automobile liability coverage and worker's compensation insurance in the minimum amount of \$1,000,000 plus additional insurance that protects against damage to the premises and structure and other course of construction hazards.~~

We may periodically modify all minimum amounts to reflect inflation, general industry standards or our future experience with claims. If you do not maintain the insurance coverage we require, we may obtain the above insurance coverage for you and charge you a service fee as described in the Item 6 chart. For additional conditions applicable to mandatory insurance including the requirement that your insurance policies name us as an additional insured, see the Franchise Agreement (**Exhibit C**).

NOTE 6. Transfer Fee. The Area Development Agreement and Franchise Agreement each define what events constitute an "Event of Transfer" and a "Qualified Transfer." If a single Event of Transfer or Qualified Transfer involves multiple Franchise Agreements and the same buyer or successor, we will charge a separate Transfer Fee regardless of the number of franchises being sold to the same buyer that are involved in the same Event of Transfer.

NOTE 7. Management Fee. The death or incapacity of one of your Primary Owners may result in a "Change of Control" and trigger an Event of Transfer that requires our prior written consent.

If, immediately after a death or incapacity of a Primary Owner resulting in a Change of Control, or the death or incapacity of your Certified Manager, your remaining management cannot demonstrate to our satisfaction that they can operate the Franchised Business in accordance with the requirements of the Franchise Agreement during the interim period until they obtain our consent to the Event of Transfer, we may assume day-to-day management of the Franchised Gym for your account for up to 90 days. If you or your successors have not obtained our consent to the Event of Transfer by the end of 90 days, we must either mutually agree to extend the management arrangement or we may terminate the Franchise Agreement based on the lack of satisfactory management. During the period that we manage the Franchised Gym, we may retain enough out of the Franchised Gym's cash flow to pay ourselves the ~~continuing Monthly Training Unit~~ Royalty and Brand Development Fees due under the Franchise Agreement, any Regional Advertising Co-op Fees that are payable at that time, and the Management Fee, as well as reimburse ourselves for our out-of-pocket expenses. Your obligation for these fees does not depend on the Franchised Gym having positive cash flow. We consider a "Change of Control" to be a transaction resulting in the sale of the assets of the Franchised Gym. If you are a business entity, "Change of Control" also means: (i) a transaction resulting in a transfer of 50% or more of your outstanding voting power; (ii) a change in the person(s) identified in the Franchise Agreement as the Primary Owner(s); or (iii) a change in the right to appoint, or cause to be appointed, a majority of your directors, officers or managers.

## ITEM 7

### ESTIMATED INITIAL INVESTMENT

#### Your Estimated Initial Investment Single Unit Franchise

TYPE OF EXPENDITURE	<u>ESTIMATED AMOUNT (LOW / HIGH)</u>	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Fee (See Note 1)	\$60,000	Cash	When you sign the Franchise Agreement	Us
Shoot 360 Package (See Note 2)	<del>\$390,000-</del> <del>\$955,000</del> <u>\$389,500 -</u> <u>\$966,500</u>	Cash	Current terms: 50% at order, 25% 90 days before shipping, 15% at shipment, 10% upon delivery and installation	Us <del>or our affiliate</del>
<u>Gym Management Applications Fee</u> (See Note 3)	<u>\$1,500</u>	<u>Direct Debt</u>	<u>5<sup>th</sup> of the month</u>	<u>Us</u>
Real estate (rent and security deposits) (See Note <u>34</u> )	<del>\$20,000</del> - \$280,000	As arranged	Per lease terms	Landlord
Equipment, fixtures, other fixed assets, construction,	\$50,000 - <del>\$445,000</del> <u>450,000</u>	As required	As required	Us, Contractor, Suppliers

TYPE OF EXPENDITURE	<u>ESTIMATED AMOUNT</u> <u>(LOW / HIGH)</u>	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
remodeling, leasehold <del>Improvements</del> <u>improvements</u> and decorating costs (See Note <u>45</u> )				
Training expenses (See Note <u>56</u> )	\$5,000 - \$11,000	As incurred	As required	Miscellaneous third parties
Employees (See Note <u>67</u> )	<del>\$35,000-</del> <del>\$56,000</del> <u>\$16,000 - \$19,000</u>	As incurred	As required	Employees, benefits suppliers and taxing authorities
Inventory to begin operating (See Note <u>78</u> )	\$2,000 - \$10,000	As required	Before opening	Us or Suppliers
Security deposits (excluding real estate), utility deposits, business licenses, and other prepaid expenses (See Note <u>89</u> )	<del>\$0</del> <u>1,000</u> - \$35,000	As <del>Arranged</del> <u>arranged</u>	As <del>Arranged</del> <u>arranged</u>	Suppliers, utilities, government agencies
Professional Fees (See Note <u>910</u> )	\$5,000 - \$50,000	As <del>Arranged</del> <u>arranged</u>	As <del>Arranged</del> <u>arranged</u>	Third parties, including architects, lawyers and accountants
Insurance (See Note <del>10</del> <u>11</u> )	\$2,000 - \$7,000	As <del>Arranged</del> <u>arranged</u>	As <del>Arranged</del> <u>arranged</u>	Insurers
Uniforms	\$2,000 - \$5,000	As required	As <del>Arranged</del> <u>arranged</u>	Us or Suppliers
Office supplies and equipment (See Note <u>112</u> )	\$4,000 - \$11,000	As <del>Arranged</del> <u>arranged</u>	As <del>Arranged</del> <u>arranged</u>	Suppliers
Promotional materials (including stationery & advertising materials)	\$5,000 - <del>\$50,000</del> <u>25,000</u>	As <del>Arranged</del> <u>arranged</u>	As <del>Arranged</del> <u>arranged</u>	Suppliers
<u>Local Advertising (see Note 13)</u>	<u>\$1,500 – \$20,000</u>	<u>As required</u>	<u>As arranged</u>	<u>Suppliers</u>
Security Cameras and Monitoring System (hardware and software)	\$2,000 - \$10,000	As required	As required	Suppliers
Additional Funds – three months (See Note <del>12</del> <u>14</u> )	<del>\$75,000-</del> <del>\$225,000</del> <u>\$92,000 - \$182,000</u>	As <del>Arranged</del> <u>arranged</u>	As <del>Arranged</del> <u>arranged</u>	Us, employees, utilities, suppliers
<b>TOTAL</b>	<del>\$637,000 to \$2,210,000</del> <u>\$658,500 to \$2,143,000</u>			

**Your Estimated Initial Investment  
Area Developer**

<u>TYPE OF EXPENDITURE</u>	<u>ESTIMATED AMOUNT</u>	<u>METHOD OF PAYMENT</u>	<u>WHEN DUE</u>	<u>TO WHOM PAYMENT IS TO BE MADE</u>
Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Development Fee	\$60,000 for the first four <del>Shoot 360</del> Franchised Gyms, plus \$40,000 for each additional <del>Shoot 360</del> Franchised Gym in the Development Quota; <del>plus \$250,000 as a deposit toward the Shoot 360 Package for the first Gym</del>	Cash	Payable when you sign the Area Development Agreement. Any remaining balance of the Initial Franchise Fee <del>and Shoot 360 Package</del> for each <del>location</del> Franchised Gym is due when you obtain site approval <del>for such Franchised Gym.</del>	Us
<u>Shoot 360 Package (See Note 2)</u>	<u>\$250,000 for the first Franchised Gym</u>	<u>Cash</u>	<u>As Arranged (See Note 2)</u>	<u>Us</u>
<b>TOTAL</b>	Depends on the number of <del>Shoot 360</del> Franchised Gyms in the <del>mutually-agreed upon</del> Development Quota (generally minimum three locations)			

**THE FOLLOWING NOTES ACCOMPANY THE ITEM 7 CHARTS**

General: Item 7 explains your likely initial investment to open and begin operating a Shoot 360 Gym in a building of approximately 8,000 to 20,000 square feet, with between five and eight training units. Several initial investment expense categories, including rent and security deposits; equipment, fixtures, construction costs and supplies, vary widely depending on the size of your Franchised Gym.

~~The initial estimate covers the “initial period,” which begins on the date you sign the Franchise Agreement and ends 3 months after the Opening Date of your Franchised Gym. In the notes, we explain each expense category in detail and the variables that influence the low and high initial investment estimates. The estimates in the charts above are based upon our Operating Affiliate’s experience operating Shoot 360 Gyms in Oregon and Washington and our experience providing franchisees with assistance in developing Shoot 360 Gyms across the United States. You should review these estimates with your business advisors before you decide to purchase the franchise or to make any expenditure.~~ These notes are an integral part of Item 7.

If you acquire area development rights, your estimated initial expense as an area developer consists of the Development Fee. Other than the Development Fee, we do not expect that an area developer will have any other type of incremental expense during the initial phase that is

specific to exercising area development rights. Area developers will incur expenses in fulfilling their development commitment, including expenses for site selection, lease review, and construction and development of each Shoot 360 Gym. However, we account for these expenses in the single unit franchise chart. An area developer may incur higher legal and other professional fees than a franchisee who acquires single-unit franchise rights.

Refund Conditions. ~~The Initial Franchise Fee and the Shoot 360 Package price are only refundable under the conditions that we explain in Item 5. The Development Fee is not refundable.~~—The security deposit that you pay to the landlord for the Approved Location lease or to an equipment supplier as part of any equipment lease may be refundable at the end of the lease under the conditions in the applicable lease. Otherwise, none of the initial investment payments are refundable unless you negotiate for refund terms with the third-party vendor or supplier. We make no representation regarding your ability to obtain refund terms with third parties with which you deal in establishing the Franchised Gym.

NOTE 1. Initial Franchise Fee. When you sign the Franchise Agreement, you must pay us the then-current Initial Franchise Fee. See Item 5 for more information.

NOTE 2. Shoot 360 Package. You will purchase from us ~~or our approved supplier~~ a package of basketball training equipment, branding materials, and other equipment we specify for the Franchised Gym. The specific package will be determined by us after consultation with you, based upon the size and layout of the Approved Location. The Shoot 360 Package price includes delivery and installation, and the price and related payment terms will be based on the pricing schedule in effect at the time of your order. See Schedule 2 to the Franchise Agreement for the current pricing and terms. The estimates include the cost of the required flooring package if you choose to purchase flooring from us as part of your package; you have the option to purchase flooring materials and installation services from the contractor of your choice, subject to the floor meeting our specifications.

If you enter into an Area Development Agreement, you ~~will be required to~~ must pay us \$250,000 toward the Shoot 360 Package ~~Price~~ price for the first ~~Shoot 360~~ Franchised Gym in the Development Quota at the time you enter into the Area Development Agreement. You must pay the ~~balance of the 50% down payment toward the Shoot 360 Package Price for the first Shoot 360 Gym when you obtain approval of the location for the Franchised Gym, and pay the~~ remaining payments according to our standard payment terms. For the second and subsequent ~~Shoot 360~~ Franchised Gyms in the Development Quota, you will pay ~~the 50%~~ a sum equal to 50% of the Shoot 360 Package price for such Franchised Gym, as a down payment when you obtain approval of the location for the Franchised Gym and sign the Franchise Agreement, and pay the remaining payments according to our standard payment terms.

NOTE 3. Gym Management Applications. You must pay us a monthly fee of \$500 for the gym management applications. This estimate is for the payment of that fee for your first three months of operation after opening.

NOTE 4. Real Estate (rent and security deposits). These estimates are based on our Operating Affiliate's experience developing and operating Shoot 360 Gyms in Oregon and Washington, as well as our experience assisting franchisees developing Shoot 360 Gyms across the United States. We anticipate that most franchisees that open a Shoot 360 Gym will lease their space, not acquire the real estate. You will need a building with 8,000-20,000

square feet of space, a minimum ceiling height of 20 feet, and adequate parking (generally a minimum of 1.5 parking spaces per 1,000 square feet of facility). Rental costs per square foot for commercial space varies widely by geographic market (population density, demographic conditions, desirability and demand influence rental costs); physical size and condition; type of space; the location's placement in a larger complex; market and economic conditions; and prior use of the space. In addition to rent, landlords also vary regarding the number of months' rent that they require as a security deposit, which will also affect your real estate expenses during the initial period. You should expect to pay one to two months' rent as a security deposit. You may also be required to pay a separate monthly common area maintenance fee in addition to rent.

Depending on vacancy rates, prevailing economic conditions and competition, landlords may offer free rent, tenant improvement allowances and other incentives. Some landlords will agree to defer the rent commencement date for some time period after you receive possession and during the build-out phase. We cannot guarantee that you will be able to negotiate a tenant improvement allowance or other favorable lease terms, including rent deferrals, and we make no allowance for these benefits in disclosing initial investment real estate costs. Depending on the lease terms that you negotiate, payment of rent may begin before the Opening Date.

The following chart shows the assumptions underlying our estimated ranges for rent for a separate facility. If the franchisee is incorporating a Shoot 360 facility into an existing operating gym, there may be no additional rent expense. Amounts paid before the Opening Date appear in this line item, while rent amounts paid after the Opening Date are included in the Additional Funds category.

	Assumption regarding monthly rent	Security Deposit Paid Before Opening	Rent Paid Before Opening	Total Rent & Security Deposit paid before Opening	Rent paid after Opening (included in Additional Funds)
Low estimate (8,000 sq. ft. building)	\$5,000	1 month @ \$5,000 = \$5,000	3 months @ \$5,000 = \$15,000	\$20,000	3 months @ \$5,000 = \$15,000
High estimate (20,000 sq. ft. building)	\$35,000	2 months @ \$35,000 = \$70,000	6 months @ \$35,000 = \$210,000	\$280,000	3 months @ \$35,000 = \$105,000

**NOTE 45.** Equipment (other than the Shoot 360 Package), Fixtures, Other Fixed Assets, Construction, Remodeling, Leasehold Improvements, Exterior Signage, Furniture, Décor Items. The low estimate assumes that the space was previously used as a basketball gym, while the high estimate assumes that you take possession of an empty shell requiring complete remodeling. Your initial investment expenses for this category may be lower if you are able to lease or finance the cost of equipment meeting our specifications. You must investigate equipment leasing and financing options on your own.

Fixtures and other fixed assets include all millwork, cabinetry, flooring, lighting, and counters.

Construction, remodeling and leasehold improvement costs include expenses to conform the approved space to our comprehensive specifications for lighting, flooring, mechanical systems, electrical systems, plumbing, carpentry, wall and ceiling treatments, exhaust/ventilation systems, storage areas, locker rooms, restroom, signs, and other improvements to prepare the location for opening. This category also includes the cost of building permits, a permit

acceleration service, exterior signage, as well as a \$5,000 to \$10,000 fee paid to us for the preparation of construction drawing and plans. Actual costs of construction, remodeling and leasehold improvements will depend on the size, pre-existing condition, location and previous use of the approved site and building, applicable local building codes, health codes, prevailing economic conditions and the need to use union labor, which is generally more expensive than non-union labor. If you locate the Franchised Gym in an existing building, the location will typically be already improved with lighting, ceiling, flooring and plumbing. We reserve the right to require you to submit information regarding your proposed contractor to us for approval.

NOTE ~~56~~. Training Expenses. This category reflects your likely expenses to complete the initial training program. While we do not charge a fee to attend initial training, you will have costs to send your owners and employees to attend training sessions that require travel, which may include airfare, hotel, car rental, auto mileage, lodging and/or meal expenses. Your expenses will depend on the distance you and your employees must travel and the type of accommodations you choose.

The estimates assume that two people (your ~~Operating Partner~~ “Primary Owner” (which is an owner owning 10% or more of you) and your General Manager) attend the same Manager-In-Training session before the Opening Date. ~~At this time, the~~ The Manager-In-Training Program, is conducted in person at our ~~Beaverton, Oregon or~~ Vancouver, Washington training facility, and the Go-Live Training is held at the Franchised Gym. Owner and Managerial Consultations, as well as Managerial ~~and Staff Virtual~~ Trainings, are conducted virtually, so we do not include any estimated travel expenses for those training modules.

NOTE ~~67~~. Employees. This category includes salaries and related costs for your general manager and floor coaches during training and other pre-opening hours.

NOTE ~~78~~. Opening Inventory. The low and high opening inventory estimates cover your expenses for an initial supply of food and beverage items, apparel and other merchandise from the Opening Date until depletion. We include expenses to replenish inventory during the remainder of the initial period (through the end of the first 3 months after the Opening Date) under Additional Funds. Your inventory needs will vary substantially according to the size of the Franchised Gym and the actual sales levels that you achieve during the initial period.

NOTE ~~89~~. Security deposits (excluding real estate), utility deposits, business licenses, and other prepaid expenses. Some equipment suppliers and utility companies may require you to pay a security deposit. This category also includes business license fees and an allowance for other pre-paid expenses that some suppliers may require.

NOTE ~~910~~. Professional Fees. This estimate includes fees that you may incur during the initial period for architectural and design planning services and legal and accounting advice. You may require architectural or design assistance beyond the construction drawings that we prepare for you. You may require an accountant and an attorney to provide services with the formation of a new business entity to own the franchise and review contracts, including this disclosure document, the Franchise Agreement and premises lease.

NOTE ~~1011~~. Insurance. The high estimate assumes that you pay your entire annual premium for all required insurance in advance; the low estimate includes premiums for required insurance through the end of the first 3 months after the Opening Date.

NOTE ~~4~~12. Supplies and Equipment. This category includes office supplies, miscellaneous office equipment, and similar equipment, and an opening quantity of cleaning supplies and other paper goods. We include expenses to replenish supplies during the remainder of the initial period under Additional Funds.

NOTE ~~4~~13. Local Advertising. The low estimate assumes you spend the minimum amount we require during the first 3 months of the operation of your Franchised Gym after opening. The high estimate assumes you spend the minimum amount we recommend. You are encouraged to spend more than this amount if you believe it would be beneficial in your market.

Note 14. Additional Funds – Initial Period. This category includes miscellaneous expenses that you are likely to incur during the first 3 months after the Opening Date that we do not cover elsewhere, like replenishing employee uniforms, inventory and supplies; costs for janitorial services, telephones and internet connections during the initial period; salaries and miscellaneous expenses during the Go-Live module of the initial training program; and computer and office equipment that is not part of the POS System. This category also includes an estimate of the working capital you will need for the initial period. Working capital needs are in addition to cash flow from operations.

The additional funds estimate is a broad range; the amount needed will vary depending on many factors, including the size of your facility; the number of employees you choose to hire and the salary and other benefits you choose to pay; the hours you choose to operate the Franchised Gym; your skill, experience, business acumen and credit rating; local competition; local economic conditions (including rent and wage scales and the cost of supplies); and the sales levels that you reach during the initial three-month period after the Opening Date.

These figures ~~include a range of Monthly Training Unit Fees and the Gym management application monthly fees paid to us after the Opening Date, but~~ exclude payments of ~~Local Advertising expenditures and any~~ Royalties, Brand Development Fees and Co-op Advertising Fees, since the amounts that you pay or spend for those items will depend upon your actual Gross Revenue. The Additional Funds category includes an allowance for payroll expenses for all employees for the first three months after opening, but does not include any allowance for a draw or salary to you or other owners of the franchise.

The Additional Funds category does not include any allowance for payments made to a bank or financing company on any loan that you may obtain to finance initial investment expenses.

We ~~rely~~ relied on the experience of ~~our owners~~ Shoot 360 franchisees in developing, opening and operating Shoot 360 Gyms and on the general management and business backgrounds of our management. You should review these figures and notes carefully with a business advisor and evaluate your own situation before making any decision to purchase the franchise.

## ITEM 8

### RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

In operating the Franchised Gym, you must adhere to the business methods, standards, policies, and specifications that are part of the Shoot 360 System. All branded items, marketing materials, equipment, furnishings, fixtures, signs, uniforms, ~~point-of-sale system~~ POS System,

software, insurance, food and beverage items, and other goods and services you purchase for use in your business must meet our specifications. Those specifications may include minimum standards for quality, performance, design, appearance, and delivery.

We may identify the specifications and requirements of the Shoot 360 System by (i) designating the specific equipment and supplies that you must or may use or sell by brand name, manufacturer, supplier, model number or minimum features or comparable specifications; (ii) providing minimum standards for goods or services; and (iii) supplying you with other detailed operating instructions and procedures. We explain these specifications in the Manual. We may modify our requirements as frequently as we believe is necessary, and will communicate changes to you in writing or electronically. You must conform to all changes in our specifications at your cost, within the time we allow.

We require you to comply with our brand specifications relating to the format and content of local advertising. We require that you obtain our prior approval with respect to the use of any advertising materials you prepare. You also may not create any website or landing page using our Marks that refers or relates to your Franchised Gym.

We estimate that the items you must purchase or lease to meet our specifications will represent approximately 60-90% of the total purchases you will make to begin operations. Once you begin operating, we expect that the items you must purchase or lease subject to our specifications will represent approximately 25-50% of your total ongoing purchases.

We may require you to purchase certain equipment, inventory, supplies, and other products and services used or offered at your business from vendors we approve. These will include mandatory vendors (from whom you must purchase certain items or services), designated vendors (for items or services that must be purchased from approved vendors), and preferred vendors (vendors we have approved for purchases where you are not required to use an approved vendor). We identify current mandatory, designated, and preferred vendors in the Manual, and may revise the list from time to time. Some suppliers may pay rebates to us based on your purchases. We or our affiliates may be the sole approved source, or one of several approved sources, for certain items.

When we have a designated vendor, if you want to purchase from other vendors the items or services for which that vendor has been designated, you must obtain our approval before purchasing from the vendor. The Manual explains the procedures you must follow to apply for our approval and our criteria for supplier approval. If you seek approval of a new supplier (or if the supplier applies directly to us for approval), we may request information about the supplier and product samples, and we may inspect a proposed supplier's facilities and test its products. We will charge a fee, not to exceed \$1,000 per request, plus reimbursement of any direct expenses (including travel to visit a proposed supplier's facilities). We may also require the supplier to sign a supplier agreement with us as a condition of approval.

In reviewing prospective suppliers, we consider product quality; the supplier's production and delivery capability, overall business reputation and financial condition; whether the product or service is consistent with the Shoot 360 System and meets our specifications; how the supplier's product or service would improve the customer experience or increase revenue or efficiency of a franchisee's gym; and other factors. We also consider whether the product or service is already available through other sources, and whether the approval of another vendor would enhance competition or dilute our ability to maximize our potential with our existing vendors. We will generally notify you and the vendor of our approval or disapproval within 30

days after we receive all requested information and samples (and complete our inspection or testing, if applicable). We may re-inspect or revoke our approval of a supplier or item at any time. Revocation is effective immediately when you receive written notice from us, and after that, you may not place new orders for the item or with the supplier.

Except as we specify, you may purchase other equipment, food and beverage items, furnishings, and supplies that you use, offer or sell in operating the Franchised Gym from any reputable vendor. We provide any minimum specifications for these goods and services in the Manual. In some cases, specifications may be by brand name.

We have selected preferred third-party vendors for real estate and lease negotiation assistance ~~(currently Hughes Marino)~~, payroll and human resource services, and financing arrangements ~~(currently Huntington Bank)~~. You are not required to use these vendors. However, these vendors are familiar with the Shoot 360 System and may be able to provide you with better service than other vendors. If you choose to use ~~both Hughes Marino and Huntington Bank~~, these vendors and ~~thereafter~~, despite your diligent efforts, encounter delays in securing a site for the Approved Location or during the construction process, we will grant reasonable extensions of the Franchise Agreement’s development deadlines upon your request.

Except as disclosed above, we do not provide material benefits to franchisees (for example, renewal or additional franchises) based on the fact that you purchase from a particular supplier. We may, however, terminate your franchise if you purchase or use unapproved products, or purchase from unapproved suppliers.

~~At this time, our Operating Affiliate is~~ We are the ~~exclusive~~ sole supplier of the Shoot 360 Package, including basketball training equipment with embedded software, a branding package, and other equipment. You must purchase all items containing the Licensed Marks, including advertising materials, from us or our mandatory or designated suppliers, to ensure uniformity and high quality. ~~We require that you pay us a monthly fee for the software used by Shoot 360 Gyms for scheduling, athlete practice management, billing, point-of-sale, and management functions.~~ Other required goods and services are sold by designated or preferred third-party suppliers. We may revise the list of goods and services for which we or one of our affiliates is the exclusive supplier at any time.

The following chart shows the amount of revenue that we received during our most recent fiscal year from sales of basketball training equipment, signage and other branding materials, flooring and installation services to franchisees. ~~Our Operating Affiliate provides the equipment package and installation services to our franchisees and receives from us a portion of the revenue disclosed in the chart below via an intercompany agreement. These figures do not take into account our Operating Affiliate’s cost of goods sold. The sums paid to us are and~~ the amount we paid to our operating affiliate for its services in connection with the Shoot 360 Package. The information below is taken from our most recent audited financial statements and our internal financial records.

Total Revenue in fiscal year ended Oct. 31, <del>2023</del> <u>2024</u>	Revenue in <del>FYE</del> <u>fiscal year ended</u> Oct. 31, <del>2023</del> <u>2024</u> from required purchases/leases by franchisees	<u>Percentage of Revenue in fiscal year ended Oct. 31, 2024</u> from required purchases/leases by franchisees, <del>of as compared to</del> <u>Total Revenue in fiscal year ended Oct. 31, 2023</u>
<u>\$9,901,811</u>	<u>\$6,523,122</u>	<u>66%</u>
<del>Shoot 360 Nation LLC</del>	<del>\$7,317,459</del>	<del>\$4,657,164</del>
		<u>63.6%</u>

Total Revenue in fiscal year ended Oct. 31, <del>2023</del> 2024	Revenue in <del>FY</del> fiscal year ended Oct. 31, <del>2023</del> 2024 from required purchases/leases by franchisees	Percentage of Revenue in fiscal year ended Oct. 31, 2024 from required purchases/leases by franchisees, <del>ofas compared to</del> Total Revenue in fiscal year ended Oct. 31, 2023
<del>(Us)</del>		

In the fiscal year ended October 31, 2024 our Operating Affiliate received \$5,870,810 in revenue from our sale of required products/services to our franchisees. This information is taken from our Operating Affiliate’s internal financial records.

We may receive rebates, price adjustments, or discounts on products or services from approved suppliers on account of the supplier’s transactions with our franchisees. For example, we receive rebates ranging from 5%-10% of franchisee purchases on various items. We may condition our approval of a supplier on its willingness to pay us or provide us other benefits on account of its transactions with our franchisees. ~~We will deposit all payments made to us by suppliers on account of their transactions with our franchisees into the Brand Development Fund (if it exists), except as otherwise required by the supplier.~~

### **Purchasing Arrangements**

Except as described above, there are no purchasing programs or distribution cooperatives in place at this time. In the future, we may negotiate special purchasing arrangements with suppliers of approved products and services. These arrangements may include price discounts based upon the collective volume of purchases by all Shoot 360 Gyms (including purchases by affiliates of ours that own Shoot 360 Gyms). We make no representation about our ability to secure certain prices, payment or credit terms, or delivery conditions. To our knowledge, all designated suppliers will offer the same purchase terms to our franchisees subject to differences in volumes and in shipping costs.

### **Mandatory Addendum to Lease**

You, we and the landlord of the Approved Location will sign our Addendum to Lease in the form attached to the Franchise Agreement (**Exhibit C**). The Addendum to Lease is a contract that gives us the option to assume your lease if the Franchise Agreement expires or terminates for any reason. ~~We do not derive any revenue from requiring the Addendum to Lease.~~

### **Insurance**

Before you open the Franchised Gym, you must purchase, and throughout the Franchise Agreement term maintain in full force and effect, insurance policies in the minimum coverage amounts and meeting the other specifications that we prescribe in the Manual protecting you and naming us as an additional insured. While we may be a beneficiary of your insurance, we do not derive any revenue from the insurance policies that you obtain for your business with one exception. ~~If you fail to purchase required insurance, we may, at our election (and without waiving our right to terminate the Franchise Agreement because of your breach) purchase the insurance coverage for you and collect a service fee from you equal to 25% of the cost of the replacement insurance. See Item 6, Note 5 for details regarding our current insurance requirements, including minimum coverage amounts~~

Any person or firm that you hire as a general contractor or to perform comparable services must maintain general liability and builder's risk insurance with comprehensive automobile liability coverage and worker's compensation insurance in the minimum amount of \$1,000,000 plus additional insurance that protects against damage to the premises and structure and other course of construction hazards.

**Gift Card Program**

We may in the future introduce a system-wide electronic gift card program covering all Shoot 360 Gyms. If and when we do, you will be required to participate and honor gift cards purchased at other Shoot 360 Gyms. You may be required to purchase the unloaded stock gift cards from us or our affiliate. You may not issue any other type of gift or loyalty card redeemable at your Franchised Gym without our prior approval.

**Additional Disclosure regarding Suppliers**

We or an affiliate may be a designated or approved supplier. To that extent, our officers who hold an ownership interest in us and our Operating Affiliate (Craig Moody and Terry Michaelson) have an interest in a supplier. Otherwise, at this time, no officer of our company owns an interest in any required, recommended or approved supplier except for a nominal interest in a supplier that is a public company.

**ITEM 9**

**FRANCHISEE’S OBLIGATIONS**

**This table lists your principal obligations under the Franchise Agreement (FA) and the Area Development Agreement (ADA). It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document.**

	<b>OBLIGATION</b>	<b>SECTION IN THE AGREEMENT</b>	<b>FDD ITEM</b>
a.	Site selection and acquisition/lease	FA § V; ADA § III.A-B	Items 5, 6, 7, 11
b.	Pre-opening purchases/leases	FA § XI.B-D	Items 7, 8
c.	Site development and other pre-opening requirements	FA § VI.A-B; ADA § III	Items 6, 7, 11
d.	Initial and ongoing training	FA §§ VII, <u>XII.D.2</u> ; ADA <u>§§ II.G, III.D</u>	Items 6, 11
e.	Opening	FA § VI.C	Item 11
f.	Fees	FA <u>§§ IX, XII</u> ; ADA § II.F	Items 5, 6
g.	Compliance with standards and policies/operating manual	FA §§ <u>II.C.5, VIII.C, XI.A-B, XI.H, XI.J</u> , XI.E,	Items 8, 11, 14, 16
h.	Trademarks and proprietary information	FA § VIII	Items 13, 14
i.	Restrictions on products/services offered	FA § XI.E	Items 8, 16
j.	Warranty and customer service requirements	FA § XI.E	Not Applicable

	OBLIGATION	SECTION IN THE AGREEMENT	FDD ITEM
k.	Territorial development and sales quotas	ADA § II	Item 12
l.	Ongoing product/service purchases	FA § XI.B-D	Items 8, 11
m.	Maintenance, appearance and remodeling requirements	FA <del>§§§ XI.B, XI.E</del> , XI.H	Items 6, 8
n.	Insurance	FA § XIII	Items 6, 7, 8
o.	Advertising	FA <del>§§§ XI.J, XII.B-C</del>	Items 6, 11
p.	Indemnification	FA § XIX; ADA § VIII.B	Item 6
q.	Owner's participation/management/staffing	FA § XI.M; ADA <del>§§§ II.G, III.D</del> , V	Item 15
r.	Records and reports	FA § X	Items 8, 11
s.	Inspection and audits	FA § X.D, XII.E	Items 6, 11, 13
t.	Transfer	FA § XVII; ADA § VII	Items 6, 17
u.	Renewal	FA § IV.B-E	Item 17
v.	Post-termination obligations	FA § XVI; ADA § VI.B	Item 17
w.	Non-competition covenants	FA § XIV.A	Item 17
x.	Dispute resolution	FA § XX; ADA § IX	Item 17

## ITEM 10

### FINANCING

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

## ITEM 11

### FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING

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

#### **Before Opening**

Before you open the Franchised Gym, we will provide you with the following assistance:

1. ~~During the term of the Franchise Agreement, we~~We will provide you with access to the Manual, which contains mandatory and suggested specifications, standards and operating procedures. (Franchise Agreement, Section VIII.C). We provide the Manual online in a secured digital format, but may furnish some portions or updates otherwise in writing. ~~The Manual is confidential and remains our property and you must return to us or destroy any physical copies and permanently delete any electronic content from your computer system when your Franchise Agreement expires or terminates.~~

~~2. We may modify the Manual by written or electronic supplements which we will promptly share with you.~~ We attach the table of contents of our current version of the Manual

(Exhibit H) indicating the approximate number of pages devoted to each subject and total number of pages in the Manual.

2. ~~3.~~ We will provide you with our written site selection criteria for Shoot 360 Gyms. (Franchise Agreement, Section V.A.4). While we may help you find possible sites, we have no obligation to do so. You must locate and investigate potential sites within a geographic area specified in the Franchise Agreement. You must present us with one or more proposed sites in the form of a comprehensive written site package that demonstrates that the proposed site meets our general demographic and physical criteria. Your site proposal must include a letter of intent or comparable agreement with the landlord of the site indicating that the landlord is willing to enter into a lease and our Addendum to Lease in the form attached to the Franchise Agreement. (Franchise Agreement, Section V.A.5.a).

3. ~~4.~~ After we receive your written site proposal, we may visit the area at our expense if we feel it is necessary to inspect the physical or demographic conditions of the proposed site and neighboring area to evaluate your proposal. (Franchise Agreement, Section V.A.5.b).

4. ~~5.~~ We may require you to submit the proposed lease for the Franchised Gym to us for our review and approval as part of our site approval review process. (Franchise Agreement, Section V.B). Our lease approval criteria, if any, are in the Manual.

5. ~~6.~~ We will ~~assign a Shoot 360 project manager to assist you with the development, construction and pre-opening process. We will create a two-dimensional design layout for the Approved Location that incorporates~~ provide our current specifications for the design, appearance, trade dress elements, equipment, layout and leasehold improvements for a Shoot 360 Gym. (Franchise Agreement, Section VI.A) ~~You must work with an architect to create a set of construction drawings to be submitted for permitting. You must retain a contractor of your choosing who is licensed in the jurisdiction where the Franchised Gym is to be located. You must provide your Shoot 360 project manager with contact information for your architect and contractor. After your architect has prepared construction and design drawings for the Franchised Gym and related improvements, you must submit the drawings to us for review and approval.~~

6. ~~7.~~ We have 21~~15~~ days after we receive complete construction and design drawings in which to indicate our approval or disapproval of your plans. We must approve your plans before you begin construction and remodeling. (Franchise Agreement, Section VI.A). During the build-out, we will address your questions about the development and construction process, but you are solely responsible for procuring building permits, purchasing or leasing fixtures and equipment, making leasehold improvements and supervising all aspects of the build-out of the Franchised Gym. You must complete construction and remodeling at your expense in conformity with the construction drawings that we approve and with applicable building codes, zoning laws, and other laws governing business establishments in the area where you locate the Franchised Gym. (Franchise Agreement, Section VI.B).

7. ~~8.~~ We will provide our initial training program. (Franchise Agreement, Section VII.A). After you sign the Franchise Agreement, we will schedule the various modules of the initial training program. If you are purchasing a second or subsequent franchise, we provide a separate initial training program for each Shoot 360 Gym that you develop; however, upon request, we may excuse you from the Owner Consultations portion. We may require you to send one or more different management-level employees to complete the then-current initial

training program for General Managers for each additional Shoot 360 Gym that you own. ([Franchise Agreement, Section VII.B](#)).

~~8.~~ ~~9.~~ We will provide you with specifications for all equipment, furnishings, signs, inventory and supplies, and a list of the suppliers that we currently designate or recommend. ([Franchise Agreement, Section XI.B](#)). We will review your requests for approval of other suppliers in exchange for payment of the testing fee that we disclose in Item 6. ([Franchise Agreement, Section XI.C](#)). We ~~or our affiliate~~ will sell you our proprietary or logo merchandise at our listed prices, which we may modify at any time. (Franchise Agreement, Section ~~XIII.C~~[XI.D](#)).

~~9.~~ ~~10.~~ We ~~or our affiliate~~ will sell you the Shoot 360 Package, including basketball training equipment, signage and other branding materials, and (if you choose) flooring and other optional equipment and supplies. (Franchise Agreement, Section IX.B). The Shoot 360 Package includes freight charges and installation services.

~~10.~~ ~~11.~~ We will provide the ~~Staff Virtual Trainings and the~~ Go-Live Training in the Franchised Gym ~~to help so that~~ you [can](#) train your opening ~~staff employees~~ to implement our operating procedures. At that time, we will instruct ~~your opening employees~~ [you on](#) how to use functions and features of the basketball training equipment and POS System relevant to their job duties. (Franchise Agreement, Section VII.A).

~~11.~~ ~~12.~~ During the initial training program, we will offer advice and advertising strategies ~~for~~ your grand opening advertising program. (Franchise Agreement, Section XII.A).

### **Additional Disclosures regarding Site Selection**

Unless you own or are leasing space that meets our demographic and other site selection criteria that you would like to adapt to the design, appearance, trade dress and leasehold improvement elements of a Shoot 360 Gym and which we approve for conversion to a Shoot 360 Gym, you will begin the site selection process after you and we sign the Franchise Agreement. A typical location for a Shoot 360 Gym ranges from 8,000 to 20,000 square feet of floor space, and is located in a shopping area, high-end warehouse area, or commuter district near an interstate highway or high-volume state highway. You must evaluate potential sites, subject to our site approval process. To help you evaluate potential sites, we will loan you a set of prototype plans and specifications for the design, appearance, trade dress elements, layout and leasehold improvements when you sign the Franchise Agreement. We do not generally own, or lease to you, the premises on which you will develop the Franchised Gym.

We consider a variety of factors in approving locations for Shoot 360 Gyms, including the following: (i) population and household size, average household income, median age, population density, residential and commercial usage, and similar market data; (ii) general cleanliness and security of the area; (iii) parking availability; (iv) lighting, visibility of signs and general street exposure; (v) rental rates and lease terms; (vi) compatibility of neighboring and adjacent retail tenants; (vii) the proposed site's location within a larger shopping mall or complex in terms of pedestrian flow and pedestrian visibility; (viii) square footage, existing condition and adaptability of the space; (ix) proximity of competing businesses; (x) convenient ingress and egress, accessibility, and foot and vehicular traffic; (xi) local economic conditions; and (xii) building, health, sign and other applicable codes, ordinances, regulations and restrictions. Our approval of a site signifies only that the site meets our current site criteria.

In obtaining site approval, you may propose two or more sites for our approval simultaneously, but in order for us to consider any site request, you must submit a complete site package for each site that you propose that includes a letter of intent or other suitable evidence confirming your ability to obtain a lease for the site and the landlord's willingness to sign our Addendum to Lease. (Franchise Agreement, Section V.A.5).

We have 30 days after we receive all required site information to consent to or reject the proposed site. If you propose more than one site, we do not need to approve more than one site. If we do not consent to any of the sites that you propose within the 30 day period, it means that we reject the site (or all sites if you propose more than one). After we give our consent to a site, you and the landlord must enter into a lease and our form Addendum to Lease. We may condition site approval on our review and approval of the lease for the Franchised Gym before you may enter into the lease with the landlord. You must work with an architect to create a set of construction drawings to be submitted for permitting. You must retain a contractor of your choosing who is licensed in the jurisdiction where the Franchised Gym is to be located. You must provide your Shoot 360 project manager with contact information for your architect and contractor. After your architect has prepared construction and design drawings for the Franchised Gym and related improvements, you must submit the drawings to us for review and approval. Once you present us with a copy of the signed lease and Addendum to Lease and obtain our approval of construction drawings, you begin the build-out and remodeling of the Franchised Gym.

### **Typical Length of Time Between Signing Franchise Agreement and Opening Date**

We estimate that the length of time between when you sign the Franchise Agreement and the Opening Date of the Franchised Gym will be approximately ~~6-12~~14 months. This assumes that you are able to obtain site approval, sign a lease and begin build-out within the first ~~180~~270 days after you sign the Franchise Agreement. ~~As we explain in Item 5, we may terminate the Franchise Agreement if~~ if you do not obtain site approval within ~~120~~180 days, and sign a lease and Addendum to Lease within ~~180~~270 days, after signing the Franchise Agreement, we may terminate the Franchise Agreement.

The actual length of time you may require to open the Franchised Gym for business after you sign the Franchise Agreement will depend on a number of factors. These factors include the actual time it takes you to find a satisfactory site; secure needed financing; obtain our approval of construction drawings; secure all necessary building and zoning permits; complete the build-out process; and our installation of the Shoot 360 Package. Your actual time may be longer due to contingencies like weather, acts of God, material shortages and labor stoppages that are beyond your or our control.

Before you may begin serving customers, you must obtain from us a written completion certificate signifying that the Franchised Gym, as built-out, substantially conforms to our design specifications, and that you have met other pre-opening requirements, including completing our initial training program. (Franchise Agreement, Section VI.C.1).

### **After Opening**

After you open the Franchised Gym, we provide you with the following assistance:

1. We will regularly consult with you and provide advice in response to your inquiries about specific administrative and operating issues at the Franchised Gym. ~~In our~~

~~discretion, we~~We decide how best to communicate our consultation and advice, whether through our ~~Intranet~~intranet portal, by telephone, in writing, other electronic format like email, or in person. The method may vary by franchisee and by circumstance. (Franchise Agreement, Section XII.D). We ~~are do~~ not ~~obligated to establish~~have any obligation to assist you in establishing prices, but we may implement pricing policies consistent with applicable law.

2. Upon your or our request, we will provide additional on-site assistance and training to address specific operating issues or deficiencies. You must pay us our then-current training fee for training and travel days, as specified in the Manual, and reimburse us for our reasonable expenses in providing on-site instruction, including travel expenses. (Franchise Agreement, Section VII.C).

3. In addition to periodically repeating the various modules of the initial training program according to demand, we may periodically offer advanced and refresher training at an operating Shoot 360 Gym that we designate. The training location may be at or near to our headquarters. (Franchise Agreement, Section VII.C). We may charge a per person training fee for any additional training programs that we offer. While we may require that your Certified Managers attend specific additional training sessions, we will not require that more than 2 persons attend more than five days of additional training each per 12 months. (Franchise Agreement, Section VII.C). You ~~must pay~~are responsible for all travel expenses and salaries for your ~~staff~~employees attending these training sessions.

4. We may conduct an annual meeting of franchisees to address recently-implemented changes in the Shoot 360 System and other topics of common interest to franchisees, including new product offerings, vendor relationships, industry trends, local promotional and marketing strategies, and competitive changes. We will determine the content and duration of the annual meeting, and may require that you or your Certified Managers or Primary Owner or other designated personnel of the Franchised Gym attend. No annual meeting will exceed five days in length nor require attendance by more than two persons. We may charge a registration fee, currently \$500-\$2,500 per person. If we conduct an annual meeting, we will select its location, which may vary from year to year. (Franchise Agreement, Section XII.G). You must pay for all travel expenses for you and your employees and independent contractors who attend the annual meeting. (Franchise Agreement, Section XII.G).

5. We will periodically revise the Manual. (Franchise Agreement, Section VIII.C.3).

6. We will review your request to use or sell goods or services not already approved by us, or to purchase goods or services meeting our specifications from a supplier not on our approved vendor list. (Franchise Agreement, Section XI.C).

7. We or our designee will periodically visit the Franchised Gym to inspect your operations, observe and interview your employees and review your books and records (including data stored on your POS System) in order to verify your compliance with the Franchise Agreement and the Manual. These inspections may be recorded on video or audio tape. (Franchise Agreement, Section XII.E).

8. We will administer the Brand Development Fund (when it is launched) and any other advertising programs, and will review any local advertising materials that you create to promote the ~~Franchise~~Franchised Gym. (Franchise Agreement, Section XI.J and Section XII.B).

9. We will maintain a website where we promote Shoot 360 Gyms and identify the operating hours and location of all operating Shoot 360 Gyms. (Franchise Agreement, Section XII.C). You may not have your own website for your Franchised Gym. We, alone, determine all policies pertaining to the use of website subpages, which we regard as local advertising. (Franchise Agreement, Section XI.J.~~87-8~~).

10. We may in the future introduce a gift card program. When we do, you may be required to purchase from us or our affiliate, and offer for sale to your customers, Shoot 360 electronic gift cards that your customers may redeem at any Shoot 360 Gym. We will require you to honor a gift card if a customer presents one in paying for their order. You may not issue, redeem or otherwise authorize any other gift or loyalty cards, except with our prior written approval. (Franchise Agreement, Section XI.K).

11. We may in the future introduce a mystery shopper program using the services of an outside mystery shopper company that will perform regular mystery shopper visits at the Franchised Gym in order to provide you with critical feedback and insight into the effectiveness of your operations from a customer's perspective. When we implement the program, you must participate in it ~~and pay the Mystery Shopper Fee that we disclose in Item 6~~. (Franchise Agreement, Section XII.F).

12. ~~When we reach sufficient size, we~~We may implement a franchisee advisory council ("FAC") to provide us with input and feedback on different initiatives and programs. We will determine the FAC's governance rules, including the number of franchisee representatives and method for conducting elections.

## **Advertising**

We control all local, regional, national, Internet-based and international advertising. We have sole discretion over the creative ideas, materials, endorsements, placement of advertising. Franchises may be required to participate in local, regional, and national advertising programs, and are required to use only approved advertising and promotional materials.

### **1. Brand Development Fund. (See generally, Franchise Agreement, Section XII.B).**

If we begin collecting Brand Development Fees, we will deposit all Brand Development Fees into the Brand Development Fund, which we administer for the benefit of all Shoot 360 Gyms. As the administrator, we direct all advertising and promotional programs and have sole discretion over all creative concepts, materials and endorsements and the geographic market and media placement of all programs. We do not promise that we will spend the Brand Development Fund in any given geographic region or that the benefits you receive will be in proportion to your contributions.

We may use the Brand Development Fund to pay for any expenses related to the marketing and promotion of the Shoot 360 System, including the following:

- Costs to design, prepare and produce advertising materials; ~~purchase media space or time in-house~~; administer local, regional and national advertising programs; ~~(including buying direct mail pieces~~purchasing media space and time and printing and mailing services~~)~~; and promoting Shoot 360 Gyms on social media sites); retain national and regional advertising, public relations and media buying agencies; to assist us in these activities; and support general public relations, market research; and other advertising and marketing activities.

- Costs to furnish our franchisees with advertising and promotional formats and materials, like advertising art, radio and television commercials, print advertisements, point of sale materials, promotional graphics and videos, coupons, and social networking website content, in our discretion. Upon request, we may agree to provide you with multiple copies of materials if you pay us to reproduce the materials for you.
- Expenses that we incur to support our gift card program.
- Costs to maintain a toll-free telephone number and the [www.shoot360.com](http://www.shoot360.com) website, which identifies all Shoot 360 Gyms by address and provides operating hours and maps.
- Costs to maintain a system-wide [Intranet](#) portal, to the extent that we use it to provide our franchisees with marketing assistance.

We do not charge the Brand Development Fund for marketing expenses that we incur directly to recruit new franchisees.

Shoot 360 Gyms that we or our affiliates own will contribute to the Brand Development Fund at a rate that is equal to the lowest percentage contribution rate that any franchisee then pays to the Brand Development Fund.

The Brand Development Fund is not a trust. However, we keep and account for the Brand Development Fund separately from our other funds. Out of the Brand Development Fund, we may pay ourselves for the direct costs, salaries, travel expenses, administrative costs and other direct overhead that we incur to administer the Brand Development Fund, including the cost of preparing the annual accounting of the Brand Development Fund, expenses to collect Brand Development Fees from delinquent franchisees (but only direct costs and not other costs of enforcement), costs to develop and sign specific marketing and advertising programs (including costs for market research and production) and costs to fund any annual meeting of franchisees if we elect to hold one. Contributions to the Fund will be due at the same time Royalties are due.

In any given year, we may spend more or less than the total amount of Brand Development Fees that we collect for that year. In that case, we will carry-forward any Brand Development Fund surplus or deficit to a future fiscal period. We treat interest paid on Brand Development Fund balances as additional Brand Development Fund revenue.

~~If we receive any rebates from a supplier on account of the supplier's transactions with our franchisees that the supplier earmarks must be spent on marketing, we will deposit the rebates into the Brand Development Fund as additional revenue unless a supplier requires us to apply the rebates for a different purpose. (Franchise Agreement, Section XII.B.3b).~~

We will prepare an annual income and expense statement showing Brand Development Fund collections and expenditures and will furnish you with a copy upon written request. These financial statements are prepared ~~by our staff~~ internally and are not audited ~~by an outside accountant~~.

We may terminate, and resume, the Brand Development Fund during the term of your Franchise Agreement, however, any such decision will apply to all current franchisees equally.

We will not terminate the Brand Development Fund before making arrangements to spend or rebate any balance in the account remaining after payment of all expenses.

## 2. Local Advertising.

You must obtain our written approval before engaging in any local advertising in any media or format or other activities to promote the Franchised Gym, including soliciting sponsorships or endorsements or entering into other types of strategic marketing alliances. To apply for our approval of proposed local advertising, you must submit a copy or transcript of the materials in the exact form you intend to use them together with information that explains your proposed media plan, promotional event or other intended use. We have 7 days to review your request. If you do not receive our written approval within 7 days, that means we do not approve your materials (unless we notify you that we need additional time to review your materials). If you use materials that we approve, you must use them in the exact form that you submit them to us. (Franchise Agreement, Section XI.J.3). As a condition of our approval, you must permit us and other franchisees that we authorize to use your materials without compensation.

After the Franchised Gym opens, you must spend a minimum amount on local advertising each month (the greater of 2% of Gross Revenue and \$500 per month). You must substantiate your local advertising expenditures each month upon request. By the end of each year, your local advertising expenditures must average at least the designated minimum local advertising obligation. If your annual expenditure is less than the minimum, then you must promptly pay us the difference, ~~plus an amount equal to 25% of the difference,~~ which we will deposit into the Brand Development Fund. Your failure to spend the required minimum for local advertising each year is also a material breach of the Franchise Agreement.

We will credit your local advertising requirement for the first calendar quarter after the Franchised Gym opens with sums that you spend on grand opening marketing. If we assign you to a Regional Advertising Co-op, we will credit the contributions that you make to the Co-op to your minimum local advertising requirement.

We consider content that you place on third-party social media websites to be local advertising and we have the right to approve the content as part of our general right to approve all forms of local advertising. All public or private online communications must comply with our social media networking policy that we include in the Manual.

## 3. Regional Advertising Co-op.

We may establish a Regional Advertising Co-op in an advertising market once we believe there are enough Shoot 360 Gyms operating in the market to provide a critical mass for joint advertising and promotion. We will determine the boundaries of the Regional Advertising Co-op and may modify the boundaries at any time effective upon written notice. We may require that ~~one~~ Regional Advertising Co-~~ops~~ merge with ~~another~~other Regional Advertising Co-~~ops~~ops servicing an adjacent advertising market or we may subdivide a Regional Advertising Co-op into smaller groupings depending on changes in media penetration and marketing zones that traditional media use. We may dissolve one or all Regional Advertising Co-ops.

While no Regional Advertising Co-ops exist in our franchise system at this time, you must participate in any Regional Advertising Co-op that we later form that covers a geographic area encompassing the Franchised Gym. We will give you at least 30 days written notice before an assignment becomes effective and will not assign you to more than one Regional

Advertising Co-op at any time. If we, ~~our or an~~ affiliate, ~~or one of our principals own owns~~ a Shoot 360 Gym in a Regional Advertising Co-op's market, we or they will ~~particulate~~ participate on the same basis as you do and contribute to the Regional Advertising Co-op at the same rate that our franchisees in that region contribute. Your Co-op Advertising Fees payable to the Regional Advertising Co-op will not exceed 1% of Gross Revenue, unless 65% of the owners of Shoot 360 Gyms in your Regional Advertising Co-op approve an increase or special assessment, in which case you will be bound by the super-majority decision even if you vote against it. As we note above, we will credit all payments that you make to a Regional Advertising Co-op to your minimum local advertising obligation.

We will provide each Regional Advertising Co-op with standard governing rules that the members of the Regional Advertising Co-op may modify with our approval beforehand. Members may not modify certain rules, like voting rights, our right to approve all advertising in advance, or your maximum obligation for contributions to the Regional Advertising Co-op. The members of each Regional Advertising Co-op will elect their own leadership and each Regional Advertising Co-op is responsible for its own administrative expenses. The Regional Advertising Co-op must assign any rights in the materials that it creates to us without compensation so that we and our other franchisees may use the same materials. Each Regional Advertising Co-op must prepare ~~quarterly and~~ annual financial statements, which need not be audited, and make them available to all its members and to us.

#### 4. Advertising Council.

At this time, there is no advertising council composed of franchisees that advises us regarding advertising and promotional programs or policies for promoting Shoot 360 Gyms generally. When we reach a sufficient size, we may implement a ~~franchisee advisory council~~ ("FAC") to provide us with input and feedback on different initiatives and programs. We may use the FAC to provide us with strategic input on system-wide marketing initiatives, or we may form a separate franchisee advertising council consisting of franchisees who do not then serve on the FAC. If we form a franchisee advertising council, we will appoint the members and the council will serve in an advisory capacity only. The council will not have operational or decision-making authority and its recommendations will not be binding on us. We may alter the function and/or composition of the ~~franchisee advertising council~~ FAC at any time and may dissolve the ~~council~~ FAC upon 30 days written notice.

#### Point of Sale (POS) System

You must purchase, ~~from us or our affiliate,~~ a POS ~~system~~ System pre-loaded with the point-of-sale software that we designate ~~(currently Mindbody)~~. We currently include these items in the Shoot 360 package. The software performs a variety of functions in the operational and financial management of your Shoot 360 Gym, from managing sales data to inventory management, tracking employee utilization, closing out daily sales, collecting financial data, preparing financial reports, credit card processing, and managing gift card transactions. You are responsible for training new employees who do not participate in the ~~Virtual Staff Training and~~ Go-Live Training modules of the initial training program in the proper use of the POS System.

Currently, ~~our Operating Affiliate provides~~ we provide technical support, and the POS software vendor provides updates and upgrades without additional charge, but we reserve the right to require you to purchase hardware and software support services from a designated vendor. You must also separately purchase and install integrated security cameras, which we

estimate will cost between \$2,000-\$10,000. You must also pay us a \$500 monthly gym management application fee.

The software that we designate will allow you to access your POS ~~system~~System remotely and view and create reports, add employees, edit time slips, change security settings and view sales activities even if you are not on site. We also have unlimited remote access to the information stored on your POS System and may require you to provide us with all passwords, access keys and other security devices as necessary to permit our access. Nothing limits our right to access or use the data we retrieve. (Franchise Agreement, Section X.D).

Upon 90 days written notice, we may require you to replace obsolete or outdated hardware components or software with newer technology or designate a different exclusive vendor, including us or an affiliate. We may replace the POS System with another system entirely, including a system based on our proprietary software. There are no contractual limitations on the frequency or cost of future updates, upgrades or replacement components or systems. We will endeavor to provide you with reasonable written notice of all upgrades, updates and replacement specifications to allow you sufficient time to implement changes. Although we cannot estimate the future cost of maintaining, updating, upgrading or replacing the current POS System, and although these costs might not be fully amortizable over the time remaining in the term of your Franchise Agreement, we may require you to implement these changes because a uniform POS and recordkeeping system is essential to network-wide consistency.

In addition to the POS System, you may need to purchase a personal computer to prepare and print operating and financial reports, communicate through email, receive, send and store documents and perform other back-office business functions. You may purchase the personal computer hardware and software from any source. We do not currently have specifications or designated vendors for the computer system, but we ~~deserve~~reserve the right to issue them in the future. We estimate that the cost to purchase a basic computer hardware system, printer and non-proprietary financial accounting software will cost less than \$3,000 initially and annual repair, maintenance and upgrade costs (other than to replace outdated hardware) will cost approximately \$300 per year.

## Training

Before you open the Franchised Gym, we will provide ~~you~~your Primary Owner and General Manager with a comprehensive initial training program which ~~presently~~as of October 31, 2024 consists of six separate modules: (i) Owner Consultations; (ii) Managerial Consultations; (iii) Manager-In-Training (MIT) Program; (iv) Managerial Virtual Trainings; ~~(v) Staff Virtual Trainings;~~ and ~~(vi)~~(vii) Go-Live Training. The actual length of each module may be shorter than we show in the chart depending upon the trainees' previous experience. In total, training may be up to 115 hours. The following chart summarizes who must attend each module and the location and duration of each module. Our Manual, together with other information that we provide electronically, serve as our instructional materials. (See generally, Franchise Agreement, Section VIII).

## TRAINING PROGRAM

SUBJECT/MODULE	HOURS OF CLASSROOM TRAINING	HOURS OF ON-THE-JOB TRAINING	LOCATION
<b>Owner Consultations</b> Total length: 8-10 Hours Who must attend: At least one Primary Owner	8-10 hours	N/A	Virtual
<b>Managerial Consultations</b> Total length: 5-7 Hours Who must attend: <del>Operating Partner</del> <u>Primary Owner</u> and General Manager, who may be a Primary Owner	5-7 hours	N/A	Virtual
<b>Manager-In-Training Program</b> Total length: up to 40 hours Who must attend: <del>Operating Partner</del> <u>Primary Owner</u> and General Manager, who may be a Primary Owner	40 hours	N/A	In-Person at our <del>Beaverton, OR</del> or Vancouver, WA training facilities
<b>Managerial Virtual Trainings</b> Total length: 6-8 hours Who must attend: <del>Operating Partner</del> <u>Primary Owner</u> and General Manager, who may be a Primary Owner	6-8 hours	N/A	Virtual
<del><b>Staff Virtual Trainings</b>                      Total length: 7-10 hours                      Who must attend: General Manager and all staff members</del>	<del>7-10 hours</del>	<del>N/A</del>	<del>Virtual</del>
<b>Go-Live Training</b> Total length: up to 40 hours Who must attend: <del>Operating Partner</del> <u>Primary Owner</u> , General Manager <del>and all staff members</del>	N/A	40	At Franchise Facility
<b>Total Hours</b>	<u>59-65</u>	<u>40</u>	

The Owner Consultations module requires the attendance of at least one Primary Owner. This module can begin as soon as the franchise agreement is signed.

The ~~Operating Partner~~ Primary Owner and General Manager must attend the managerial training modules, including the Managerial Consultations, the Manager-In-Training program, and the Managerial Virtual Trainings Upon completion of the managerial modules and the Go-Live Training and passing the Certified Manager exam (if required), the ~~Operating Partner~~ Primary Owner and General Manager will each qualify as a Certified Manager. ~~The General Manager must also complete the Virtual Staff Trainings.~~ Since we require the Franchised Gym to be under the direct supervision of a Certified Manager at all times, we strongly advise franchisees to qualify two or more Certified Managers before the opening of the Franchised Gym in the event of employee turnover. Currently, we do not limit the number of management-level employees that you may enroll in the Certified Manager training, but enrollment is subject to space availability. We encourage all Primary Owners to complete the Owner Consultations and the managerial training modules.

~~We require that your General Manager and all staff members of the Franchise Gym complete the Staff Virtual Trainings.~~ The Go-Live Training requires the attendance of your Operating Partner, and General Manager ~~and all staff members~~. The Go-Live Training module is offered during the week ~~prior to~~ before the Opening Date. All trainees must complete training to our satisfaction. The Operating Partner and General Manager are expected to be present and actively engaged throughout the entire initial training process. The Operating Partner and General Manager will be responsible for leading at least one topic per day during the Go-Live Training, to ensure they can practically apply and transmit the training they have received.

While we do not charge a training fee for providing the initial training program before the opening of the Franchised Gym, we do charge a training fee to provide modules of the initial training program to your new hires after the Opening Date, as we explain in Item 6. Regardless of when the training is completed, you are responsible for the salaries and travel expenses of your personnel who attend training. If you enter an Area Development Agreement, you will have the opportunity to qualify for a discounted Initial Franchise Fee for your fifth and subsequent Franchised Gyms if you have a Certified Trainer on your staff who provides the initial training program for those Franchised Gyms.

The Owner Consultations cover a variety of topics ~~germane to the franchise relationship~~, including a review of your contractual duties under the Franchise Agreement; the philosophy and culture of the Shoot 360 System; customer service; use and protection of the Licensed Marks and Manual; reporting obligations; and a review of your business plan. Depending on the timing of your Owner Consultations, we may also address questions regarding any build-out issues. We try to schedule Owner Consultations to begin at a mutually convenient time no later than 60 days after you sign a lease for an Approved Location.

The managerial training modules (Managerial Consultations, MIT Program, and Managerial Virtual Trainings) cover a variety of topics ~~relating~~ related to operating a Shoot 360 Gym, including product knowledge, floor coaching best practices, Official Recruiting Visit (ORV) protocols, operational systems, grassroots marketing and lead generation, the Customer Relationship Management (CRM) system, key performance indicators (KPIs), and manager checklist. These three modules must be completed consecutively and before the Opening Date.

~~The Staff Virtual Training primarily covers floor coaching, Splash Meter 101 (shooting technology), customer scheduling, ORV protocol, the Shoot 360 mobile app and POS System, and a review of frequently asked questions.~~

Finally, the Go-Live Training covers product knowledge, floor coaching best practices, ORV protocol, operational systems, and post-launch training as time allows (which may include technology troubleshooting and best practices for opening, closing and maintenance procedures).

Except for the MIT Program and the Go-Live Training, we currently hold all of the initial training modules virtually. The MIT Program is currently held at our training ~~facilities in Beaverton, Oregon or~~ facility in Vancouver, Washington. The Go-Live Training is held at the Franchised Gym. You ~~must pay~~ are responsible for all travel and personal expenses for yourself and your employees to attend training, including transportation, lodging, meals, salary and other personal charges.

We may modify the initial training program at any time, including by adding, deleting or revising the modules, curriculum, training instructors, training locations, duration of training and other requirements. All instructors must be qualified in their respective subjects. Our initial training program is under the supervision of Marcos Montas, our Director of Franchise Operations. Mr. Montas has served in that role since our inception in 2019, and has also supervised operations of ~~affiliate~~our Operating Affiliate-owned Shoot 360 Gyms since 2013. We conduct the initial training program on an as-needed basis.

You are responsible for training your employees ~~whom you do not enroll in our training classes~~. Once the Franchised Gym opens, we will publish a schedule of our training sessions, and you may enroll new Primary Owners and new management-level hires in classes appropriate to their status and job duties, subject to space availability and upon payment of our then-current training fee.

We intend to periodically offer advanced and refresher training programs and may require that you, your Primary Owner and your Certified Managers attend. As the need develops, we may offer additional training if we introduce new goods, services or programs or to address particular changes in the Shoot 360 System, promotional programs, vendor relationships, purchasing programs, or other matters of common interest to our franchisees. See Item 6 regarding training fees for additional training classes. We currently intend to conduct all continuing training courses at an operating Shoot 360 Gym or other facility that we designate, or at the same time that we hold any regional or national franchisee meetings.

## ITEM 12

### TERRITORY

#### **Single Unit Franchises — Protected Area**

The Franchise Agreement (**Exhibit C**) gives you the right to open only one Shoot 360 Gym at a location that we must approve before you enter into a lease for the location. You may not do business from any location other than the Franchised Gym except with our prior written permission. If, when entering into the Franchise Agreement, you do not have a location for your Franchised Gym, we will assign you a “Site Selection Area” in which to locate your Franchised Gym. You will have no rights to the Site Selection Area, other than to locate your Franchised Gym within the Site Selection Area, and the Site Selection Area is non-exclusive.

We will assign your Franchised Gym a “Protected Area” that we identify in Schedule 1 to the Franchise Agreement. ~~Except in urban areas, most Shoot 360 Gyms will have a Protected Area with an approximately 12-mile radius around the Approved Location~~The Protected Area will generally be identified by an attached map identifying the Protected Area. The size of your Protected Area will depend upon various factors, including the population density in your area, whether your Franchised Gym is in a metropolitan or suburban area and various other factors. Although we generally grant Protected Areas of 12-20 miles it may be 1-2 miles depending upon the factors discussed above. We will notify you of the boundaries of your Protected Area at the time of site approval. ~~One~~Although Protected Areas may overlap, once we identify the boundaries of your Protected Area, neither we nor our affiliates will establish or award franchise rights to anyone else to operate a Franchised Gym that is physically located in the Protected Area that we assign to your Franchised Gym, except in a Captive Venue. However, we may engage in certain activities in your Protected Area during the term of the Franchise Agreement. We explain Captive Venues and reserved rights under “Reserved Rights” below.

You may not relocate the Franchised Gym except to a location that we approve in writing. Relocation is at your sole expense and subject to certain conditions that we specify in the Franchise Agreement, including the payment of a \$2,500 relocation fee. If we approve the new premises that you propose, you must improve the new location consistent with our then-current ~~trade dress and construction~~ requirements for new Shoot 360 Gyms and ~~use your best efforts to~~ complete relocation without any interruption in the continuous operation of the Franchised Gym unless you obtain our written consent beforehand to close your Franchised Gym for business. The new location need not be within the original Protected Area, but will be subject to the rights of any existing Shoot 360 Gym owner. Once we approve the new location, we will assign it a new Protected Area ~~according to the same criteria that we describe in this Item 12. As a condition of consenting to a temporary closure until you complete relocation, we may require you to pay Monthly Training Unit Fees, Brand Development Fees, and any Co-op Advertising Fees (if we implement a program in your area) based on the average fees paid before the closure.~~ consistent with our then-current standards for assigning Protected Areas.

Your territorial rights relate strictly to the location of another Shoot 360 Gym, not to customers. You do not have the exclusive or superior right to service customers who reside or work in the Protected Area that we assign to your Franchised Gym. A customer who resides or works in your Protected Area may frequent any other Shoot 360 Gym without the owner of the other Shoot 360 Gym having to pay you compensation. The franchise rights that we award to you do not give you the exclusive or preferential right to use the Licensed Marks or the Shoot 360 System in the trade area where you do business and do not in any way limit our use of the Licensed Marks or the Shoot 360 System anywhere or for any purpose.

We do not restrict your advertising activities for prospective customers to your Protected Area. You may use the Internet and third-party social media sites to advertise and promote your Franchised Gym with our prior written approval, but you may not use other channels of distribution to sell merchandise that we authorize for sale at the Franchised Gym. By “channels of distribution,” we mean channels like the Internet, including social media sites, or catalog sales. ~~Likewise~~ Except for the prohibition above, we do not limit other franchisees from engaging in advertising activities outside of their Protected Area and do not promise that they will not solicit customers who reside or work in your Protected Area.

The Franchise Agreement permits you to engage only in retail sales of authorized goods and services to customers. You may not engage in wholesale sales of any kind without our prior written consent. “Wholesale sales” includes the sale or distribution of products or services to a third party for resale, retail sale or other method of distribution.

Your franchise rights are not contingent on achieving any minimum sales level or other kind of sales or market penetration contingency. We will not modify the Protected Area depending on your performance or due to changes in the population or other demographic characteristics of your market area.

Except through an Area Development Agreement, we generally do not award any type of option or right of first refusal to acquire additional franchises for areas immediately adjacent to, or abutting, the boundaries of your Protected Area. On those occasions when we do offer such an opportunity with a single unit franchise, it is done pursuant to an addendum such as that attached as Schedule 96 to the Franchise Agreement.

## Area Development Agreement.

By becoming an area developer and signing our Area Development Agreement (**Exhibit D**), you receive the right, subject to certain exclusions, to open a specific number of Shoot 360 Gyms in an agreed-upon geographic area if you satisfy the development obligations by the development deadlines that we mutually establish. You and we will together agree on the boundaries of your Development Territory and your Development Quota, ~~or Development Quota,~~ through negotiation before you sign the Area Development Agreement. We will describe the boundaries of the Development Territory by street names, geographical or political boundaries, like street name references, or other recognizable demarcations in Exhibit A to the Area Development Agreement. The minimum size of a Development Territory will depend on demographic characteristics of the region, our evaluation of its development potential and the minimum Development Quota that you accept, which we mutually agree upon before you sign the Area Development Agreement.

We may terminate the Area Development Agreement if you do not meet your Development Quota by the specific development deadlines or fail to keep a minimum number of Shoot 360 Gyms open and operating. Other than this requirement, the development rights that we award to you under an Area Development Agreement do not depend on your achieving or maintaining a minimum volume of sales.

If you close a Shoot 360 Gym for any reason other than due to your default under the Franchise Agreement and the closure leaves you with fewer Shoot 360 Gyms than the then-current minimum Development Quota, we allow you 30 days after the closure to present us with a business plan for reopening the replacement Franchised Gym, and 12 months to open a replacement location at a site that we approve in your Development Territory subject to the territorial rights of any other Shoot 360 Gyms at the time you seek site approval for the replacement Franchised Gym's location. A closure will not extend any remaining Development Deadlines or reduce your Development Quota. ~~During the period of closure, until the substitute Shoot 360 Gym commences operating, you will remain liable to pay Monthly Training Unit Fees and any Brand Development Fees and Co-op Advertising Fees, if any, for the closed Shoot 360 Gym equal to the average amount that you paid during the 6 months immediately before the date that you ceased operations or the shorter period that the Gym was actually in business.~~

Neither we nor our affiliates will establish or award franchise rights to anyone else to operate a Shoot 360 Gym that is physically located in the Development Territory during the term of the Area Development Agreement. However, we may engage in certain activities in your Development Territory during the term of the Area Development Agreement as we explain in this Item 12.

You will sign the Franchise Agreement (**Exhibit C**) for the first ~~Shoot 360~~Franchised Gym when you sign the Area Development Agreement, and will sign a separate ~~Franchise Agreement (Exhibit C)~~franchise agreement for each additional ~~Shoot 360~~Franchised Gym in your Development Quota when you obtain site approval for the new ~~Shoot 360~~Franchised Gym. We must approve the sites for the Franchised Gyms and any Protected Areas pursuant to our then-current standards for sites and Protected Areas. Under the Franchise Agreement, we assign each ~~Shoot 360~~Franchised Gym its own Protected Area, subject to certain exclusions that we describe in this Item 12.

## Reserved Rights

We will not directly or indirectly operate, or award another franchisee to operate, a Shoot 360 Gym that is physically located in your Development Territory while the Area Development Agreement is in effect or in your Protected Area while the Franchise Agreement is in effect, other than in a Captive Venue in your Protected Area. By “Captive Venue,” we refer to the location of a Shoot 360 Gym in a larger public or privately-owned destination or complex where the real estate developer includes services as an accommodation to a captive market. Examples of Captive Venues include airports, mass transit stations, professional sports stadiums and arenas, hotels and other types of lodging facilities, military bases, entertainment centers, amusement parks, casinos, universities and other types of schools, hospitals and other types of health care institutions, and similar types of captive market locations that we designate. We may alter the physical format or method of service at Captive Venues to suit the particular Captive Venue’s location, physical characteristics, or customer base. These formats may differ from your Franchised Gym.

We reserve all other rights with respect to the Licensed Marks and the Shoot 360 System, and the right to engage in all activities not prohibited by the Franchise Agreement, including within your Development Territory and Protected Area. We have no obligation to share with you any revenue or profits that we earn from engaging in reserved activities in your Development Territory or Protected Area.

1. We or our affiliates may own and operate, and license or franchise others to operate, any other type of basketball training facility in your Development Territory or Protected Area, as long as the other business operates under a trade name that is not confusingly similar to Shoot 360.

2. We may use, and award licenses to third parties to use, the Licensed Marks and Shoot 360 System in the Protected Area in providing services to: (a) any professional basketball league, professional basketball team, or development team located in the Protected Area that is owned by a professional team, for purposes of training league or team players; and (b) any school or university in the Protected Area with regards to prospective and existing student programs. This includes the right to open and operate, directly or through a licensee, a Shoot 360 Gym anywhere in the Protected Area for the benefit of the parties described in (a) and (b) above. ~~Such facilities will not be open to the general public.~~

3. We may use, and award licenses to third parties to use, the Shoot 360 System in connection with operating a business under the Licensed Marks (or some other name and logo that we select in our sole discretion) incorporating basketball training equipment with (a) a food and beverage menu and/or (b) basketball tournaments or other competitive events to attract customers primarily interested in a social, entertainment, or competitive experience and not basketball skills performance training.

4. We may use all or part of the Shoot 360 System and exploit the Licensed Marks in any manner, method or channel of distribution. We may offer and sell the same or similar items that now or in the future are offered for sale at Shoot 360 Gyms, through any other existing or future retail or wholesale channel of distribution (for example, via the Internet, email, digital cellular networks, retail stores, mobile services and/or digital subscription plans) to athletes and customers located anywhere, including in your Development Territory and Protected Area and regardless of proximity to the Franchised Gym, under the Licensed Marks or under any other names, trade names, trademarks or service marks. We may engage in these activities directly or through an affiliate, franchisee or other licensee.

5. We may service National Accounts within your Development Territory or Protected Area. We may, but have no obligation to, offer you the opportunity to service a National Account within your trade area.

6. We may acquire a chain of competitive businesses and convert any of the chain's locations to a Shoot 360 Gym operated by Company, its affiliate, a franchisee, or the previous owner. We may also purchase or be purchased by, or merge or combine with, competing businesses, wherever located.

7. We may advertise the Licensed Marks and Shoot 360 System to any person anywhere, including in the Protected Area and regardless of proximity to the Franchised Gym.

~~Outside of the Development Territory and outside of the Protected Area that we assign to your Franchised Gym, we~~We may open or award franchise rights to any person of our choosing to open a Shoot 360 Gym so long as it is not physically located in your Development Territory or Protected Area, regardless of how close it may be located to the boundaries of the Development Territory or Protected Area or whether a portion of the Protected Area overlaps with your Protected Area.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. ~~However, we will not operate, or award another franchise to operate, a Shoot 360 Gym in your Development Territory while the Area Development Agreement is in effect, or in your Protected Area while the Franchise Agreement is in effect, other than in a Captive Venue in your Protected Area.~~

## ITEM 13

### TRADEMARKS

Under the Franchise Agreement, we grant you a non-exclusive license to use the Shoot 360 System under specific conditions. The Shoot 360 System refers collectively to all of the distinctive business methods, goods and services, Confidential Information, and Shoot 360 ~~Intellectual Property~~intellectual property that distinguish Shoot 360 Gyms. You may only use the elements of the Shoot 360 System that we designate.

You must follow our rules when you use the Shoot 360 Intellectual Property. Among other rules and requirements, we forbid you to use any portion or feature of the Licensed Marks in your corporate, fictitious or other business entity name or with any prefix, suffix or other modifying words, terms, designs, colors or symbols. You may not use the Licensed Marks to sell any unauthorized products or services, in a way contrary to our instructions, or in any way that could result in our liability for your debts or cause us to be deemed to be the employer or your employees. You must use the Licensed Marks in the form and manner that we specify and follow our instructions for identifying yourself as the independent owner of the Franchised Gym. You must maintain appropriate trade name or fictitious name registrations. You may not use any other trademarks or service marks in combination with the Licensed Marks without our written approval beforehand. When you use the Licensed Marks, you must apply the special trademark symbols and ownership information that we designate. All use of the Licensed Marks is subject to our prior written authorization.

~~Our founder, Craig Moody, We have~~ registered, or applied to register, the following marks with the United States Patent and Trademark Office ("USPTO"), ~~and renewed the registration on May 21, 2019. Mr. Moody assigned the mark to us effective April 26, 2021, which we consider our principal marks:~~

Registration No.	Mark	Registration Date	Goods/Services	USPTO-Register
4223199	SHOOT-360	10/09/2012	training services in the field of basketball	Principal

~~Our Operating Affiliate has registered the following mark on the Principal Register of the USPTO, and assigned it to us effective April 26, 2021.~~

Registration No.	Mark	Registration Date	Goods/Services	USPTO-Register
6156589	SHOOT-360 (with design)	09/22/2020	training services in the field of basketball	Principal

<u>Trademark</u>	<u>Registration Number or Serial Number</u>	<u>Registration Date or Filing Date</u>
<u>SHOOT 360</u>	<u>4223199</u>	<u>10/9/2012</u>
	<u>6156589</u>	<u>9/22/2020</u>
	<u>7347953</u>	<u>4/2/2024</u>
	<u>7347954</u>	<u>4/2/2024</u>
<u>SHOOT 360</u>	<u>7347951</u>	<u>4/2/2024</u>
	<u>97389121</u>	<u>4/29/2022</u>
<u>SHOOT 360</u>	<u>97389065</u>	<u>4/29/2022</u>

We regard the above to be the primary trademarks that you will use, until further notice from us, to identify your Franchised Gym. This list does not include every trademark that we own or claim rights to use.

There are no agreements currently in effect that significantly limit our right to use or license the use of the Licensed Marks in any manner material to the franchise.

All necessary affidavits to keep the federal registrations in force have been filed or the time for filing affidavits has not yet been reached. We intend to file all required affidavits and renewals for the Licensed Marks. As of the effective date of this disclosure document, we are not aware of any (i) currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, or the trademark administrator of any state or any court; (ii) pending infringement, opposition or cancellation proceedings; or (iii) pending material litigation, involving the Licensed Marks.

There are no infringing or previous superior uses that we ~~or our principals~~ know of that could materially affect your use of the Licensed Marks in the state where you operate. We actively monitor activities of third parties for potential use of trade names, logos or trade dress that we believe are confusingly similar to our Licensed Marks or trade dress.

In the Franchise Agreement, you acknowledge that, between the two of us, we own superior rights in the Licensed Marks. You agree that you will not do anything inconsistent with our rights. You may not challenge our ownership, rights or the validity of the Licensed Marks. You must permit reasonable inspection of your operations and supply us with specimens of all uses of the Licensed Marks upon request. You may not use the Licensed Marks in advertising or marketing materials unless and until we approve the materials beforehand following the procedures that we describe in Item 11. You may not give anyone permission to use the Licensed Marks, or any colorable imitation.

You agree that the nature and quality of all products and services that you sell at or from the Franchised Gym or in using the Licensed Marks and all related advertising, promotional, and other activities that you engage in that associate you and the Franchised Gym with the Licensed Marks must conform to the standards for quality and other specifications that we establish. All goodwill associated with the Licensed Marks, including any goodwill that might be deemed to have arisen through your activities, will accrue directly and exclusively to our benefit.

You must notify us immediately if you learn about (i) any improper use of the Licensed Marks, (ii) a third party's use of a mark or design that is confusingly similar to any of the Licensed Marks, or (iii) any challenge to your use of any of the Licensed Marks. We will take whatever action we think is appropriate under the circumstances (including taking no action), and will control the prosecution, defense or settlement of any legal action. You must cooperate and assist us in defending our rights in the Licensed Marks with regard to any third-party claims. You and your owners and management must not communicate with any person other than us and our counsel about any infringement, challenge or claim. You may not take any action in your own name. Unless we establish that a third-party claim is due to your misuse of the Licensed Marks, we will defend and indemnify you against third-party claims arising out of your authorized use of any of the Shoot 360 Intellectual Property in compliance with the Shoot 360 System. However, we will not reimburse you for any lost profits or consequential damages of any kind and will only reimburse you for any actual expenses that you incur to change your signs and other uses of the Licensed Marks if we agree to cease using all, or particular elements of the Licensed Marks as part of the resolution of the third-party claim. You agree to indemnify us for any expenses or damages relating to your operation of the Franchised Gym, which includes any improper or unauthorized use of the Licensed Marks.

You must modify or discontinue using any aspect of the Licensed Marks, and add new names, designs, logos or commercial symbols to the Licensed Marks as we instruct. We may impose such changes in our sole discretion. We do not have to compensate you for any costs you incur to make the changes we require. You will receive written notice of any change, and

will be given a reasonable time to conform to our directions (including changing signs and paper products that display the Licensed Marks and marketing displays), at your expense.

~~We forbid you to~~You may not use the Licensed Marks in any electronic mail address or in any domain name. You may not maintain your own website to promote the Franchised Gym. You may not maintain a presence or advertise on the Internet or on any other public computer network, or any other kind of public modality, using the Licensed Marks or referencing Shoot 360 Gyms without our written consent beforehand, which may be withheld in our sole judgment. ~~This~~These restrictions ~~applies~~apply to use of the Licensed Marks on third-party social media websites.

## ITEM 14

### PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

The basketball training equipment ~~manufactured and sold by our Operating Affiliate~~we sell to you as part of the Shoot 360 Package includes proprietary operating software, into which is embedded certain software code patented by Pillar Vision, Inc. (“PVI”). PVI has exclusively licensed the software code to our Operating Affiliate, for the life of the patent protection, under a License Agreement effective December 27, 2018, as amended (the “Noah License”). You will not be granted a license for any individual patent; rather, you will be licensed to use the Shoot 360 basketball training equipment (including the integrated operating software) for the term of the Franchise Agreement. ~~There~~

The Noah License covers the patents and patent applications listed in the chart below (including any improvements, continuations, divisional applications, registrations, reissues and reexaminations), corresponding foreign applications or patents, and later-developed patents relating to the operating software used in Shoot 360 basketball training equipment.

<u>USPTO Reg./App. No.</u>	<u>Type</u>	<u>Title</u>	<u>Issuance Date</u>	<u>Expiration Date*</u>
<u>16/026029</u>	<u>Utility</u>	<u>Systems and methods for determining reduced player performance in sporting events</u>	<u>03/23/2021</u>	<u>07/02/2028</u>
<u>7850552</u>	<u>Utility</u>	<u>Trajectory detection and feedback system</u>	<u>12/14/2010</u>	<u>08/06/2029</u>
<u>7854669</u>	<u>Utility</u>	<u>Trajectory detection and feedback system</u>	<u>12/21/2010</u>	<u>08/06/2029</u>
<u>8617008</u>	<u>Utility</u>	<u>Training devices for trajectory-based sports</u>	<u>12/31/2013</u>	<u>07/31/2031</u>
<u>8409024</u>	<u>Utility</u>	<u>Trajectory detection and feedback system for golf</u>	<u>04/02/2013</u>	<u>02/01/2032</u>
<u>9390501</u>	<u>Utility</u>	<u>Stereoscopic image capture with performance outcome prediction in sporting environments</u>	<u>07/12/2016</u>	<u>07/30/2032</u>
<u>8408982</u>	<u>Utility</u>	<u>Method and apparatus for video game simulations using motion capture</u>	<u>04/02/2013</u>	<u>07/30/2032</u>
<u>9358455</u>	<u>Utility</u>	<u>Method and apparatus for video game simulations using motion capture</u>	<u>06/07/2016</u>	<u>07/30/2032</u>

<u>USPTO Reg./App. No.</u>	<u>Type</u>	<u>Title</u>	<u>Issuance Date</u>	<u>Expiration Date*</u>
<a href="#">8948457</a>	<a href="#">Utility</a>	<a href="#">True space tracking of axisymmetric object flight using diameter measurement</a>	<a href="#">02/03/2015</a>	<a href="#">06/18/2033</a>
<a href="#">8908922</a>	<a href="#">Utility</a>	<a href="#">True space tracking of axisymmetric object flight using diameter measurement</a>	<a href="#">12/09/2014</a>	<a href="#">06/18/2033</a>
<a href="#">9697617</a>	<a href="#">Utility</a>	<a href="#">True space tracking of axisymmetric object flight using image sensor</a>	<a href="#">07/04/2017</a>	<a href="#">06/18/2033</a>
<a href="#">9694238</a>	<a href="#">Utility</a>	<a href="#">Trajectory detection and feedback system for tennis</a>	<a href="#">07/04/2017</a>	<a href="#">01/11/2034</a>
<a href="#">9345929</a>	<a href="#">Utility</a>	<a href="#">Trajectory detection and feedback system</a>	<a href="#">05/24/2016</a>	<a href="#">02/10/2034</a>
<a href="#">9370704</a>	<a href="#">Utility</a>	<a href="#">Trajectory detection and feedback system for tennis</a>	<a href="#">06/21/2016</a>	<a href="#">06/19/2034</a>
<a href="#">12/127744</a>	<a href="#">Utility</a>	<a href="#">Stereoscopic image capture with performance outcome prediction in sporting environments</a>	<a href="#">07/23/2019</a>	<a href="#">08/28/2034</a>
<a href="#">9734405</a>	<a href="#">Utility</a>	<a href="#">Systems and methods for monitoring objects in athletic playing spaces</a>	<a href="#">08/15/2017</a>	<a href="#">10/05/2035</a>
<a href="#">9886624</a>	<a href="#">Utility</a>	<a href="#">Systems and methods for tracking dribbling performance in sporting environments</a>	<a href="#">02/06/2018</a>	<a href="#">06/03/2036</a>
<a href="#">15/366606</a>	<a href="#">Utility</a>	<a href="#">Systems and methods for monitoring basketball shots</a>	<a href="#">09/21/2021</a>	<a href="#">12/01/2036</a>
<a href="#">15/438289</a>	<a href="#">Utility</a>	<a href="#">Systems and methods for monitoring objects at sporting events</a>	<a href="#">03/01/2022</a>	<a href="#">02/21/2037</a>
<a href="#">15/684413</a>	<a href="#">Utility</a>	<a href="#">Systems and methods for tracking basketball player performance</a>	<a href="#">07/09/2019</a>	<a href="#">08/23/2037</a>
<a href="#">10010778</a>	<a href="#">Utility</a>	<a href="#">Systems and methods for tracking dribbling and passing performance in sporting environments</a>	<a href="#">07/03/2018</a>	<a href="#">12/12/2037</a>

\* if required fees are paid

The license granted to our Operating Affiliate in the Noah License is for the duration of the patent protection for each patent; after patent protection ends, the technology can be freely used by anyone. Once the patent protection for the last patent expires and the license ends, Shoot 360's proprietary software will no longer depend on any patent. PVI may immediately terminate the Noah License if our Operating Affiliate: (1) fails to pay the amounts due under the Noah License; (2) commits a material breach, and does not cure within 30 days of written notice; or (3) is merged or acquired by any entity that competes with PVI. Our Operating Affiliate can terminate the Noah License if PVI breaches the warranty of patent enforceability. Either PVI or our Operating Affiliate can terminate the Noah License if the other ceases business or becomes insolvent. Under any of the events of termination listed above, you must immediately cease using the patents. Except as disclosed above, there are no other patents or patent applications that are material to the franchise. ~~We have no pending patent applications that are relevant to the franchise.~~

Although we have not filed an application to copyright the Manual or any of the training, advertising and marketing materials that we have developed, we claim common law copyright rights in these materials and regard them as our proprietary information.

You may use the basketball training equipment and associated software, the Manual, our advertising and marketing materials, and any other confidential or proprietary information that we choose to share with you, only to operate and promote the Franchised Gym during the term of the Franchise Agreement, and only in the manner that we authorize. You may not duplicate, copy, disclose or disseminate the contents of the Manual or other Confidential Information without our prior written consent. You may not contest our or our Operating Affiliate's rights to and interest in the Noah License, the Manual, or our other copyrighted or proprietary information.

We may modify the Manual at any time. We will notify you of all changes in writing and you must promptly adopt the changes at your cost. When the Franchise Agreement expires or terminates, depending on the format that we furnish the Manual, you must physically return all copies in your possession or delete electronic content from your computers and not retain any copies. You must keep the Manual confidential, updated and, depending on the format that we furnish it, in a secure or locked receptacle when not in use. If there is a dispute over the current version of the Manual, the terms of our master copy will control.

We are not aware of any agreement, third-party claim of infringement, or infringing use that might limit our, or your, use of the basketball training equipment and associated software, the Manual or any other confidential or proprietary materials that we allow you to use. We are not aware of any current determinations of the USPTO, the Copyright Office or any court or any pending interference, opposition or cancellation proceedings or material litigation involving the Noah License or any materials in which we claim a copyright or which we regard as proprietary or as our trade secret.

You may not divulge Confidential Information about the Shoot 360 System or the Franchised Gym's operations to any person, except to your employees and professional advisors who must know the information in order to carry on their employment duties or render professional advice to you. We require those to whom you must disclose Confidential Information to sign a confidentiality agreement in a format that includes the non-disclosure provisions in **Exhibit E**, which gives us the right to seek equitable remedies, including restraining orders and injunctive relief, to prevent the unauthorized use of our Confidential Information.

You are encouraged to bring your own ideas and suggestions to us for our consideration as to whether we wish to implement the idea or improvement into the Shoot 360 System. You may not implement ideas or improvements that materially alter the Shoot 360 System without our prior ~~written consent~~approval. As a condition of our approval, the Franchise Agreement provides that you ~~quitclaim~~assign to us all rights that you may have in and to any idea or improvement. You must execute the agreements that we believe are necessary to give us exclusive ownership of the improvements, without compensation, and agree that we may use and incorporate the improvements and any ideas that you may originate in the Shoot 360 System.

You must notify us immediately if you learn about any improper use of the Shoot 360 Intellectual Property or any challenge to your use of any of the Shoot 360 Intellectual Property. This includes claims involving our distinctive trade dress, the basketball training equipment and

associated software, the Manual, and any other Confidential Information, including any source codes relevant to the POS System or any other proprietary software that is part of the Shoot 360 System. We will take whatever action we think is appropriate under the circumstances (including taking no action), and will control the prosecution, defense or settlement of any legal action. You must cooperate and assist us in defending our rights in the materials or information that we claim is our property with regard to any third-party claims. You and your owners and management must not communicate with any person other than us and our counsel about any infringement, challenge or claim. You may not take any action in your own name. Unless we establish that a third-party claim is due to your misuse of the Manual or any other confidential or proprietary materials that we allow you to use, we will defend and indemnify you against third-party claims arising out of your authorized use of any of the Shoot 360 Intellectual Property in compliance with the Shoot 360 System. However, we will not reimburse you for any lost profits or consequential damages of any kind and will only reimburse you for the amount of any settlement or liability imposed by the court and any actual expenses that you incur to change your operations to discontinue use of any infringing materials if we agree to do so as part of the resolution of the third-party claim. You agree to indemnify us for any expenses or damages relating to your operation of the Franchised Gym, which includes and improper or unauthorized use of the Shoot 360 Intellectual Property.

See Item 17 for additional information regarding confidentiality and covenants against competition.

## ITEM 15

### OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS

You must devote the requisite time, energy, and best efforts to meet your obligations to us under the Franchise Agreement. We do not require that you or a Primary Owner personally participate in the day-to-day operation of the Franchised Gym. However, we require you or a Primary Owner to complete the Owner Consultations, and we recommend that you or a Primary Owner also complete the managerial modules of the initial training program.

At all times, the Franchised Gym must be under the direct supervision of a Certified Manager, a management-level employee who devotes their full-time attention to supervising the day-to-day operations of the Franchised Gym and qualifies as a Certified Manager. A Certified Manager may, but need not, be a Primary Owner. To qualify as a Certified Manager, one must successfully complete the initial training program to our satisfaction and, if required, pass a Certified Manager exam. The Certified Manager designation authorizes that individual to conduct internal training programs for your employees and new hires.

If, immediately after the death or incapacity of a Primary Owner resulting in a ~~Change~~change of ~~Control~~control or the death or incapacity of your Certified Manager, your remaining management cannot demonstrate to our satisfaction that they can operate the Franchised Business in accordance with the requirements of the Franchise Agreement during the interim period, we may assume day-to-day management of the Franchised Gym for your account for up to 90 days. If the situation is not resolved by the end of 90 days, you and we must either mutually agree to extend the management arrangement or we may terminate the Franchise Agreement based on the lack of satisfactory management. During the period that we manage the Franchised Gym, we will pay ourselves all amounts due under the Franchise Agreement plus a Management Fee out of the Franchised Gym's cash flow, as well as to reimburse ourselves for any out-of-pocket expenses.

Each of your ~~owners~~, employees, independent contractors, and agents given access to any information that we deem to be proprietary or confidential must enter into a written confidentiality ~~and non-competition~~ agreement ~~either with us or with you. We designate the form of contract and attach a copy of our current contract~~ you in a format that includes the non-disclosure provisions in Exhibit E, which gives us the right to seek equitable remedies, including restraining orders and injunctive relief, to prevent the unauthorized use of our Confidential Information. Each of your owners must enter into confidentiality and non-competition agreements, the form of which is attached as Exhibit E.

If you are a corporation, limited liability company or other business entity, then each ~~person who owns 10% or more of the equity or voting interests~~ owner of the business entity must sign a Personal Guaranty agreeing to be jointly and individually liable for all of your obligations under the Area Development Agreement (**Exhibit D**) and under each Franchise Agreement (**Exhibit C**). This applies also to ~~persons who acquire a 10% or greater interest~~ any new owners after ~~you sign~~ signing the ~~applicable contract~~ Area Development Agreement (Exhibit D) and under each Franchise Agreement (Exhibit C).

If you are married, your spouse will be asked to execute a Spousal Consent (attached to the Area Development Agreement and Franchise Agreement) acknowledging that your obligations under the Area Development Agreement, each Franchise Agreement, and each Personal Guaranty are binding upon ~~the marital community~~ them.

## ITEM 16

### RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell all of the ~~goods and product~~, services and other items that we designate are part of the Shoot 360 System, and nothing else, except with our prior written approval. These items currently include competitive shooting leagues, fitness classes, skill assessment combines, adult memberships, camps and clinics. You must also offer the types of memberships we require along with the pricing structures we require.

Among other changes that we may implement, we may (i) require you to add, modify, or discontinue certain goods ~~or~~, services or other items; (ii) add, modify and discontinue mandatory, designated or preferred vendors of goods and services; or (iii) modify trade dress and sign requirements. These changes may increase your operating expenses. We communicate all changes by written or electronic bulletins or revisions to the Manual. There is no limit on the frequency that we may impose these modifications. ~~You~~ We will ~~be given a reasonable~~ give you what we believe is a sufficient time period ~~after notice from us in which to~~ implement these changes and discontinue any practices ~~which~~ we delete from the Shoot 360 System. ~~You may not place new orders with any vendors whom we remove from our approved vendor list. In 2024, we intend to test and introduce shooting leagues and fitness classes as additional programs offered at Shoot 360 Gyms. These new offerings may be designated as part of the Shoot 360 System, and you may be required to offer them at the Franchised Gym.~~

You may sell only to retail customers and may not engage in wholesale sales and distribution, as we explain in Item 12. You may engage in generalized local advertising that extends beyond the boundaries of your Protected Area, but you may not target advertising toward, or otherwise actively solicit, athletes or customers that are assigned to other Shoot 360 Gyms to transfer their account to the Franchised Gym. Otherwise, we do not impose any restrictions regarding the customers to whom you may sell authorized products and services.

We may use the Brand Development Fund to advertise products and services at suggested resale prices. In the future, we may implement policies regarding the maximum and minimum prices at which you may advertise and sell approved goods and services from the Franchised Gym, consistent with applicable law.

~~Your business must comply with all applicable laws, including those we describe in Item 1. You must investigate which laws apply to your business and ensure that you comply with them.~~

## ITEM 17

### RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

#### The Franchise Relationship

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

#### Franchise Agreement (“FA”)

PROVISION	SECTION IN FA	SUMMARY
A. Length of the franchise term	IV.A	The term begins on the date that the Franchise Agreement is signed by the parties and expires 10 years from the Opening Date of the Franchised Gym.
B. Renewal or extension of the term	IV.B	One five-year term
C. Requirements for franchisee to renew or extend	IV.C-D	You must give us timely notice, be in good standing under the expiring Franchise Agreement; sign the then-current Franchise Agreement; satisfy our then-current <del>design, appearance and trade dress elements</del> standards for the Franchised Gym; pay the renewal fee; complete any training that we require for renewing franchisees; and sign a general release. The then-current Franchise Agreement that you sign may contain materially different terms and conditions than the expiring Franchise Agreement. You must negotiate with the landlord to extend your occupancy rights for the entire renewal term or relocate the Franchised Gym to a new location <del>with our approval</del> we approve. In each case, the landlord must sign our then-current Addendum to Lease.
D. Termination by franchisee	XV.A	You may terminate the Franchise Agreement only if we fail to cure an alleged material breach of the Franchise Agreement within the cure period we are allowed under the Franchise Agreement. (Subject to state law.)
E. Termination by franchisor without cause	N/A	Termination without cause is only possible by mutual agreement.
F. Termination by franchisor with cause	V.D, XV.B, XV.C, XV.D	We may terminate the Franchise Agreement for good cause based on your material default.
G. “Cause” defined – curable defaults	XV.C, <u>XV.B.4-5</u> , <u>X.D.2</u>	Except for defaults that the Franchise Agreement identifies are not curable, you have 30 days after notice to cure all defaults, except that you have <del>40</del> 15 days after notice to cure a monetary default <u>or failure to submit any report or financial statement, and 10 days to cure a monetary default discovered by an audit.</u>

PROVISION	SECTION IN FA	SUMMARY
H. "Cause" defined – non-curable defaults	XV.B	<p>Non-curable defaults include: your failure to obtain site approval <del>and</del><u>within 180 days after you sign your Franchise Agreement or</u> sign a lease for the Approved Location <del>by 420</del><u>within 270</u> days after the date you sign the Franchise Agreement; your failure to open the Franchised Gym within <del>365</del><u>425</u> days after you sign the Franchise Agreement; your breach of the lease or loss of the right to occupy the Approved Location for cause; your bankruptcy or insolvency; your assignment for the benefit of creditors; if a liquidator or receiver is appointed for all or substantially all of your Franchised Gym assets unless the appointment is dismissed within 60 days; a material misrepresentation or omission in your application for the franchise rights; <u>your failure to immediately suspend an individual accused of physical, verbal, or sexual abuse or harassment, or failure to immediately terminate an individual convicted of the same;</u> your conviction or plea of no contest to a crime or offense that we reasonably believe is likely to adversely affect the reputation of the Licensed Marks; your misuse of any Confidential Information; if you fail to comply with any law within 10 days after being notified of non-compliance; an unauthorized transfer; misuse of the Manual, the Licensed Marks or any other Confidential Information; receipt of 3 or more notices of default within any 24-month period; the unauthorized closure of the Franchised Gym or failure to actively operate the Franchised Gym for any length of time under circumstances making it reasonable for us to assume you have abandoned the Franchised Gym; false reporting; or your acts or inactions resulting in an imminent danger to public health or safety at the Franchised Gym.</p> <p>Termination of one Franchise Agreement will not automatically result in the termination of other Franchise Agreements then in effect between us unless the same default also constitutes a breach of the other Franchise Agreement and we follow the termination procedures in the other Franchise Agreement.</p>
I. Franchisee's obligations on termination/non-renewal	XVI.A	<p>Your obligations include the following:  You must de-identify the Franchised Gym; upon request, you must assign any equipment leases to us; you must remove or stop using any property including signs and interior décor items that suggest or imply that you are, or were, an authorized franchisee or a former Shoot 360 Gym or are still associated with us or the Shoot 360 System; you must sign a general release; you must allow us to exercise our right to assume your lease under the terms of the Addendum to Lease; upon request, you must assign your telephone numbers and business listings to us; you must pay us all sums that you owe to us or our affiliates through the effective date of termination and any damages that we sustain in enforcing the termination provisions of the Franchise Agreement; and you must return the Manual and any other Confidential Information to us.</p> <p>The Franchise Agreement gives us a right of first refusal to purchase the non-fixture physical assets of the Franchised Gym upon termination. If we exercise our option, we may offset any other fees or sums that you owe to us from the purchase price.</p>
J. Assignment of contract by franchisor	XVII.A	<p>There are no restrictions on our right to assign the Franchise Agreement, except that the assignee must agree to assume our obligations.</p>
K. "Transfer" by franchisee: definition	XVII.C, <u>I.M</u>	<p>The Franchise Agreement is a personal service contract. We forbid any kind of Event of Transfer, whether done voluntarily or by operation of law, unless you first obtain our written consent. An "Event of Transfer" includes the sale, assignment or disposal of any interest in the Franchise Agreement, the transfer of substantially all of your Franchised Gym assets, or a change in ownership of a controlling interest of a franchisee that is a corporation, limited liability company or partnership. An Event of Transfer also includes a Public or Private Offering.</p>
L. Franchisor approval of	XVII.C	<p>Any Event of Transfer requires our written consent beforehand, which we agree not to unreasonably withhold.</p>

PROVISION	SECTION IN FA	SUMMARY
transfer by franchisee		
M. Conditions for franchisor approval of transfer	XVII.E, <a href="#">XVII.G</a>	The proposed buyer must submit an application to us and meet our qualifications. In addition, the proposed buyer must sign our then-current Franchise Agreement and related agreements (which may materially vary from your Franchise Agreement) for the remainder of your term and unexercised renewal term. If we are not awarding new franchises in <del>your state</del> <a href="#">the United States</a> at the time of the proposed Event of Transfer, we will allow the proposed buyer to assume your existing Franchise Agreement for the remainder of your franchise term and any unexercised renewal term. You or proposed buyer pay us a transfer fee, which will be different depending on whether the Event of Transfer is a Qualified Transfer or involves a Public or Private Offering. The proposed buyer must <del>complete the Owner Consultations</del> <a href="#">meet our then-current qualifications for new franchisees</a> and qualify at least one person as a Certified Manager (if the buyer employs someone who has previously qualified as a Certified Manager, the buyer does not have to qualify a second person as a Certified Manager). You must sign a general release.
N. Franchisor's right of first refusal to acquire franchisee's business	XVII.D	We can match any third party offer to buy your franchise rights, assets or controlling interest which is the subject of a proposed Event of Transfer. We have 30 days in which to exercise our right of first refusal. We do not have a right of first refusal when the Event of Transfer is a Qualified Transfer.
O. Franchisor's option to purchase your business	XVI.C	Upon termination or expiration of the Franchise Agreement, we may, at our option, purchase the tangible assets of the Franchised Gym and require you to assign us your leasehold interest under the terms of the Addendum to Lease.
P. Death or disability of franchisee	XVII.H	Because the Franchise Agreement is a personal service contract, we treat the death or incapacity of a Primary Owner that results in a Change of Control as an Event of Transfer subject to all transfer conditions. We also regard the death or incapacity of a Certified Manager as an Event of Transfer if you have no other Certified Manager. You must immediately replace a Certified Manager who is unable to fulfill his or her duties. The Franchise Agreement gives us the option to manage the Franchised Gym for up to 90 days immediately following death or a permanent incapacity if we believe the remaining members of your management team lack the financial ability or business skills to operate the Franchised Gym in accordance with the Franchise Agreement. We retain the right to manage the Franchised Business in order to facilitate an orderly transition of ownership with minimal disruption to the Franchised Business's continuous operation or damage to the brand reputation. If we assume management responsibility, you must pay us a Management Fee. After the initial 90 days, we may extend this management period by mutual agreement, or we may elect to terminate the Franchise Agreement.
Q. Non-competition covenants during the term of the franchise	XIV.A.1	The Franchise Agreement forbids you and each Covered Person during the term of the Franchise Agreement from directly or indirectly engaging in a Competitive Business <a href="#">anywhere in the world</a> . The Franchise Agreement defines a Competitive Business as a retail business featuring goods or services related to basketball training and coaching. We define "Covered Person" in the Franchise Agreement. The restriction against competition applies world-wide during the term of the franchise or for 2 years after a Covered Person severs his or her relationship with you.
R. Non-competition covenants after	XIV.A.2	The Franchise Agreement forbids you and each Covered Person from directly or indirectly engaging in a Competitive Business that is located within 20

PROVISION	SECTION IN FA	SUMMARY
the franchise terminates or expires		miles of <a href="#">the Approved Location</a> or another Shoot 360 Gym anywhere in the world, whether or not the Shoot 360 Gym was open for business on the date your Franchise Agreement terminates or expires or opens at a later date. This restriction applies for 2 years after the termination or expiration of the Franchise Agreement or the effective date of an Event of Transfer, <a href="#">or for 2 years after a Covered Person severs his or her relationship with you.</a>
S. Modification of the agreement	XXII.G, <a href="#">VIII.C</a>	The Franchise Agreement may not be modified except by a written agreement that both of us sign. <del>As noted throughout this disclosure document</del> <del>However, the Franchise Agreement, among other things, gives us the right to modify or change the Shoot 360 System in our discretion through changes in the Manual if the changes do not fundamentally alter your rights under the Franchise Agreement.</del> <a href="#">we may unilaterally change the Manual.</a>
T. Integration/merger clause	XXII.I, <a href="#">XXII.E</a>	Only the terms <a href="#">and conditions</a> of the Franchise Agreement are binding (subject to state law). Nothing in the Franchise Agreement requires you to waive or disclaim any representation that we make in this disclosure document. Any representations or promises outside of this disclosure document and other agreements may not be enforceable.
U. Dispute resolution by arbitration or mediation	XX. <a href="#">A-B</a>	With limited exceptions pertaining to claims (i) for damages under \$10,000; (ii) in which <del>Company seeks</del> <a href="#">we seek</a> to enforce <del>its</del> <a href="#">our</a> rights under any Addendum to Lease; or (iii) for injunctive relief or other forms of provisional remedies, all disputes arising out of the Franchise Agreement must first be submitted to mediation. If mediation does not resolve the dispute, the matter must be resolved in court.
V. Choice of forum	XX.C	The Franchise Agreement has a forum selection provision that requires any lawsuit to be filed in Multnomah County Circuit Court or in the federal court located closest to Company's headquarters, currently the U.S. District Court for the District of Oregon. (Subject to state law). <del>Certain states have laws that supersede the choice of forum in the Franchise Agreement and require that a lawsuit be brought in the state or federal courts in the franchisee's home state. See the State Required Addenda, Exhibit G.)</del>
W. Choice of law	XX. <a href="#">FE</a>	Oregon law applies. (Subject to state law. <del>Certain states have laws that supersede the choice of law provision in the Franchise Agreement. See the State Required Addenda, Exhibit G.)</del>

NOTE TO ITEM 17: When you sign the Franchise Agreement, you will also sign the contract entitled Collateral Assignment of Telephone Numbers, Addresses, Listings and Assumed or Fictitious Business Name, which is attached to the Franchise Agreement. Following expiration or termination of the Franchise Agreement, we may deliver a copy of the Collateral Assignment to third-party providers. The Collateral Assignment instructs the third-party providers to assign us the telephone numbers and other listings for our outlet in furtherance of your duty to de-identify from the Shoot 360 System.

### Area Development Agreement (“ADA”)

PROVISION	SECTION IN ADA	SUMMARY
A. Length of the franchise term	I.H	Depends on Development Quota and Development Deadlines that we negotiate.
B. Renewal or extension of the term	<del>N/A</del> <a href="#">None</a>	<del>N/A</del> <a href="#">Not applicable</a>
C. Requirements for	<del>N/A</del> <a href="#">None</a>	<del>N/A</del> <a href="#">Not applicable</a>

PROVISION	SECTION IN ADA	SUMMARY
franchisee to renew or extend		
D. Termination by franchisee	VI.A	You may terminate the ADA only if we fail to cure an alleged material breach of the ADA within the cure period we are allowed under the ADA. (Subject to state law.)
E. Termination by franchisor without cause	VI.A	Termination without cause is only possible by mutual agreement.
F. Termination by franchisor with cause	VI.A	We may only terminate the ADA for good cause based on your material default.
G. "Cause" defined – curable defaults	VI.A	Except for defaults that the ADA identifies are not curable, <a href="#">or identified as having a shorter cure period.</a> , you have 30 days after notice to cure all defaults.
H. "Cause" defined – non-curable defaults	VI.A	Non-curable defaults. <del>They</del> include the following: Your failure to meet a Development Deadline; your bankruptcy or insolvency; your assignment for the benefit of creditors; if a liquidator or receiver is appointed for all or substantially all of your assets unless the appointment is dismissed within 60 days; a material misrepresentation or omission in your application for the area development or franchise rights; your conviction or plea of no contest to a crime or offense that we reasonably believe is likely to adversely affect the reputation of the Licensed Marks; if you fail to comply with any law within 10 days after being notified of non-compliance; an unauthorized transfer; misuse of the System; receipt of 3 or more notices of default within any 24-month period; or termination of a Franchise Agreement for any reason. Termination of the ADA will not automatically result in the termination of any Franchise Agreements then in effect between us unless the same material breach constitutes a breach of the Franchise Agreement and we follow the termination procedures in the Franchise Agreement.
I. Franchisee's obligations on termination/non-renewal	VI.B	Your obligations include the following: You will lose your right to further development and must sign a general release.
J. Assignment of contract by franchisor	VII.A	There are no restrictions on our right to assign the ADA, except that our obligations must be fully assumed by the assignee.
K. "Transfer" by franchisee: definition	VII.B	The ADA is a personal service contract. We forbid any kind of Event of Transfer, whether done voluntarily or by operation of law, unless you first obtain our written consent. The ADA adopts the same definition for an "Event of Transfer" as the Franchise Agreement.
L. Franchisor approval of transfer by franchisee	VII.B	Any Event of Transfer requires our prior written consent.
M. Conditions for franchisor approval of transfer	VII.B	The proposed buyer must submit an application to us and meet our qualifications. The proposed buyer must assume your existing Area Development Agreement for the remainder of your Development Term. We may condition our consent to an Event of Transfer involving the Area Development Agreement to the buyer also acquiring the assets of at least one of your Shoot 360 Gyms in the Development Territory and satisfying the separate conditions applicable to an Event of Transfer under the Franchise Agreement.

PROVISION	SECTION IN ADA	SUMMARY
		You or the proposed buyer must pay us a \$10,000 transfer fee (\$5,000 if the proposed transferee is an existing Shoot 360 franchisee), <a href="#">payable for each Gym transferred to the buyer</a> . You must sign a general release.
N. Franchisor's right of first refusal to acquire franchisee's business	<del>N/A</del> <a href="#">VII.B</a>	<del>Not applicable</del> <a href="#">Same right of first refusal provisions as the Franchise Agreement applying to a Transfer.</a>
O. Franchisor's option to purchase your business	<del>N/A</del> <a href="#">None</a>	Not applicable
P. Death or disability of franchisee	<del>N/A</del> <a href="#">None</a>	Not applicable
Q. Non-competition covenants during the term of the franchise	<del>N/A</del> <a href="#">None</a>	Once you sign the Area Development Agreement and the first Franchise Agreement, you are subject to the non-compete covenant in the Franchise Agreement.
R. Non-competition covenants after the franchise terminates or expires	<del>N/A</del> <a href="#">None</a>	Not applicable
S. Modification of the agreement	XI.G	The Area Development Agreement may not be modified except by a written agreement that both of us sign.
T. Integration/merger clause	XI.I, <a href="#">XI.E</a>	Only the terms <a href="#">and conditions</a> of the Area Development Agreement are binding (subject to state law). Any representations or promises outside of this disclosure document and the Franchise Agreement may not be enforceable. Nothing in the Area Development Agreement requires you to waive or disclaim any of the representations that we make in this disclosure document.
U. Dispute resolution by arbitration or mediation	IX	Same dispute resolution provisions as the Franchise Agreement.
V. Choice of forum	IX	The Area Development Agreement incorporates the dispute resolution provisions of the Franchise Agreement, which includes a forum selection provision that requires any lawsuit to be filed in Multnomah County Circuit Court or in the federal court located closest to Company's headquarters, currently the U.S. District Court for the District of Oregon. (Subject to state law. Certain states have laws that supersede the choice of forum in the Franchise Agreement and require that a lawsuit be brought in the state or federal courts in the franchisee's home state. See the State-Required Addenda, <b>Exhibit G.</b> )
W. Choice of law	IX	Oregon law applies. (Subject to state law. Certain states have laws that supersede the choice of law provision in the Franchise Agreement. See the State-Required Addenda, <b>Exhibit G.</b> )

## ITEM 18

### PUBLIC FIGURES

Several former professional basketball players are owners of Shoot 360 franchises, and some have provided testimonials regarding the Shoot 360 System and their experience with the franchise. None of the franchisees are compensated for their testimonials. We do not use any other public figure to promote our franchises, nor is there any public figure who is involved with the management or control of our company.

## 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.

As of October 31, ~~2023, for 20 franchised~~ 2024 there were 40 Shoot 360 Franchised Gyms open in operation. Of these Franchised Gyms, 28 operated for more than one year, the number of memberships per training unit ranged from 35 to 81 members per training unit, and the price charged per member ranged from \$100 to \$180 per month the entire 12-month period ended October 31, 2024 (the "Measured Gyms"). We have excluded from the Measured Gyms 12 Franchised Gyms. 10 of the 12 were excluded because they were not open and operating for the entire 12-month period ended October 31, 2024. Nine of these ~~calculations~~ 8 Franchised Gyms that have been operating one year or less, the Beaverton opened during this time period and one was closed for a portion of this time period due to construction. Of the remaining two that were excluded, one was excluded because it was not operated on a full-time basis due to operating restrictions in its lease and one was excluded because it does not operate the same business model that a typical Franchised Gym, which is franchised required to an entity owned by two of our executive officers, and the Garden Grove Gym, which has been open longer than one year but operates inside another facility and has membership rates that are not comparable to other Gyms due to access issues.

currently operate.

The table below provides information from the Measured Gyms for the 12-month period ended October 31, 2024 (the "Measurement Period"):

	<u>Training Units of Measured Gyms<sup>1</sup></u>	<u>Monthly Membership Level Per Training Unit<sup>2</sup></u>	<u>Membership Revenue Per Member Per Month<sup>3</sup></u>	<u>Non-Membership Revenue (Expressed as a Percentage of Membership Revenue)<sup>4</sup></u>
<u>Average</u>	<u>6</u>	<u>47</u>	<u>\$126</u>	<u>15%</u>
<u>Facilities that</u>	<u>16 / 57%</u>	<u>12 / 43%</u>	<u>14 / 50%</u>	<u>13 / 46%</u>

<u>met or exceeded the Average Number %</u>				
<u>Median</u>	<u>6</u>	<u>43</u>	<u>\$126</u>	<u>14%</u>
<u>High</u>	<u>8</u>	<u>72</u>	<u>\$163</u>	<u>31%</u>
<u>Low</u>	<u>4</u>	<u>20</u>	<u>\$90</u>	<u>3%</u>

NOTE 1. The average “Training Units of Measured Gyms” was calculated by determining the total number of Training Units of the Measured Gyms for the Measurement Period and dividing that number by 28 (the total number of Measured Gyms).

NOTE 2. Monthly Membership Level per Training Unit was determined using membership data by Measured Gym, by month, as reported by our gym management software. To determine the average Monthly Membership Level per Training Unit we, for each of the Measured Gyms: (1) determined the total revenue from membership fees for the Measurement Period, (2) divided such amount by 12, and (3) divided the resultant by the number of training units at the Measured Gym. The overall monthly average reported in the chart above was calculated by summing the averages of the Measured Gyms Monthly Membership Level per Training Unit and dividing by 28 (the total number of Measured Gyms).

NOTE 3. Membership Revenue per Member per Month was determined using membership revenue and membership data by Measured Gym, by month, as reported by our gym management software. For each Measured Gym we: (1) determined the total revenue from membership fees for the Measurement Period, (2) divided such amount by 12, and (3) divided the resultant by the average membership of the Measured Gym. Average membership for a Measured Gym was calculated by determining the total monthly membership of the Measured Gym for the Measurement Period and dividing by 12. The overall monthly average reported in the chart above was calculated by summing the average Membership Revenue per Member per Month for the Measured Gyms and dividing by 28 (the total number of Measured Gyms).

NOTE 4. Non-Membership Revenue as a Percentage of Membership Revenue was determined using revenue from membership fees, total revenue and membership data for each Measured Gym, by month, as reported by our gym management software. Non-Membership Revenue as a Percentage of Membership Revenue was determined using total revenue from membership fees, total revenue and membership data by Measured Gym, by month, as reported by our gym management software. We calculated Non-Membership revenue by calculating the difference between total revenue of a Measured Gym for the Measurement Period and revenue from membership fees for the Measurement Period. At the Measured Gym level and for all of the Measured Gyms, Non-Membership Revenue as a Percentage of Membership Revenue was calculated by dividing total revenue from membership fees by Non-Membership revenue. Non-membership revenue is revenue from sources other than membership fees.

### **Notes to this Item 19**

1. The revenue information above was determined consistent with the definition of Gross Revenue in the Franchise Agreement.

2. The information in the chart above for the Measured Gyms was based upon information we were able to obtain from our gym management software. This information is provided to us on a cash accounting basis. We have not verified any of this information.

3. The revenue information in the chart above only represents gross sales. These gross sales figures do not reflect the cost of sales, operating expenses or other costs that must be deducted from the gross sales figures to calculate net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your Shoot 360 Gym. Franchisees or former franchisees listed in this disclosure document may be one source of information.

4. Some Shoot 360 Gyms have sold ~~this amount~~ these amounts. Your individual results may differ. There is no assurance that you will earn as much.

The following chart of franchised Shoot 360 Gyms that are open and operating as of the end of our most recent fiscal year, indicates the opening date, number of training units, square footage, number and type of basketball courts for each location. Contact information for each of the franchisees is in **Exhibit J** to this disclosure document.

Franchisee	City	State	Open Date	Training Units	Square Footage	Court(s)
M and M Basketball LLC	Beaverton	OR	1/31/14	5	5,500	No Court
The Landing Spot II, LLC	Kirkland	WA	12/21/19	8	20,000	Full Court
Oakland Fieldhouse LLC	Rochester Hills	MI	1/24/20	4	6,000	No Court
Ultimate Sports Association	Walnut Creek	CA	6/15/20	4	4,500	No Court
HoopTech LLC	N. Ridgeville	OH	8/1/20	5	7,000	Full x2
California Basketball Group LLC	Torrance	CA	9/25/20	8	20,000	Full Court
Golden State Warriors, LLC	Oakland	CA	11/5/20	5	7,000	Full x2
Jump For Joy Basketball LLC	Alpharetta	GA	12/7/20	6	20,000	Full+Half
Kelly Basketball LLC	Houston	TX	12/12/20	7	10,000	Half Court
Innovative Sports LLC	Chantilly	VA	2/21/21	7	8,600	Half Court
The Backcourt, LLC	El Dorado Hills	CA	4/3/21	5	15,000	Full+Half
East Coast Basketball Technology, LLC	Pittsburgh	PA	4/21/21	6	20,000	Full Court
California Basketball Group LLC	Irvine	CA	7/15/21	7	10,500	No Court
California Basketball Group LLC	Garden Grove	CA	10/4/21	7	7,000	No Court
Dakota Prep Athletics, LLC dba Fargo Basketball Academy	Fargo	ND	10/14/21	5	6,900	Half Court
ARC Enterprises LLC	Aurora	CO	10/25/21	4	4,500	No Court
DH Sports, LLC	Spokane	WA	11/30/21	5	12,100	Full Court
Memphis Training & Fitness, LLC	Collierville	TN	12/31/21	8	14,000	Half Court
LTG 16289 Boden Road LLC	Noblesville	IN	2/28/22	6	7,600	No Court
LTG 2012 Corporate Drive LLC	Naperville	IL	5/31/22	8	20,500	Full Court
Aerik Williams, LLC	Charlotte	NC	6/30/22	7	10,900	No Court
ARC Enterprises, LLC	Grapevine	TX	9/30/22	7	9,080	Half Court

Franchisee	City	State	Open Date	Training Units	Square Footage	Court(s)
Sulphur Creek Farms, LLC	Madison	AL	10/31/22	5	8,750	Half-Court
California Basketball Group-Lehi, LLC	Lehi	UT	11/5/22	8	17,200	Full-Court
Liberty Gin, LLC	San Antonio	TX	11/17/22	6	9,000	Half-Court
KCC, LLC	Hiawatha	IA	2/17/23	6	12,000	Half-Court
Burek Basketball, LLC	Richland	WA	6/30/23	5	10,320	Half-Court
ARC Enterprises, LLC	Frisco	TX	7/31/23	7	9,024	No Court
California Family Health, LLC	Rocklin	CA	8/31/23	5	6,700	No Court
Team Siva, LLC	Prospect	KY	9/30/23	5	13,130	Full+Half
Hope Court Hoops, LLC	Lincoln	NE	10/31/23	6	12,536	Half-Court

5. Written substantiation of this ~~financial performance representation~~ information will be made available to you upon reasonable request.

6. Dollar amounts in the chart above were rounded to the nearest dollar and percentages to the nearest whole percent.

7. All of the Measured Gyms offered substantially the same products and services as you are expected to offer, other than Shoot 360 leagues and adult memberships that launched in late 2024.

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Mark Moreland, 12403 NE 60<sup>th</sup> Way, #D-1, Vancouver, WA 98682, tel. 360-433-9841, the Federal Trade Commission, and the appropriate state regulatory agencies.

## ITEM 20

### OUTLETS AND FRANCHISEE INFORMATION

TABLE 1  
SYSTEM WIDE OUTLET SUMMARY  
FOR FISCAL YEARS ~~ENDING OCTOBER 31, 2021,~~ ENDED 2022, AND 2023, AND 2024\*

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	<del>2021</del>	<del>5</del>	<del>15</del>	<del>+10</del>
	2022	15	23	+8
	2023	23	30	+7
	<u>2024</u>	<u>30</u>	<u>40</u>	<u>+10</u>

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
<del>Company-Owned*</del>	<del>2021</del>	<del>4</del>	<del>3</del>	<del>-1</del>
<u>Company-Owned**</u>	2022	3	2	-1
	2023	2	2	0
	<u>2024</u>	<u>2</u>	<u>2</u>	<u>0</u>
Total Outlets	<del>2021</del>	<del>9</del>	<del>18</del>	<del>+9</del>
	2022	18	25	+7
	2023	25	32	+7
	<u>2024</u>	<u>32</u>	<u>42</u>	<u>+10</u>

\* The numbers for each year are as of October 31.

\*\* Includes a Shoot 360 ~~Gyms~~Gym owned by our Operating Affiliate and ~~an entity~~one owned by two of our executive officers. ~~We do not currently own or operate any Shoot 360 Gyms.~~

**TABLE 2**  
**TRANSFERS OF OUTLETS FROM FRANCHISEES**  
**TO NEW OWNERS (OTHER THAN ~~THE FRANCHISOR~~US)**  
**FOR FISCAL YEARS ~~ENDING OCTOBER 31, 2021,~~ENDED 2022, ~~AND 2023,~~ AND 2024\***

State	Year	Number of Transfers
<u>California</u>	<u>2022</u>	<u>0</u>
	<u>2023</u>	<u>0</u>
	<u>2024</u>	<u>1</u>
<del>Total</del>	<del>2021</del>	<del>0</del>
<u>Ohio</u>	2022	0
	2023	0
	<u>2024</u>	<u>1</u>
<u>Virginia</u>	<u>2022</u>	<u>0</u>
	<u>2023</u>	<u>0</u>
	<u>2024</u>	<u>1</u>
<u>Total**</u>	<u>2022</u>	<u>0</u>
	<u>2023</u>	<u>0</u>
	<u>2024</u>	<u>3</u>

\* The numbers for each year are as of October 31.

\*\* Does not include transfers where beneficial ownership of less than 50% of the franchise did not change, circumstances where an individual transfers to an entity that individual owns or transfers to heirs.

**TABLE 3**  
**STATUS OF ~~SHOOT 360 GYM~~ FRANCHISED OUTLETS**  
**FOR FISCAL YEARS ~~ENDING OCTOBER 31, 2021~~, ENDED 2022, ~~AND 2023~~, AND 2024\***

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations- Other Reasons	Outlets at End of the Year
<del>AL</del>	<del>2024</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>
<u>AL</u>	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	<u>2024</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
<del>CA</del>	<del>2024</del>	<del>2</del>	<del>4</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>6</del>
<u>CA</u>	2022	6	0	0	0	0	0	6
	2023	6	1	0	0	0	0	7
	<u>2024</u>	<u>7</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7</u>
CO	<del>2021</del> <u>2022</u>	<del>0</del> <u>1</u>	<del>1</del> <u>0</u>	0	0	0	0	1
	<u>2023</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
	<u>2024</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
<u>FL</u>	2022	<del>4</del> <u>0</u>	0	0	0	0	0	<del>4</del> <u>0</u>
	2023	<del>4</del> <u>0</u>	0	0	0	0	0	<del>4</del> <u>0</u>
<del>GA</del>	<del>2021</del> <u>2024</u>	0	1	0	0	0	0	1
<u>GA</u>	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
<del>IA</del>	<del>2024</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>
	<del>2022</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>
	<del>2023</del> <u>2024</u>	<del>0</del> <u>1</u>	<del>1</del> <u>0</u>	0	0	0	0	1
<del>IL</del>	<del>2024</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>
<u>IL</u>	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	<u>2024</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
<del>IN</del>	<del>2024</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>
<u>IN</u>	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	<u>2024</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
<u>IA</u>	<u>2022</u>	<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>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
	<u>2024</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
KY	<del>2021</del> <u>2022</u>	0	0	0	0	0	0	0
	<u>2023</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
	<u>2024</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
<u>LA</u>	2022	0	0	0	0	0	0	0
	2023	0	<del>1</del> <u>0</u>	0	0	0	0	<del>1</del> <u>0</u>
	<u>2024</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
MI	<del>2021</del> <u>2022</u>	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
	<a href="#">2023</a>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
	<a href="#">2024</a>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
<a href="#">MN</a>	2022	<del>40</del>	0	0	0	0	0	<del>40</del>
	<a href="#">2023</a>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<a href="#">2024</a>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
<a href="#">MO</a>	<a href="#">2022</a>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	2023	<del>40</del>	0	0	0	0	0	<del>40</del>
	<a href="#">2024</a>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
<a href="#">NE</a>	<a href="#">2022</a>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<a href="#">2023</a>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
	<a href="#">2024</a>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
<a href="#">NC</a>	<a href="#">2024</a>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>
<a href="#">NC</a>	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
<a href="#">ND</a>	<del>2021</del> <a href="#">2024</a>	<del>0</del> <u>1</u>	<del>40</del>	0	0	0	0	1
<a href="#">ND</a>	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	<a href="#">2024</a>	<u>1</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
<a href="#">NE</a>	<a href="#">2024</a>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>
<a href="#">NV</a>	2022	0	0	0	0	0	0	0
	2023	0	<del>40</del>	0	0	0	0	<del>40</del>
<a href="#">OH</a>	<del>2021</del> <a href="#">2024</a>	<del>40</del>	<del>0</del> <u>1</u>	0	0	0	0	1
<a href="#">OH</a>	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
<a href="#">PA</a>	<del>2021</del> <a href="#">2024</a>	<del>0</del> <u>1</u>	<del>40</del>	0	0	0	0	1
<a href="#">PA</a>	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	<a href="#">2024</a>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
<a href="#">TN</a>	<a href="#">2024</a>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>
<a href="#">TN</a>	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
<a href="#">TX</a>	<del>2021</del> <a href="#">2024</a>	<del>0</del> <u>1</u>	1	0	0	0	0	<del>4</del> <u>2</u>
<a href="#">TX</a>	2022	1	2	0	0	0	0	3
	2023	3	2	0	0	0	1	4
	<a href="#">2024</a>	<u>4</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4</u>
<a href="#">UT</a>	<a href="#">2024</a>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>
<a href="#">UT</a>	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
<a href="#">VA</a>	<del>2021</del> <a href="#">2024</a>	<del>0</del> <u>1</u>	1	0	0	0	0	<del>4</del> <u>2</u>
<a href="#">VA</a>	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
WA	<u>2024</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
	<del>2021</del> <u>2022</u>	<del>0</del> <u>1</u>	<del>0</del> <u>1</u>	0	0	0	0	<del>4</del> <u>2</u>
	<u>2023</u>	<u>2</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3</u>
	<u>2024</u>	<u>3</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3</u>
<u>WI</u>	2022	<del>4</del> <u>0</u>	<del>4</del> <u>0</u>	0	0	0	0	<del>2</del> <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>
	<u>2024</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
<u>TOTAL</u>	<u>2022</u>	<u>15</u>	<u>8</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>23</u>
<b>Total</b>	<b>2023</b>	<del>2</del> <u>23</u>	<del>4</del> <u>8</u>	<b>0</b>	<b>0</b>	<b>0</b>	<del>0</del> <u>1</u>	<del>3</del> <u>30</u>
	<del>2021</del> <u>2024</u>	<del>5</del> <u>30</u>	<b>10</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<del>45</del> <u>40</u>
	<b>2022</b>	<b>15</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>23</b>
	<b>2023</b>	<b>23</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>30</b>

\* If multiple events occurred affecting an outlet, this table shows the event that occurred last in time. The numbers for each year are as of October 31.

**TABLE 4**  
**STATUS OF AFFILIATE COMPANY OWNED SHOOT 360 GYM OUTLETS\***  
**AS OF OCTOBER 31, 2021, FOR FISCAL YEARS ENDED 2022, AND 2023, AND 2024\***

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Acquired From Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of Year
GA	<del>2021</del>	<del>4</del>	<del>0</del>	<del>0</del>	<del>4</del>	<del>0</del>	<del>0</del>
	<del>2022</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>
	<del>2023</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>
IN	<del>2021</del>	<del>4</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>4</del>
<u>IN</u>	2022	1	0	0	0	1	0
	2023	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>
OR	<del>2021</del>	<del>4</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>4</del>
<u>OR</u>	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
WA	<del>2021</del> <u>2024</u>	<del>1</del> <u>1</u>	<del>0</del> <u>0</u>	<del>0</del> <u>0</u>	<del>0</del> <u>0</u>	<del>0</del> <u>0</u>	<del>1</del> <u>1</u>
<u>WA</u>	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	<u>2024</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
<b>Totals</b>	<b>2021</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>3</b>
<u>TOTAL**</u>	2022	3	0	0	0	1	2
	2023	2	0	0	0	0	2
	<u>2024</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>

\* The numbers for each year are as of October 31.

\*\* Includes a Shoot 360 Gyms owned by our Operating Affiliate and by an entity owned by two of our executive officers. We do not currently own or operate any Shoot 360 Gyms.

**TABLE 5**  
**PROJECTED NEW SHOOT 360 GYM FRANCHISE OUTLETS**  
**THROUGH ~~AS OF~~ OCTOBER 31, 2024**

State	Franchise Agreements Signed <del>but Business Not Yet</del> <del>Open</del> as of October 31, <del>2023</del> 2024 <del>but Outlet Not Yet</del> <u>Open</u>	Projected New Franchised Locations <del>through</del> <del>October 31, 2024</del> <del>in the</del> <u>Next Fiscal Year</u>	Projected New Company-Owned Locations <del>through October 31,</del> <del>2024</del> <del>in the Next Fiscal</del> <u>Year</u>
<del>AL</del>	<del>4</del>	<del>4</del>	<del>0</del>
AR	1	<u>4</u>	0
<u>AZ</u>	<u>1</u>	<u>1</u>	<u>0</u>
FL	<del>2</del> <u>1</u>	<u>4</u>	0
<u>IA</u>	<u>1</u>	<u>1</u>	<u>0</u>
<u>KS</u>	<u>1</u>	<u>1</u>	<u>0</u>
<u>MD</u>	<u>1</u>	<u>1</u>	<u>0</u>
<u>MN</u>	<u>1</u>	<u>1</u>	<u>0</u>
<u>NC</u>	<u>1</u>	<u>1</u>	<u>0</u>
<del>LA</del>	<del>4</del>	<del>4</del>	<del>0</del>
<del>MO</del>	<del>4</del>	<del>4</del>	<del>0</del>
ND	<del>2</del> <u>1</u>	<u>4</u>	0
NE	1	1	0
NV	1	1	0
OH	1	<u>4</u>	0
PA	<del>2</del> <u>3</u>	1	0
<del>SC</del>	<del>4</del>	<del>4</del>	<del>0</del>
SD	1	<u>4</u>	0
TX	2	<del>2</del> <u>1</u>	0
VA	1	<u>4</u>	0
<u>WA</u>	<u>1</u>	<u>1</u>	<u>0</u>
TOTALS	<del>48</del> <u>20</u>	<del>45</del> <u>11</u>	0

**Exhibit J** includes a list of all Shoot 360 Gyms owned and operated by our Operating Affiliate and our franchisees as of October 31, ~~2023~~2024.

**Exhibit J** also includes a list of franchisees who have had a franchise terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during our prior fiscal year; ~~no franchisee or who~~ has ~~failed to communicate~~not communicated with us ~~during the~~within 10 weeks ~~before of~~the filing ~~issuance date~~ of this disclosure document. ~~If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system~~There are 5 franchisees on this portion of **Exhibit J**.

~~We have not signed any confidentiality clauses with any~~ In some instances, current ~~or~~ and former ~~franchisee which would restrict them from speaking~~ franchisees sign provisions restricting their ability to speak openly ~~with you~~ about their experience with ~~us~~ Shoot 360. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

At this time, there are no trademark-specific franchisee organizations associated with the franchise that we have created, sponsored or endorsed. No independent franchisee organizations have asked to be included in this disclosure document.

## ITEM 21

### FINANCIAL STATEMENTS

Attached as **Exhibit I** are our audited financial statements as of October 31, 2024, 2023, and ~~2022, and 2021~~. Our fiscal year-end is October 31.

## ITEM 22

### CONTRACTS

The following contracts are exhibits to this disclosure document:

- EXHIBIT C Franchise Agreement
  - Schedule 1 Approved Location, Protected Area, Notice Address
  - Schedule 2 Current Pricing and Terms
  - Schedule 3 Franchisee's Owners
  - Schedule 4 Personal Guaranty
  - Schedule 5 Spousal Consent
  - Schedule 6 ~~Right of First Offer Addendum~~
  - ~~Schedule 7~~ Electronic Debit Authorization Form
  - Schedule 8 Collateral Assignment
  - Schedule ~~9~~ ~~SBA Addendum~~
  - ~~Schedule 10~~ Addendum to Lease
- EXHIBIT D Area Development Agreement
  - Exhibit A Development Territory, Fee, Quota and Deadlines
  - Exhibit B Franchise Agreement
  - Exhibit C Personal Guaranty
  - Exhibit D Spousal Consent
  - Exhibit E Developer's Owners
- EXHIBIT E Confidentiality, Non-Disclosure and Non-Competition Agreement
- EXHIBIT F General Release
- EXHIBIT G State-Required Addenda

## ITEM 23

### RECEIPTS

The last 2 pages of this disclosure document are duplicate receipt pages ~~(Exhibit K)~~. Please sign and date both copies. Return the last page to us and retain the other copy for your records.

~~4919-0763-8018, v. 1~~  
[4882-2110-3084, v. 13](#)

**EXHIBIT A**

**STATE ADMINISTRATORS**

**Listed below are the names, addresses and telephone numbers of the state agencies having responsibility for franchising disclosure/registration laws:**

<p><b>California</b></p> <p>State of California          Department of Financial Protection and Innovation          320 W. 4th Street, Suite 750          Los Angeles, California 90013-2344  <del>(213) 576-7500</del> / (866) 275-2677 <a href="#">(toll free)</a>  <a href="mailto:ask.dfpi@dfpi.ca.gov">ask.dfpi@dfpi.ca.gov</a></p>	<p><b>Hawaii</b></p> <p>Hawaii Commissioner of Securities          Department of Commerce &amp; Consumer Affairs          Business Registration Division  <del>P.O. Box 40</del>  <a href="#">335 Merchant Street, Rm. 205</a>          Honolulu, Hawaii <del>96810</del><a href="#">96813</a>          (808) 586-2744</p>
<p><b>Illinois</b></p> <p>Franchise Bureau          Illinois Attorney General          500 South Second Street          Springfield, Illinois 62706          (217) 782-4465</p>	<p><b>Indiana</b></p> <p>Franchise Section          Indiana Securities Division          302 West Washington Street, Room E-111          Indianapolis, Indiana 46204          (317) 232-6681</p>
<p><b>Maryland</b></p> <p>Office of the Attorney General          Securities Division          200 St. Paul Place          Baltimore, Maryland 21202          (410) 576-6360</p>	<p><b>Michigan</b></p> <p>Consumer Protection Division, Franchise Section          Michigan Department of Attorney General          525 W. Ottawa Street          G. Mennen Williams Building, 6th Floor          Lansing, Michigan <del>48933</del><a href="#">48913</a>          (517) 373-7117</p>
<p><b>Minnesota</b></p> <p>Minnesota Department of Commerce  <del>Franchise</del><a href="#">Securities</a> Section          85 7th Place East, Suite 280          St. Paul, Minnesota 55101-2198          (651) 296-6328</p>	<p><b>New York</b></p> <p>NYS Department of Law          Investor Protection Bureau          28 Liberty Street, 21st Floor          New York, New York 10005          (212) 416-8222</p>
<p><b>North Dakota</b></p> <p>North Dakota Securities Department          State of North Dakota          600 East Boulevard Avenue, <del>Fifth</del>  <a href="#">State Capitol - Fourteenth</a> Floor, <del>Dept. 414</del>          Bismarck, North Dakota 58505-0510          (701) 328-4712</p>	<p><b>Oregon</b></p> <p>Department of Consumer &amp; Business Services          Division of Finance &amp; Corporate Securities          State of Oregon          Labor and Industries Building          Salem, Oregon 97310          (503) 378-4140</p>

<p><b>Rhode Island</b></p> <p>Department of Business Regulation  Securities Division  John O. Pastore Complex  1511 Pontiac Avenue, Building 69-1  Cranston, RI 02920  (401) 462-9500</p>	<p><b>South Dakota</b></p> <p><a href="#">South Dakota Department of Labor &amp; Regulation</a>  Division of Insurance  Securities Regulation  124 S. Euclid, Suite 104  Pierre, South Dakota 57501  (605) 773-3563</p>
<p><b>Virginia</b></p> <p>State Corporation Commission  Division of Securities and Retail Franchising  1300 East Main Street, 9th Floor  Richmond, Virginia 23219  (804) 371-9051</p>	<p><b>Washington</b></p> <p>Washington Department of Financial Institutions  Securities Division  <del>150 Israel Rd. SW</del>  <del>Tumwater</del>  <a href="#">P.O. Box 41200</a>  Olympia, Washington <del>98504</del><a href="#">98504-1200</a>  (360) <del>902-8738</del><a href="#">902-8760</a></p>
<p><b>Wisconsin</b></p> <p>Division of Securities  Department of Financial Institutions  <del>Wisconsin Commissioner of Securities</del>  <del>P.O. Box 1768</del>  <a href="#">4822 Madison Yards, Way, North Tower</a>  Madison, Wisconsin <del>53701-1768</del><a href="#">53705</a>  (608) <del>266-8559</del><a href="#">261-9555</a></p>	

**EXHIBIT B**

**AGENTS FOR SERVICE OF PROCESS**

<b>California</b>	<b>Connecticut</b>
Commissioner of Financial Protection & Innovation State of California 320 W. 4 <sup>th</sup> Street, Suite 750 Los Angeles, California 90013-2344	Connecticut Department of Banking 260 Constitution Plaza Hartford, CT 06103 (860) 240-8233 or (860) 240-8232
<b>Hawaii</b>	<b>Illinois</b>
Hawaii Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division State of Hawaii 335 Merchant Street, Room <del>203</del> <u>205</u> Honolulu, Hawaii 96813	Office of the Attorney General State of Illinois 500 South Second Street Springfield, Illinois 62706
<b>Indiana</b>	<b>Maryland</b>
Indiana Secretary of State <del>201 State House</del> 200 West Washington Street Indianapolis, Indiana 46204	Maryland Securities Examiner 200 St. Paul Place Baltimore, MD 21202-2020
<b>Michigan</b>	<b>Minnesota</b>
Michigan <del>Department of Commerce</del> <u>Attorney</u> <u>General's Office</u> <del>Corporation &amp; Securities Bureau</del> <del>6546 Mercantile Way</del> <u>Consumer Protection Division</u> <u>Attn: Franchise Section</u> <u>525 W. Ottawa Street</u> <u>G. Mennen Williams Building, 1<sup>st</sup> Floor</u> Lansing, Michigan <del>48909</del> <u>48913</u>	Commissioner of Commerce Minnesota Department of Commerce Franchise Section 85 7 <sup>th</sup> Place East St. Paul, Minnesota 55101-2198
<b>New York</b>	<b>North Dakota</b>
<u>New York</u> Secretary of State <u>One Commerce Plaza</u> 99 Washington <del>Ave</del> <u>Avenue, 6<sup>th</sup> Floor</u> Albany, New York <del>42234</del> <u>12231-0001</u> <u>(518) 473-2492</u>	North Dakota Securities Commissioner North Dakota Securities Department 600 East Boulevard Avenue, <del>Fifth</del> <u>State Capitol - Fourteenth Floor, Dept. 414</u> Bismarck, North Dakota 58505-0510
<b>Oregon</b>	<b>Rhode Island</b>
Director of Oregon Department of Insurance and Finance	Department of Business Regulation Securities Division

Division of Finance and Corporate Securities Labor and Industries Building Salem, OR 97310	John O. Pastore Complex 1511 Pontiac Avenue, Building 69-1 Cranston, Rhode Island 02920
<b>South Dakota</b>	<b>Virginia</b>
Department of Labor & Regulation Division of Insurance – Securities Regulations 124 S. Euclid, Suite 104 Pierre, South Dakota 57501	Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, Virginia 23219
<b>Washington</b>	<b>Wisconsin</b>
Director of <a href="#">Department of</a> Financial Institutions Securities Division <del>State of Washington</del> 150 Israel Rd. SW Tumwater, Washington 98501	<del>Commissioner</del> <a href="#">Administrator, Division</a> of Securities <del>Wisconsin Securities Commission</del> <del>345 W. Washington, 4th Floor</del> <a href="#">Department of Financial Institutions</a> <a href="#">4822 Madison Yards Way, North Tower</a> Madison, Wisconsin <del>53703</del> <a href="#">53705</a>

**EXHIBIT C**  
**FRANCHISE AGREEMENT**



**FRANCHISE AGREEMENT**

**SHOOT 360 NATION LLC**

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### SCHEDULES

Schedule 1	Approved Location, Protected Area, Notice Addresses
Schedule 2	Current Pricing and Terms
Schedule 3	Franchisee's Owners
Schedule 4	Personal Guaranty
Schedule 5	Spousal Consent
<del>Schedule 6</del>	<del>Right of First Offer Addendum</del>
Schedule <del>7</del> <u>6</u>	Electronic Debit Authorization Form
Schedule <del>8</del> <u>7</u>	Collateral Assignment
Schedule <del>9</del>	<del>SBA Addendum</del>
<del>Schedule 10</del> <u>8</u>	Addendum to Lease

## FRANCHISE AGREEMENT

This Franchise Agreement (“**Agreement**”) is made as of \_\_\_\_\_ (“**Effective Date**”) by and between SHOOT 360 NATION LLC, a Washington limited liability company (“**Company**” or “we” or “us”), and \_\_\_\_\_, a \_\_\_\_\_ (“**Franchisee**” or “you”).

### RECITALS

A. Company offers franchises to qualified persons to establish, own and operate basketball training facilities using the Shoot 360 Licensed Marks and the Shoot 360 System in accordance with Company’s comprehensive, distinctive and uniform business methods, standards and specifications (each facility, a “**Shoot 360 Gym**”).

B. Franchisee desires to obtain a license to establish, own and operate a Shoot 360 Gym, and Company is willing to grant a license to Franchisee on the terms and conditions of this Agreement.

NOW, THEREFORE, the parties agree as follows:

#### I. DEFINITIONS

A. The term “**affiliate**” means an entity that controls, is controlled by, or is under common control with, a party to this Agreement.

B. “**Applicable Law**” means and includes applicable common law and all statutes, laws, rules, regulations, ordinances, policies and procedures established by any governmental authority with jurisdiction over the activities of either party to this Agreement or the operation of the Franchised Gym that are in effect on or after the Effective Date, as they may be amended from time to time.

C. “**Approved Location**” means the premises approved by Company for the operation of the Franchised Gym, with the street address to be reflected on Schedule 1.

D. “**Athlete**” means a person who receives basketball training or otherwise patronizes the Franchised Gym.

E. “**Basketball Training Equipment**” means the Shoot 360 shooting, ball handling and passing equipment and software we specify as part of the Shoot 360 Training Unit and the Shoot 360 System, and includes gaming software, training systems, and mobile applications.

F. “**Captive Venue**” refers to the location of a Shoot 360 Gym in a larger public or privately-owned retail or entertainment destination or complex where the real estate developer includes basketball training services as an accommodation to a captive market. For purposes of this Agreement, Captive Venues include, without limitation, professional sports stadiums and arenas, airports, mass transit stations, resorts and other types of lodging facilities, military bases, professional team practice facilities, entertainment or recreation centers, amusement parks, universities and other types of schools, and similar types of captive market locations that Company may designate during the Term.

G. **“Certified Manager”** means a member of Franchisee’s management team who (i) successfully completes the training program required by Company; and (ii) devotes full time and attention to supervising the day-to-day operations of the Franchised Gym.

H. **“Change of Control”** means a transaction or series of related transactions that result in the sale of all or substantially all of the assets of the Franchised Gym. If Franchisee is a business entity, “Change of Control” also means: (i) a transaction or series of related transactions that result in a transfer of 50% or more of the outstanding voting power of Franchisee or Franchisee’s affiliate, whether voluntarily or by operation of law or due to a merger or consolidation; (ii) a change in the person(s) identified on Schedule 3 as of the Effective Date as the Primary Owner(s); or (iii) a change in the right to appoint, or cause to be appointed, a majority of the directors, officers or managers of the business entity.

I. **“Competitive Business”** means a retail business or facility featuring goods or services related to basketball training and coaching.

J. **“Computer System”** means, collectively, the computer hardware, software, communications equipment, and supporting peripheral devices that Company specifies by brand, model, supplier, features, functions or other type of specifications, which Franchisee must use to operate the Franchised Gym, including, without limitation, the point-of-sale (POS) system. Company may revise the specifications as frequently as Company deems necessary in its sole discretion, and may replace non-proprietary hardware or software with proprietary hardware or software applications created or developed specifically for Shoot 360 Gyms.

K. **“Confidential Information”** includes, without limitation, knowledge and information that Franchisee knows, or reasonably should know, that Company regards as confidential concerning (i) Athlete and customer identities, contact information, training histories, communications, and account information; (ii) the Shoot 360 Training Unit and the products and services offered by Shoot 360 Gyms; (iii) training and sales strategies; (iv) Company’s relationships with designated, recommended and approved suppliers; (v) pricing, sales, profit performance or other results of operations of any Shoot 360 Gym (including the Franchised Gym) or group of Shoot 360 Gyms or the entire chain; (vi) demographic data for determining Approved Locations; (vii) strategic growth and competitive strategies; (viii) the design and implementation of marketing initiatives and the results of customer surveys and marketing and promotional programs; (ix) information and decisions pertaining to goods and services that Company regards as proprietary, that are made to Company’s specifications, or that bear the Licensed Marks; (x) non-public information pertaining to the Shoot 360 Intellectual Property and any proprietary software applications that Company incorporates into the Computer System; and (xi) in general, business methods, ideas, trade secrets, specifications, customer and supplier data, plans, cost data, procedures, information systems and knowledge about the operation of Shoot 360 Gyms or the Shoot 360 System; whether the knowledge or information is now known or exists or is acquired or created in the future, and whether or not patentable, included in the Manual, or expressly designated by Company as confidential. Confidential Information does not include (y) information that Franchisee can demonstrate came to its attention lawfully and independently of entering into this Agreement; or (z) information that Company agrees is, or has become, generally known in the public domain, other than through disclosure by Franchisee (whether deliberate or inadvertent).

L. **“Covered Person”** means (i) each officer, director, shareholder, member, manager, trustee or general partner of the business entity signing this Agreement as Franchisee; and (ii) the spouse, adult children, parents or siblings of the individuals included in

(i). Covered Person shall mean any individual who falls within the identified categories at any time during the Term of this Agreement.

M. **“Event of Transfer”** means any actual or attempted transaction or series of related transactions that, directly or indirectly, voluntarily or by operation of law, results or if completed would result in (i) the sale, assignment, transfer, pledge, gift, encumbrance or alienation of any interest in this Agreement or the right to use the Shoot 360 System or any portion or components; (ii) the offer to sell, or sale of, securities of a Franchisee entity pursuant to a transaction subject to registration under federal or state securities laws or by private placement pursuant to a written offering memorandum; or (iii) a Change of Control. For purposes of illustration, an Event of Transfer includes: (x) the issuance of additional ownership interests in Franchisee resulting in a Change of Control; (y) a financial restructuring or recapitalization secured by sufficient ownership interests in Franchisee that, if foreclosed upon, would result in a Change of Control; (z) the death or incapacity of a Certified Manager or Primary Owner of Franchisee who owns enough ownership interests in Franchisee to result in a Change of Control.

N. **“Gross Revenue”** means the aggregate of all revenue and income from operating the Franchised Gym, whether payment is in cash or by credit card or other generally accepted form of payment, including noncash payment systems like gift cards. Gross Revenue includes the actual proceeds received from the sale of all memberships, products, services, merchandise, or other goods or services of any kind. For the sake of clarity, Gross Revenue includes: (a) the value of goods and services bought by customers by redeeming gift cards; and (b) the proceeds from any business interruption insurance. Gross Revenue excludes: (i) sales taxes and other taxes separately stated, if any, collected from customers and paid to taxing authorities; (ii) refunds and credits made in good faith to arms’ length customers; (iii) the amount of any checks dishonored or returned and the amount of any charge backs or reversals of credit card transactions with customers; and (iv) proceeds from the sale of authorized gift cards to customers.

O. **“Lease”** means the written agreement by and between Franchisee and the owner of the Approved Location that grants Franchisee the right to occupy and use the Approved Location for the operation of a Shoot 360 Gym.

P. **“Licensed Marks”** collectively means all of the trademarks, service marks, trade names, brand names, logos, trade dress and other proprietary indicia of goods and services, whether registered, unregistered or arising by Applicable Law, and all U.S. and foreign registrations and applications for registration of trademarks, including intent-to-use applications, and all issuances, extensions and renewals of registrations and applications that Company now or hereafter uses to identify, advertise or promote Shoot 360 Gyms generally or individual Shoot 360 Gyms and expressly authorizes or requires Franchisee to use as a condition of this Agreement.

Q. **“Local Advertising”** means, without limitation, all communications in all formats that Franchisee creates or adapts and intends to use, directly or indirectly, to advertise and promote the Franchised Gym, Franchisee’s status as an authorized franchisee, or that display the Licensed Marks. Local Advertising includes, without limitation: (i) written, printed and electronic communications; (ii) communications sent by email or equivalent electronic technology; (iii) communications by means of a recorded telephone message, spoken on radio, television or similar communication media; (iv) promotional items or promotional or publicity events; (v) listings in approved telephone or business directories; (vi) the use of the Licensed

Marks on stationery, business cards, order forms, signs, merchandise, brochures, flyers, outdoor billboards and other forms of outdoor advertising, point-of-sale materials, uniforms, and other tangible personal property; and (vii) the use of the Licensed Marks on any Internet website, including content that Franchisee wishes to place on the web page that Company provides to Franchisee on the Shoot 360 Website to promote the Franchised Gym.

R. **“Manual”** refers, collectively, to our Best Practices Manual and any other confidential guidelines, operating procedures, brand standards, policies, procedures, and other instructional materials given to Franchisee by Company during the Term, which may be memorialized in written or electronic format, and which Company may modify at any time in its sole discretion to reflect changes in the Shoot 360 System.

S. **“National Account”** means a customer that wishes to obtain services at multiple Shoot 360 Gyms and that negotiates with Company for centralized billing or pricing terms for training or other products or services offered under the Shoot 360 System. Company will identify National Accounts in the Manual or otherwise in writing.

T. **“Opening Date”** is the date the Franchised Gym opens for business to the public.

U. **“Primary Owner”** refers to a person who owns or at any time during the Term acquires, either legally or beneficially, 10% or more of the outstanding ownership interests in Franchisee.

V. **“Qualified Transfer”** means a sale, assignment, transfer, pledge, encumbrance, or other alienation of ownership interests in Franchisee not resulting in a Change of Control.

W. **“Shoot 360 Intellectual Property”** means all intangible property and similar proprietary rights, interests and protections related to Shoot 360 Gyms and the Shoot 360 System, however arising, that currently exist or come into being after the Effective Date, including without limitation all of the following and any equivalent rights: (i) the Licensed Marks; (ii) internet domain names, whether or not trademarks, registered in any generic top-level domain by any authorized private registrar or governmental authority; (iii) original works of authorship in any medium of expression, whether or not published, all copyrights (whether registered, unregistered or arising by law), all registrations and applications for registration of such copyrights, and all issuances, extensions and renewals of such registrations and applications; (iv) Confidential Information; (v) source codes for proprietary software that Company incorporates into the Computer System; (vi) business methods utilized or authorized by Company in connection with Shoot 360 Gyms; (vii) additional rights under Applicable Law; and (viii) patented and patentable designs and inventions, all design, plant and utility patents, letters patent, utility models, pending patent applications and provisional applications, and all issuances, divisions, continuations, continuations-in-part, reissues, extensions, re-examinations and renewals of such patents and applications, whether known, existing or in use on the Effective Date or discovered, created or put into use afterwards. For the sake of clarity, Shoot 360 Intellectual Property includes Company’s and its affiliates’ rights with respect to intellectual property and materials included within the Manual and the other components of the Shoot 360 System.

X. **“Shoot 360 Package”** means the Basketball Training Equipment, branding package, and other equipment we require, flooring materials (if you choose or we require you to purchase flooring through us), and any optional equipment or branding items you choose to

purchase, all of which you must purchase from us or our ~~designated or approved~~ [supplier affiliate](#) for the Franchised Gym. The specific package will be determined by us after consultation with you, based upon the size and layout of the Approved Location. The Shoot 360 Package price includes freight delivery and installation. The Shoot 360 Package price and related payment terms will be based on the pricing schedule in effect at the time of your order. (See Schedule 2 to the Franchise Agreement for the current pricing and terms.)

Y. **“Shoot 360 System”** means, collectively, Company’s comprehensive business methods, techniques, standards, operating procedures, policies, requirements and specifications for the operation and promotion of basketball skills training facilities that include [shooting leagues and](#) advanced technologies for basketball shooting, passing, and ball handling measurement and development, which may include: (i) the design, trade dress and build-out requirements for Shoot 360 Gyms, including space layout, security systems, furnishings, equipment, signage, appearance standards, and décor; (ii) specifications for Shoot 360 Training Units and other basketball training equipment and supplies; (iii) training and tracking protocols and other operational guidelines or requirements; (iv) requirements for using or selling specified goods and services [including the operation of shooting league](#); (v) standards for maintenance, cleaning and sanitation of Shoot 360 Gyms; (vi) designated, recommended and approved suppliers and vendors; (vii) use of the Computer System, including record keeping, financial and operational reporting requirements; (viii) customer service and merchandising standards; (ix) marketing programs and branding strategies; (x) initial and ongoing training programs; and (xi) requirements for using the Shoot 360 Intellectual Property; all as Company may modify from time to time during the Term.

Z. **“Shoot 360 Training Unit”** means a single unit of the Basketball Training Equipment. Each Shoot 360 Training Unit includes both a basketball shooting station and a basketball ball-handling skills development station.

AA. **“Shoot 360 Website”** means [www.shoot360.com](http://www.shoot360.com) or a successor domain name owned by Company or its affiliate that is linked to or leads a customer to Company or a Shoot 360 Gym.

BB. **“Training Fees”** means fees paid by or on behalf of Athletes for training or other services offered at, from, or through the Franchised Gym.

## II. GRANT OF LICENSE

### A. Grant.

1. Company hereby awards to Franchisee, and Franchisee accepts, the non-exclusive right and license to use the Licensed Marks and the Shoot 360 System in connection with the operation of a Shoot 360 Gym at the Approved Location (**“Franchised Gym”**) during the Term, subject to the terms and conditions of this Agreement.

2. In accepting the award of rights, Franchisee agrees at all times to faithfully, honestly and diligently perform its obligations under this Agreement and to continuously exert its best efforts to maximize Gross Revenue at the Franchised Gym and promote and enhance the reputation and goodwill associated with the Licensed Marks and the Shoot 360 System.

3. Franchisee must remain in good standing as a business entity throughout the Term. Franchisee shall not engage or invest assets or resources in any business activities other than those that pertain to Franchisee's obligations under this Agreement.

4. As a condition of the award of franchise rights, concurrently with the execution of this Agreement, Franchisee shall execute the form of Collateral Assignment of Telephone Numbers, Addresses, Listings and Assumed or Fictitious Business Name attached to this Agreement as Schedule 8.

**B. Limitations.**

1. Company grants Franchisee no rights other than the rights expressly stated in this Agreement and Company reserves all other rights. Franchisee's use of the Shoot 360 System for any purpose, or in any manner, not permitted by this Agreement shall constitute a breach of this Agreement.

2. Nothing in this Agreement gives Franchisee the right to sublicense the use of the Shoot 360 System, or any portion or component thereof, to others.

3. Nothing in this Agreement gives Franchisee an interest in Company or the right to participate in Company's business activities, investment or corporate opportunities.

4. Nothing in this Agreement gives Franchisee any rights in or to the Shoot 360 Intellectual Property or any other intellectual property, other than the limited license expressly granted herein.

5. Company has the absolute right to select its franchisees. Nothing in this Agreement awards Franchisee any express or implied preferential right of any kind to acquire an additional franchise to operate a Shoot 360 Gym or to object to Company's award of franchises to others.

6. Nothing in this Agreement gives Franchisee the right to (a) engage in sales in any alternate trade channel including through the Internet, from any website or by mail order, catalog sales or comparable methods; or (b) share in any revenue from sales through any channels of distribution other than Shoot 360 Gyms that Company may engage in with Athletes or customers in the Protected Area.

**C. Improvements; Duty to Conform to Modifications.**

1. Any improvements, modifications or additions that Company makes to the Shoot 360 System, or which become associated with the Shoot 360 System, including ideas suggested or initiated by Franchisee, shall inure to the benefit, and become the exclusive property, of Company. Franchisee hereby assigns and transfers to Company or its designee, without any compensation, all intellectual property rights, including all copyrights, patent or other intellectual property rights, in and to any improvements or works that Franchisee may create, acquire or obtain in operating the Franchised Gym. Franchisee agrees that Company may use, and authorize others to use, improvements that Franchisee suggests, initiates or originates, without compensation to Franchisee and without Franchisee's permission. Franchisee agrees to execute, or have the creator execute, all documents necessary to assign and transfer all such intellectual property and ownership rights to Company.

2. Franchisee understands and agrees that nothing in this Agreement shall constitute or be construed as Company's consent or permission to Franchisee to modify the Shoot 360 System or any portion or component thereof, or create any derivative work based on any element of the Shoot 360 Intellectual Property. Franchisee must obtain Company's prior written consent before modifying any portion of, or creating any derivative work based upon, the Shoot 360 Intellectual Property.

3. Franchisee may provide suggestions, comments or other feedback (collectively, "**Feedback**") to Company with respect to the Shoot 360 System. Feedback is voluntary. Franchisee agrees that Company may use Feedback for any purpose without liability or compensation to Franchisee or obligation of any kind, and hereby grants Company an irrevocable, non-exclusive, perpetual, fully-paid-up, royalty-free, world-wide license to use the Feedback in connection with any business activities conducted by Company or Company's affiliates.

4. Any goodwill resulting from Franchisee's use of the Shoot 360 System shall inure to the exclusive benefit of Company. This Agreement confers no goodwill or other interest in the Shoot 360 System upon Franchisee, except a non-exclusive and limited license to use the Shoot 360 System during the Term subject to the terms and conditions stated in this Agreement. This provision shall not be construed to prevent Franchisee from receiving the proceeds on the sale of the Franchised Gym if the sale is conducted in compliance with the requirements of this Agreement applicable to an Event of Transfer.

5. Franchisee understands and agrees that Company may modify the Shoot 360 System and any of its components as Company determines is necessary in its sole discretion. Company shall give Franchisee written notice of all changes either by supplements to the Manual or otherwise in writing or electronically. Franchisee shall, at its own cost and expense, promptly adopt all changes, use only those parts of the Shoot 360 System specified by Company, and promptly discontinue the use of any parts of the Shoot 360 System that Company directs to be discontinued. Except as directed by Company, Franchisee shall not change, modify or alter the Shoot 360 System in any way.

6. Franchisee recognizes that modifications that Company may make to the Shoot 360 System may necessitate that Franchisee make capital expenditures during the Term in amounts that Company cannot forecast. Nothing in this Agreement limits the frequency or cost of future changes to the Shoot 360 System that Company may require. Franchisee understands and agrees that Company has no ability to identify with specificity the nature of these future general improvements or their expected cost and accepts the risk that future general improvements may be imposed that will require significant capital expenditures in an amount that is unknown on the Effective Date and that cannot be fully amortized over the period of time then remaining in the Term.

D. Deviations from the System. Company may allow its affiliates and other franchisees to deviate from the Shoot 360 System in individual cases in the exercise of Company's sole discretion. Franchisee understands and agrees that it has no right to object to any variances that Company may allow to itself, Company's affiliates or other franchisees, and has no claim against Company for not enforcing the standards of the Shoot 360 System uniformly. Franchisee understands and agrees that Company has no obligation to waive, make any exceptions to, or permit Franchisee to deviate from, the uniform standards of the Shoot 360 System. Any exception or deviation that Company does allow Franchisee must be stated in writing and executed by Company in order to be enforceable against Company.

### III. PROTECTED AREA AND RESERVED RIGHTS

A. Protected Area. Except as otherwise provided in this Section, Company agrees not to open or operate, or grant others, including Company's affiliates or unrelated persons, the right to open or operate, a Shoot 360 Gym identified by the Licensed Marks ~~anywhere~~that is physically located in the Protected Area described on Schedule 1 ("**Protected Area**"). Nothing in this Agreement gives Franchisee the right to object to the opening of a Shoot 360 Gym outside of the Protected Area, regardless of how close it may be located to the boundaries of the Protected Area and regardless of whether the protected area for such Shoot 360 Gym may overlap with the Protected Area hereunder. Franchisee's Protected Area excludes any Captive Venue located in the Protected Area on or after the Effective Date. The designation of a Protected Area does not give Franchisee any exclusivity or superior right (1) to sell authorized goods or services to persons who reside or work in the Protected Area, or (2) to market or advertise its Shoot 360 Gym in media that circulates, broadcasts or otherwise is directed to or accessible by persons in the Protected Area.

B. Company's Reserved Rights. Company and its affiliates retain all other rights with respect to the Licensed Marks and the Shoot 360 System not granted to Franchisee by this Agreement, and the right to engage in all activities that this Agreement does not expressly prohibit, including the right to:

1. own and operate, and to license or franchise others to operate, Shoot 360 Gyms outside the Protected Area, regardless of their proximity to the Approved Location;

2. own and operate, and to license or franchise others to operate, businesses under other names, trade names, trademarks or service marks inside or outside the Protected Area and regardless of their proximity to the Approved Location;

3. use, and award licenses to third parties to use, the Licensed Marks and Shoot 360 System in the Protected Area in rendering services to: (a) any professional basketball league, professional basketball team, or development team located in the Protected Area that is owned by a professional team for purposes of training league or team players; and (b) any school or university in the Protected Area with regards to prospective and existing student programs (this includes the right to open and operate, directly or through a licensee, a Shoot 360 Gym anywhere in the Protected Area for the benefit of the parties described in subsections (a) and (b));

4. use, and award licenses to third parties to use, the Shoot 360 System in connection with operating a business under the Licensed Marks or some other name and logo that we select in our sole discretion incorporating Basketball Training Equipment with a food and beverage menu and/or basketball tournaments or other competitive events to attract customers primarily interested in a social, entertainment, or competitive experience and not basketball skills performance training;

5. use all, or parts, of the Shoot 360 System and to exploit the Licensed Marks in any manner, method or channel of distribution;

6. service National Accounts, regardless of location;

7. acquire a chain of Competitive Businesses ~~with three or more locations operating under a common trade name and method of operation~~, and convert any of the chain's locations to a Shoot 360 Gym operated by Company, its affiliate, a franchisee, or the previous owner, regardless of location;

8. advertise the Licensed Marks and Shoot 360 System to any person anywhere, including in the Protected Area and regardless of proximity to the Approved Location;

9. purchase or be purchased by, or merge or combine with, other businesses, wherever located, including Competitive Businesses; and

10. offer and sell the same or similar items that now or in the future are offered for sale at Shoot 360 Gyms, through any other existing or future retail or wholesale channel of distribution (for example, via the Internet, email, digital cellular networks, retail stores, mobile services and/or digital subscription plans) to athletes and customers located anywhere, including in the Protected Area and regardless of proximity to the Approved Location, under the Licensed Marks or under any other names, trade names, trademarks or service marks.

Company has no obligation to share with Franchisee any revenue or profits that Company earns from engaging in reserved activities in the Protected Area, including from sales to persons or entities located within in the Protected Area.

#### C. National Accounts.

1. Company has designed the National Account program to meet the requirements of customers with operations in multiple markets that desire standardized prices, centralized billing, and other standard requirements. Company will identify National Accounts through updates to the Manual. Nothing in this Agreement limits Company's right to offer and sell training and other services to a National Account or delegate National Account work to Company's affiliate instead of offering that work to Franchisee. Company alone will negotiate the scope of services, price, payment terms, and other material contract terms with each National Account.

2. During the Term, Company may, but is not required to, offer Franchisee the opportunity to offer and sell training and other services to National Accounts under the terms of Company's National Account program, as it may be amended from time to time. Company will respect a National Account's request to work with a particular Shoot 360 Gym. Franchisee's participation in the National Account program is entirely optional. If Franchisee accepts the opportunity to service a National Account, Franchisee must honor the terms of the National Account contract, and must comply with any special specifications or branding requirements relating to the National Account. Franchisee understands and agrees that Company makes no representation regarding the Gross Revenue or profit that Franchisee may earn by opting into and accepting a National Account opportunity.

#### IV. TERM AND RENEWAL

A. Term. The term of this Agreement will begin on the Effective Date and will expire without notice ten (10) years after the Opening Date of the Franchised Gym ("**Term**"), unless terminated earlier pursuant to the provisions of this Agreement.

B. Renewal. Unless the Term ends sooner for any reason, and subject to the conditions below, Franchisee shall have an option to renew the franchise for aone period of five (5) years (“**Renewal Term**”), if Company is then awarding new Shoot 360 Gym franchises in the United States.

C. Renewal Conditions. In order to exercise its renewal option, Franchisee understands and agrees that it must comply with the following conditions:

1. Franchisee must give Company written notice of Franchisee’s election to renew (“**Renewal Notice**”) at least three months, but not more than six months, before the last day of the Term. Franchisee’s renewal option shall be cancelled if Franchisee does not timely and effectively exercise the option.

2. Together with the Renewal Notice, Franchisee must pay Company a non-refundable renewal fee equal to \$10,000 (“**Renewal Fee**”).

3. Franchisee must not be in default under this Agreement or any successor Franchise Agreement at the time it gives the Renewal Notice ~~or~~and on the first day of the Renewal Term. Further, Franchisee must not have received more than three notices of default during any 24-month period during the Term that is expiring, whether or not the notices relate to the same or to different defaults, and whether or not the defaults have each been timely cured by Franchisee.

4. Franchisee shall execute Company’s then-current form of Franchise Agreement (“**Renewal Agreement**”) for a five-year term, which shall supersede this Agreement in all respects except as follows: (a) Franchisee shall not have any renewal rights set forth in the Renewal Agreement; (b) Franchisee shall not be required to pay the Initial Franchise Fee stated in the Renewal Agreement, but shall instead pay the Renewal Fee; and (c) Franchisee shall not be required to participate in the initial training programs described in the Renewal Agreement. Franchisee understands that the Renewal Agreement may contain terms that differ materially from this Agreement, ~~including the Monthly Training Unit Fee,~~ and may require additional or different fees paid to Company.

5. Franchisee shall satisfy Company’s then-current training requirements, if any, for renewing franchisees, ~~including Franchisee’s payment of Company’s then-current renewal training fee.~~

6. To the extent the Franchised Gym does not meet Company’s then-current requirements, Franchisee shall conform the Franchised Gym to Company’s then-current requirements for design, appearance, trade dress elements, layout, equipment, leasehold improvements, image, signs, and accounting and recordkeeping systems that apply to new Shoot 360 Gyms, including making upgrades to the Computer System.

7. Franchisee must not be in default of any provision of the Lease and shall provide evidence satisfactory to Company of Franchisee’s right to remain in the Approved Location for the Renewal Term on terms satisfactory to Company.

8. Franchisee shall execute and deliver a general release, in form satisfactory to Company, of any and all claims against Company, its affiliates, and their respective officers, directors, shareholders, employees and agents.

D. Ineffective Exercise of Renewal Option. Franchisee's failure to execute and deliver the renewal Franchise Agreement and release required by this Section within 30 days after Company delivers them to Franchisee for execution shall be deemed an election by Franchisee not to exercise its renewal option. If Franchisee fails to satisfy any renewal condition in a timely manner, this Agreement will expire on the last day of the Term without further notice from Company; provided, however, that Franchisee shall remain obligated to comply with all provisions of this Agreement that expressly, or by their nature, survive the expiration or termination of this Agreement.

E. Extension. If Company is in the process of revising, amending or renewing its franchise disclosure document or registration to sell franchises in the state where the Franchised Gym is located, or under Applicable Law cannot lawfully offer Franchisee its then-current form of Franchise Agreement at the time Franchisee delivers the Renewal Notice, then Company may, in its sole discretion, offer to extend the terms and conditions of this Agreement on a month-to-month basis following the expiration of the Term for a maximum period of 12 months after the expiration date so that Company may lawfully offer its then-current form of Franchise Agreement. If (1) Company is granting new franchises for new Shoot 360 Gyms in the United States at the time when Franchisee is permitted to exercise the renewal option, and (2) Franchisee has otherwise satisfied the conditions for renewal and is in compliance with the provisions of this Agreement, and if, after 12 months, Company still cannot lawfully offer its then-current form of Franchise Agreement, the parties shall be deemed to have extended this Agreement for the remainder of the then-current Renewal Term. Nothing in this Section shall require Company to extend this Agreement if, at the time Franchisee delivers the Renewal Notice or at any time before a Renewal Agreement is entered, Franchisee is in default under this Agreement.

## V. APPROVED LOCATION

### A. Selection of Approved Location.

1. If Franchisee owns or leases an existing location that Company has determined meets its site requirements and the landlord is willing to execute Company's form of Addendum to Lease, the parties shall mutually indicate the Approved Location's street address and ~~the boundaries of~~ the Protected Area on Schedule 1 and execute Schedule 1 at the same time they execute this Agreement, in which case the balance of this subsection A shall not apply to Franchisee.

2. If the parties have not identified the Approved Location on or before the Effective Date, Franchisee shall be responsible for evaluating potential sites and selecting the Approved Location within the Site Selection Area specified in Schedule 1, subject to Company's approval, pursuant to the procedures stated in this Section. Franchisee acknowledges and agrees that the Site Selection Area is non-exclusive and Franchisee has no rights in or to the Site Selection Area beyond the right to locate a proposed site, and present that to Company for approval. Following Company's written approval of Franchisee's proposed site as the Approved Location, the parties shall amend this Agreement to set forth the Approved Location's street address and ~~the boundaries of the~~ Protected Area on Schedule 1.

3. The fact that Company may, in its sole discretion, offer Franchisee advice, recommendations, market analytics, or site location services of any kind is not an admission by Company that it is responsible for identifying potential sites, or a representation that any particular site is suitable or will be successful as a site for the Franchised Gym. Franchisee

acknowledges that site selection is Franchisee's sole responsibility (subject to Company's right to approve the site), and that Franchisee is solely responsible for investigating and complying with Applicable Law concerning development, occupancy and use of the Approved Location and evaluating the suitability of a site as a Shoot 360 Gym.

4. To assist Franchisee with site selection, Company will provide Franchisee, without charge, with its current written site selection and demographic criteria and specifications for the construction, layout, and leasehold improvements of a Shoot 360 Gym. Franchisee understands that the information furnished by Company may not reflect all requirements of Applicable Law governing public accommodations for persons with disabilities or similar rules, zoning restrictions, building codes, permit requirements or applicable Lease restrictions. Franchisee is solely responsible for investigating the demographic character of the market area surrounding the proposed site and Applicable Law and for complying with Applicable Law at Franchisee's sole expense.

5. To obtain Company's approval of a proposed site, Franchisee shall submit a written site proposal to Company, including any information or documents specified in the Manual. Franchisee's site proposal shall be accompanied by a letter of intent or other evidence satisfactory to Company that confirms the willingness of the owner or master tenant of the Approved Location to (a) offer Franchisee a Lease; and (b) execute an Addendum to Lease in the form required by Company. Company may condition site approval on its review and approval of the Lease that Franchisee proposes to enter into with the proposed site's landlord.

a. Following receipt of Franchisee's written site proposal, Company may, in its sole discretion, have a representative make an on-site visit to the proposed site at Company's expense, if Company concludes that a physical inspection of the demographic conditions of the area or the proposed site is necessary or desirable to evaluate Franchisee's proposal. Franchisee understands and agrees that the on-site visit is at Company's option and is not required by this Agreement.

b. Company shall have 30 days following receipt of Franchisee's completed site proposal to make any site visit that it chooses to make and approve or disapprove the proposed site by giving written notice to Franchisee. Franchisee may request site approval for more than one site; but such requests shall not extend the time period for obtaining site approval. If Franchisee proposes more than one site, Company need not approve more than one site, and it may disapprove all proposed sites. Company's failure to give timely notice of approval shall constitute Company's disapproval of all sites proposed by Franchisee. Company's approval of a site signifies only that the site meets Company's current site criteria. Company's approval of a site does not (i) certify that Franchisee's development, use or occupancy of the site as a Shoot 360 Gym will conform to Applicable Law; or (ii) guaranty or warrant that operation of a Shoot 360 Gym at the site will be successful or profitable. Company is not responsible if the site fails to meet Franchisee's or Company's expectations.

6. Following Company's written approval of Franchisee's proposed site as the Approved Location, the parties shall amend this Agreement to set forth the Approved Location's street address and ~~the boundaries of~~ the Protected Area on Schedule 1 to this Agreement. In the event that the parties fail to execute Schedule 1, such failure will not invalidate this Agreement, Company's site approval, or the designation of the Approved Location or Protected Area.

7. Franchisee acknowledges that any assistance provided by Company or its nominee in relation to the selection or development of the Approved Location is only for the purposes of determining compliance with the Shoot 360 System standards and does not constitute a representation or guarantee regarding the Approved Location, nor that the Franchised Gym is likely to achieve any level of revenue or profit.

B. Lease and Addendum to Lease. Promptly following the parties' execution of Schedule 1, Franchisee shall execute a Lease and an Addendum to Lease (in the form attached to this Agreement as Schedule 109) with the landlord of the Approved Location, and shall deliver to Company a copy of the fully-executed Lease and Addendum to Lease. Before signing the lease, Franchisee must submit the Lease to Company for approval. If Company, in its sole discretion, chooses to develop premises to lease to Franchisee as the Approved Location, the lease may provide for reasonable compensation and profit to Company.

C. Owned Location. If Franchisee or its owners own the Approved Location, Franchisee shall not mortgage, pledge, or otherwise assign as security the premises during the term of this Agreement without Company's prior written approval. Upon termination or expiration of this Agreement, Franchisee will give Company a reasonable and good faith opportunity to lease the Approved Location at fair market value and to continue business operations there. If the parties are unable to agree on the fair market value, the fair market value and other terms of the lease will be determined by a panel of three appraisers. Each party will select one appraiser. The two appraisers chosen will then select a third appraiser. Each party will pay for its own appraiser and each party will pay half for the third appraiser. The parties may then present evidence of the value of the lease and fair terms for the transaction. The appraisers must exclude from their decision any amount or factor for the "goodwill" or "going concern" value. The decision of the majority of the appraisers will be conclusive. At any time within 30 days after receiving the appraisers' decision, at ~~our~~the Company's option, ~~we~~it may enter into the lease at the price and upon the terms determined by the appraisers.

D. Termination.~~4-~~ Company may terminate this Agreement if Franchisee fails to: (a) obtain Company's written site approval within ~~120~~180 days after the Effective Date; (b) deliver a copy of the executed Lease and Addendum to Lease for the Approved Location to Company within ~~180~~270 days after the Effective Date; (c) complete any construction required to make the Approved Location ready for installation of the Shoot 360 Package within ~~240 days~~one year after the Effective Date; or (d) open the Franchised Gym for business to the public within ~~one year~~425 days of the Effective Date.

~~2. If Company elects to terminate this Agreement based on the failure of conditions (a), (b) or (c) above, Company or its designated supplier will refund up to 50% of the Initial Franchise Fee and up to 85% of the Shoot 360 Package price (to the extent paid by Franchisee and conditioned upon return of the Shoot 360 Package without wear or damage). If Company elects to terminate this Agreement based on Franchisee's failure to open the Franchised Gym by the deadline, Company or its designated supplier will refund up to 50% of the Initial Franchise Fee and up to 75% of the Shoot 360 Package price (to the extent paid by Franchisee and conditioned upon return of the Shoot 360 Package without wear or damage). Any refund under this Section will be issued only if, within 30 days from the date of Company's written notice of termination, Franchisee (x) returns to Company all Confidential Information in its possession; (y) complies with the post-termination non-competition and confidentiality provisions of this Agreement; and (z) executes and delivers to Company a general release, in form satisfactory to Company, of any and all claims against Company, Company's affiliates, and their respective officers, directors, shareholders, employees and agents.~~

E. Relocation.

1. If (a) the Lease expires or terminates for reasons other than Franchisee's breach; or (b) the Approved Location or building in which the Franchised Gym is located is destroyed, condemned or otherwise rendered unusable; then Franchisee shall relocate the Franchised Gym, at Franchisee's sole expense, to a new location selected by Franchisee, and approved by Company in writing, in accordance with Company's then-current site selection procedures as specified in the Manual. The parties shall amend Schedule 1 to reflect the address of the new Approved Location.

2. Before Company will consider Franchisee's proposal for a new site in connection with the possible relocation of the Franchised Gym, Franchisee must pay Company a non-refundable relocation fee of \$2,500 and reimburse Company for its reasonable travel costs to visit to the proposed site if Company chooses to do so in order to consider whether to approve the site.

3. Company will not consider or approve Franchisee's request to relocate the Franchised Gym if (a) the landlord of the Premises terminates the Lease due to Franchisee's material breach or (b) Franchisee is otherwise in default under this Agreement.

4. At Franchisee's sole expense, Franchisee shall construct and develop the new premises to conform to Company's then-current specifications for design, appearance, trade dress elements, equipment, layout, and leasehold improvements for new Shoot 360 Gyms, and remove any signs, trade dress, or other property from the original Approved Location that identified the original Approved Location as belonging to the Shoot 360 System. The process set out in Section VI of this Agreement for developing the Franchised Gym will apply equally to the new Approved Location. In addition, Company may require Franchisee to spend the minimum amount that Company then requires of new franchisees on grand opening marketing to publicize the Franchised Gym's new location.

5. Franchisee shall use its best efforts to complete relocation without any interruption in the continuous operation of the Franchised Gym unless Company's prior written consent is obtained. As a condition to consenting to a disruption in operations, Company may impose maximum time periods, which shall be reasonable under the circumstances compelling relocation, in which Franchisee must (a) obtain Company's site selection approval for the new Approved Location; and (b) complete construction and development of the new Approved Location as expediently as reasonably possible in accordance with Company's then-current specifications. Franchisee understands that if Company consents to a disruption in operations and operations temporarily cease, the Term of this Agreement shall not be extended. ~~In any event, if the closure period is longer than 120 days, Company may require Franchisee to pay recurring fees based on the average fees that Franchisee paid before the closure.~~ Franchisee's failure to accept or abide by the relocation requirements shall constitute a material breach of this Agreement and grounds for termination.

VI. DEVELOPMENT AND OPENING DATE

A. Construction of the Approved Location.

1. At Franchisee's sole expense, Franchisee shall construct and equip the Approved Location so that it conforms to Company's current specifications for the construction, equipment and design of a Shoot 360 Gym set forth in the Manual.

2. Franchisee will be given access to the Manual after the Effective Date, including Company's current specifications for the design, appearance, trade dress elements, equipment, layout and leasehold improvements of Shoot 360 Gyms. Franchisee understands that Company's specifications may not reflect the requirements of Applicable Law governing public accommodations for persons with disabilities or similar rules, zoning restrictions, building codes, permit requirements or applicable Lease restrictions. Franchisee is solely responsible for investigating the requirements of Applicable Law governing public accommodations for persons with disabilities or similar rules, zoning restrictions, building codes, permit requirements or applicable Lease restrictions and ensuring that the Approved Location, as built, complies with all of these requirements.

3. Franchisee must customize and adapt Company's specifications for Shoot 360 Gyms to the specific dimensions, square footage and condition of the Approved Location, the requirements of the Lease, and Applicable Law. Franchisee must submit its design and construction drawings for the Approved Location ("**Construction Drawings**") to Company for approval before Franchisee may begin permitting or construction work. Company agrees not to withhold its approval of the Construction Drawings unreasonably. Company shall have 15 days to review Franchisee's Construction Drawings and notify Franchisee in writing of its rejection or approval of the Construction Drawings or its approval subject to specified modifications. Company's failure to give Franchisee timely notice shall constitute Company's disapproval of the Construction Drawings as submitted. Company's approval of Franchisee's Construction Drawings, with or without additional conditions, does not certify that the development, use or occupancy of the site as a Shoot 360 Gym pursuant to Franchisee's Construction Drawings, as approved, will conform to Applicable Law, nor guarantee or warrant that operation of a Shoot 360 Gym at the site will be successful or profitable.

**B. Development of Approved Location.**

1. Franchisee shall cause all construction and other development work to be carried out in compliance with the version of Franchisee's Construction Drawings approved by Company, without any material variation. Franchisee shall not make any material changes to its Construction Drawings without first submitting the changes in writing to Company for its approval.

2. Franchisee shall cause all construction and development work to conform with the requirements of the Lease and Applicable Law, including all government and utility permit requirements (such as, for example, zoning, sanitation, building, utility and sign permits). Franchisee shall complete development of the Approved Location diligently, expeditiously and in a first-class manner, at Franchisee's sole expense.

3. Franchisee is solely responsible for purchasing, leasing or licensing all of the equipment, fixtures, furnishings, trade dress elements, signs, supplies, materials, and decorations that Company then requires for development and operation of a Shoot 360 Gym from mandatory, designated, or approved suppliers, which may include Company and its affiliates, all as provided in this Agreement and specified by Company in the Manual.

4. Franchisee understands and agrees that it is solely responsible for engaging, supervising, and for the acts and omissions of, the architect, design and construction personnel that it hires or retains. Franchisee shall obtain all customary contractors' lien waivers for the work performed.

5. Company shall have no responsibility for any delays in development or opening of the Franchised Gym or for any loss resulting from the design of the Approved Location or approval of Franchisee's Construction Drawings. Company shall have access to the Approved Location to inspect the work and performance by Franchisee's construction personnel, but is not obligated to inspect the project periodically during development or upon completion. Franchisee understands and agrees that if Company inspects the work and performance of Franchisee's construction personnel, the inspection is not for purposes of reviewing or certifying that development is in compliance with the Lease or Applicable Law, but solely to evaluate that development conforms with the version of Franchisee's Construction Drawings that Company has approved and otherwise with Company's specifications for design, appearance, trade dress elements, equipment, layout and leasehold improvements.

C. Opening Date.

1. Franchisee shall open the Franchised Gym for business to the public within ~~one-year~~ after 425 days of the Effective Date. Franchisee shall procure all licenses and permits required by Applicable Law to open the Franchised Gym. Before Franchisee may open the Franchised Gym for business to the public, Franchisee must apply to Company for a written completion certificate that signifies that Company finds that the Approved Location, as built, substantially conforms to the version of Franchisee's Construction Drawings that Company has approved and that Franchisee has met all other pre-opening requirements including the following: (a) having at least one manager satisfactorily complete Company's mandatory training program; (b) supplying Company with proof that Franchisee has in place insurance coverage as required by this Agreement; (c) obtaining Company's approval of its grand opening marketing plan; and (d) implementing all of the other mandatory features of the Shoot 360 System. Company may require that Franchisee provide Company with photographs and video recordings showing the Approved Location's physical readiness to open for business.

2. If Franchisee engages in transactions with the public before Company issues a written completion certificate, Franchisee shall be in breach of this Agreement unless Franchisee obtains Company's prior written consent to engage in the transactions.

3. Company agrees to use ~~its~~ reasonable ~~best~~ efforts to review Franchisee's Construction Drawings, conduct any inspections of the construction and development work by Franchisee's personnel, and inspect the Approved Location as built within time frames that will avoid causing an undue delay in Franchisee's ability to open the Franchised Gym for business to the public.

4. If Franchisee believes Company has failed to adequately provide any services required by this Agreement to be performed by Company before or in connection with the Franchised Gym's opening, whether in regard to site selection, site development, initial training or any other matter affecting the establishment of the Franchised Gym, Franchisee must notify Company in writing within 60 days following the Opening Date. Absent timely notice to Company, Franchisee shall be deemed to acknowledge conclusively that (a) all required services to be performed by Company before or in connection with the Franchised Gym's opening were provided sufficiently and satisfactorily in Franchisee's judgment, and (b) Franchisee and its officers, directors, shareholders, employees and agents have each waived any claim alleging facts to the contrary.

## VII. TRAINING

~~A. After Franchisee Executes the Lease for the Approved Location, the parties shall mutually schedule the initial training program to be completed before the anticipated opening date of the Franchised Gym. Franchisee understands that either Franchisee or its manager must successfully complete the initial training program, or Company may terminate this Agreement. We Company will not be liable for any costs or expenses you incur if we terminate Franchisee incurs if Company terminates this Agreement because you and your Franchisee or its manager fail to satisfactorily complete the training program. The training program is described in the Manual;~~ Company may modify the initial training program at any time without prior notice to Franchisee. Franchisee shall be responsible for all salaries, benefits and travel expenses for its employees during training.

2. If Franchisee is executing this Agreement in connection with exercising a renewal option, in consideration of Franchisee's payment of a renewal fee, Franchisee shall be entitled to participate in any training program that Company then provides for renewing franchisees on the same basis as other franchisees renewing contemporaneously.

3. If Franchisee (a) has been employed by a Shoot 360 location and has 50 or more active Athletes that will transfer to Franchisee upon opening of the Franchised Gym; (b) owns an operating independent basketball training facility and has 50 or more active Athletes converting to the Shoot 360 System, and has, in Company's sole opinion, the knowledge and experience to conduct business with minimal assistance; or (c) Franchisee has purchased an existing Shoot 360 franchise from another Shoot 360 franchisee, then Franchisee or its manager must successfully complete the mandatory training program within 60 days of the Effective Date.

### B. Management-Level Employees.

1. At all times after the Opening Date, the Franchised Gym must be under the direct supervision of at least one Certified Manager who has successfully completed the ~~mandatory~~ initial training program. If Franchisee owns more than one Shoot 360 Gym franchise, Franchisee may not designate the same individual as the manager of more than one Shoot 360 Gym at any time, except with Company's prior written approval. Franchisee shall notify Company in writing of the name of the Certified Manager that it designates for the Franchised Gym and any changes in the identity of the designated manager during the Term promptly after they occur. Each manager hired by Franchisee must successfully complete the ~~mandatory~~ initial training program within one month after being hired. Franchisee must bear all costs of training, including the then-current training fee.

2. The Manual sets forth Company's criteria for earning a Certified Manager designation. Company may change the manager qualification criteria at any time effective upon notice to Franchisee. Neither Company nor its affiliates shall have any responsibility for the operating results of the Franchised Gym or the performance of Franchisee's employees or agents.

### C. Additional Training; Other Provisions Regarding Training.

1. After the Opening Date, Franchisee may request permission to enroll additional persons in Company's mandatory training program (or then-current equivalent) or receive

additional training or on-site assistance. Franchisee understands and agrees that all additional training and any on-site assistance that it requests shall be subject to mutual agreement, at mutually scheduled times, subject to space availability and Company's other training commitments, and that, as a condition to receiving additional training or on-site assistance, Franchisee must pay Company's then-current per person training fee stated in the Manual.

2. In connection with additional instruction provided at the Approved Location, Franchisee shall (a) pay Company's then-current daily training fee as specified in the Manual, for each Company representative providing training or assistance, for each day that Company's representatives spend providing training or assistance or traveling to and from the Franchised Gym; and (b) reimburse Company for Company's reasonable travel expenses, including expenses for air and ground transportation, lodging, meals, and miscellaneous travel-related personal charges.

3. After the Opening Date, Company may periodically offer additional training programs at one or more designated locations and require attendance and completion by Franchisee and its managers; provided, however, Company shall not require that more than two (2) persons designated by Company each complete more than five (5) days of additional training during any 12-month period unless the training is required in connection with a default hereunder. This limitation shall include conventions, local training classes, and Shoot 360 seminars. Franchisee shall be solely responsible for the cost of its employees attending additional training programs, including the employees' salaries, benefits, and travel expenses.

4. Company may hold national or regional conventions for its franchisees and their personnel. Franchisee or its Certified Manager must attend these conventions, which may include programs on sales and marketing techniques, training and performance specifications, advertising programs, training suggestions, and committee elections, among other things. ~~Franchisee will bear all expenses of convention attendance, including a convention registration fee, employee salaries, and travel expenses.~~

5. Franchisee understands and agrees that (a) it is solely responsible for all ~~personal~~ expenses that it and its employees incur to attend any training program or convention offered or required by Company, whether before or after the Opening Date, including costs for air and ground transportation, lodging, meals, personal expenses, and salaries, and (b) Company will not pay compensation for any services performed by trainees during any training program provided by Company (even if, for example, the training program requires Franchisee or its employees to work at a Shoot 360 Gym owned by Company or its affiliate).

6. Franchisee agrees to allow Company to train persons unaffiliated to Franchisee at the Franchised Gym at a time mutually convenient to Franchisee and Company, without compensation or reimbursement to Franchisee, for up to 30 days per calendar year.

## VIII. INTELLECTUAL PROPERTY

A. Ownership. Company or its affiliates own all rights in and to the Shoot 360 System and its various components, and Franchisee owns no rights in the Shoot 360 System except for the non-exclusive limited license granted by this Agreement. Franchisee agrees not to contest, or assist any other person to contest, the validity of Company's or its affiliates' rights and interest in and to the Shoot 360 System, or any component thereof, either during the Term or after the termination or expiration of this Agreement.

~~B. In operating the Franchised Gym,~~ **B. Use of the Shoot 360 System.** Franchisee shall (a) use only the elements of the Shoot 360 System designated by Company and only in the manner authorized and permitted by Company; (b) use the Shoot 360 System only in connection with the operation of the Franchised Gym and not in connection with other unrelated activities; (c) display notices of trademark and service mark registrations in the exact manner that Company specifies; (d) obtain fictitious or assumed name registrations as required by Applicable Law; and (e) prominently post notices to Athletes, customers, suppliers and others with whom Franchisee deals informing them that Franchisee is the independent owner of the Franchised Gym operating under a license from Company.

2. Franchisee shall not use any of the Licensed Marks or any part thereof: (a) in its corporate or legal name; (b) in any email address or domain name except as permitted by Company; (c) with any prefix, suffix or other modifying words, terms, designs, colors or symbols; (d) in any modified form; (e) in connection with the sale of any unauthorized goods or services; (f) in any manner not expressly authorized in writing by Company; or (g) in any manner that may result in Company's liability for Franchisee's debts or obligations.

3. Franchisee shall not cover up, remove or alter any patent, copyright, trademark or other notices that Company requires Franchisee to use to signify Company's ownership of, or rights in, the Shoot 360 Intellectual Property.

4. Company reserves the right to: (a) modify or discontinue licensing any of the Shoot 360 Intellectual Property or other features of the Shoot 360 System; (b) add, remove or modify names, marks, designs, logos or commercial symbols included in the Licensed Marks and require that Franchisee use only the current Licensed Marks and adopt any changes within a reasonable time, at Franchisee's expense; (c) add, modify or discontinue practices, components or requirements incorporated within the Shoot 360 System and require that Franchisee implement all such changes in operating the Franchised Gym, at Franchisee's expense. Company may, in its sole discretion, develop and implement new optional programs to be licensed separately at additional cost. Company may condition Franchisee's participation in any such program upon Franchisee being in compliance with this Agreement and any other agreements with Company [and its affiliates](#).

5. Franchisee understands that Company may, at any time, modify the Shoot 360 System, in which case Franchisee shall comply, at Franchisee's sole expense, with Company's directions regarding such changes in the Shoot 360 System within a reasonable time after written notice from Company. Company shall have no liability to Franchisee for any cost, expense, loss or damage that Franchisee incurs in complying with Company's directions and conforming to required changes to the Shoot 360 System.

6. The parties recognize the importance of the protection and maintenance of the quality, image and reputation associated with the Licensed Marks. In furtherance of that objective, so long as this Agreement remains in full force and effect, Company may approve ~~reasonable~~ standards of operation and service of Franchisee, including the issuance of ~~guidelines~~[standards](#) with respect to gym appearance, the form, content, image and style of advertising materials including signs and signage, the standardized use of the Shoot 360 System, and the use of Internet domain names that include or incorporate elements of the Shoot 360 System; as well as ~~guidelines~~[standards](#) for use of social media by Franchisee and its employees relating to or affecting the Franchised Gym or the Shoot 360 System. Franchisee agrees to conform to such standards, methods, guidelines and procedures, and agrees to

instruct and keep its sales force and employees fully informed of all such methods and procedures, as shall from time to time be promulgated by Company. Franchisee agrees ~~to follow all reasonable directions by Company concerning Franchisee's advertising and other use of the Shoot 360 System, which Franchisee agrees~~ that the foregoing shall be solely for the purpose of protecting and maintaining the goodwill and reputation of the Shoot 360 System, and not to control the day-to-day operations of Franchisee's business.

7. Franchisee acknowledges that the Shoot 360 System and the business reputation and methods employed by Company are of considerable value, and that the operation of Franchisee's business – including Franchisee's use of the Shoot 360 System – will affect the reputation of Company and the Shoot 360 System. Accordingly, Franchisee agrees that any act by Franchisee or any of its principals that results in defaming, disparaging, or tarnishing the Shoot 360 System or the business reputation of Company shall constitute a material breach of this Agreement and shall constitute cause for termination of this Agreement. Franchisee further understands and agrees that any unauthorized use of the Shoot 360 System or its components by Franchisee shall constitute both a breach of this Agreement and an infringement of Company's intellectual property rights. The foregoing, however, shall not prohibit or restrict Franchisee from reporting potential violations of the law by the Company to appropriate governmental authorities.

C. Manual. Franchisee has the limited right to use Company's Manual during the Term. The Manual is, and at all times will remain, Company's sole property, and Company owns all intellectual property rights in its content.

1. The Manual contains both mandatory and recommended specifications, standards, procedures, rules and other information pertinent to the Shoot 360 System and Franchisee's obligations under this Agreement. Franchisee shall fully comply with all mandatory requirements now or hereafter included in the Manual, and understands and agrees that a breach of any mandatory requirement shall constitute a breach of this Agreement and grounds for termination by Company.

2. Franchisee will treat all information contained in the Manual as confidential, and will use all reasonable efforts to keep the information secret. Any misuse of the Manual or other Confidential Information by Franchisee's employees or contractors who are allowed access by Franchisee shall constitute a breach of this Agreement by Franchisee.

a. Franchisee shall not, without Company's prior written consent, copy, duplicate, print, record or otherwise reproduce the Manual, in whole or in part, or otherwise make any part of the Manual available to any employee or other person who is not required to have access to its contents in order to carry out his or her employment functions.

b. To the extent that the Manual is maintained in a printed "hard" copy rather than electronically, Franchisee shall ensure that when the Manual is not in use by authorized personnel, the Manual is kept in a locked receptacle at the Approved Location. Franchisee shall grant access to the key or lock combination of the receptacle only to authorized personnel.

c. To the extent that the Manual is furnished in electronic or digital format, Franchisee shall permit access only by authorized personnel, and shall not share Franchisee's password or other login information necessary to access the electronic version of the Manual or other Confidential Information with any unauthorized person. Franchisee shall

take steps to ensure that Franchisee's employees who are permitted to have access to the Manual do not share their individual passwords or other login information with any other person. If any electronic content is printed, Franchisee will ensure that the copies are kept in a secure place to prevent their inadvertent disclosure to unauthorized persons.

3. Company reserves the right to modify the Manual from time to time to reflect changes that it may implement in the mandatory and recommended specifications, components, standards and operating procedures of the Shoot 360 System. All revisions will be reflected in written or electronic supplements to the Manual or in other written or electronic communications delivered to Franchisee. Franchisee shall, at its own expense, adapt its operations to all revisions in mandatory specifications, standards, operating procedures and rules prescribed by Company within the time period that Company's designates, which will generally be at least 30 days.

4. Franchisee will cease accessing and, in accordance with Company's instructions, either promptly destroy or return to Company any physical copies that Franchisee has made of any portion of the Manual upon expiration or termination of this Agreement or consummation of an Event of Transfer.

#### D. Confidential Information.

1. Franchisee acknowledges that Company will disclose Confidential Information to Franchisee throughout the Term in various ways including by loaning Franchisee a copy of the Manual, providing other written instructions and bulletins, arranging for the supply of proprietary or branded goods and services, and otherwise through the performance of Company's obligations and the exercise of its rights under this Agreement. Franchisee acknowledges that Confidential Information is proprietary and remains the sole and exclusive property of Company. Franchisee shall acquire no interest in Confidential Information, other than a non-exclusive limited license to utilize it in the operation of the Franchised Gym subject to the terms of this Agreement.

2. Franchisee's use, publication or duplication of Confidential Information for any purpose not authorized by this Agreement constitutes an unfair method of competition by Franchisee and, additionally, grounds for termination of this Agreement.

3. Franchisee agrees to: (a) confine disclosure of Confidential Information to those of its management, employees and agents who require access in order to perform the functions for which they have been hired or retained; and (b) observe and implement reasonable procedures prescribed from time to time by Company to prevent the unauthorized or inadvertent use, publication or disclosure of Confidential Information, including requiring that any employee with access to Confidential Information who is not otherwise required to sign a confidentiality and non-competition agreement execute [a confidentiality agreement that includes the non-disclosure provisions similar to](#) Company's current form of Confidentiality and Non-Competition Agreement ~~with Franchisee~~. Upon request from Company, Franchisee shall deliver to Company a copy of each executed ~~Confidentiality and Non-Competition Agreement~~[agreement](#) for its records. Company may terminate this Agreement if Franchisee, or any person required by this Agreement to execute a Confidentiality and Non-Competition Agreement with Company ~~or Franchisee~~,[breaches the same of if an individual referred to in clause \(b\)](#) breaches the ~~Confidentiality and Non-Competition Agreement~~[confidentiality agreement](#). All agreements contained in this Agreement pertaining to Confidential Information shall survive the expiration, termination or Franchisee's assignment of this Agreement.

4. The provisions concerning non-disclosure of Confidential Information shall not apply if disclosure of Confidential Information is legally compelled in a judicial or administrative proceeding if Franchisee has used its best efforts to provide Company a reasonable opportunity to obtain an appropriate protective order or other assurance satisfactory to Company of confidential treatment for the information required to be disclosed. The foregoing, however, shall not prohibit or restrict Franchisee from reporting potential violations of the law by the Company to appropriate governmental authorities.

5. Franchisee understands and agrees that Company and Company's affiliates will suffer irreparable injury not capable of precise measurement in money damages if any Confidential Information is used to compete with Company or otherwise in a manner adverse to Company's or Company's affiliates' interest. Accordingly, in the event of a breach of any provision regarding use of Confidential Information, Franchisee, on behalf of itself and each person signing a Confidentiality and Non-Competition Agreement, hereby consents to the issuance or entry of a temporary restraining order or other injunctive relief as well as to any other equitable relief that may be granted by a court having proper jurisdiction, without the requirement that Company or Company's affiliates post bond or comparable security. Franchisee further agrees that (a) the award of injunctive relief or other equitable remedies to Company for such a breach is reasonable and necessary for the protection of the business and goodwill of Company and Company's affiliates; and (b) Company's recovery of damages is not an adequate remedy if Franchisee or any Covered Person breaches any of the confidentiality provisions contained in this Agreement.

E. Protection of Intellectual Property.

1. Company shall have the sole right to handle disputes with third parties challenging the rights of Company or its affiliates in, or Franchisee's use of, the Shoot 360 Intellectual Property or its components.

2. Franchisee shall immediately notify Company in writing if Franchisee receives notice, or is informed, of any: (a) improper use of any of the components of the Shoot 360 System; (b) use by any third party of any mark, design, logo or commercial symbol that is or may be confusingly similar to any of the Licensed Marks; (c) use by any third party of any business practice that unfairly simulates the Shoot 360 System in a manner likely to confuse or deceive the public; or (d) claim, challenge, suit or demand asserted against Franchisee based upon Franchisee's use of any of the components of the Shoot 360 System. A legal proceeding, use, demand or threat encompassing the subject matters described in (a), (b), (c), and (d) is collectively referred to as an "**IP Claim.**"

3. Company shall have sole discretion to take such action as it deems appropriate, including to take no action, and the sole right to control any legal proceeding or negotiation arising out of an IP Claim.

4. Franchisee may not settle or compromise any IP Claim except with Company's prior written agreement. Franchisee agrees to be bound by Company's decisions over how to handle an IP Claim. Franchisee shall cooperate fully with Company and will execute such documents and perform such actions as may, in Company's sole discretion, be necessary, appropriate or advisable in the defense of an IP Claim and to protect and maintain the rights of Company, its affiliates, or their respective owners, or Franchisee's use of, the Shoot 360 System or its components.

5. Company agrees to indemnify Franchisee from and against any and all third-party claims arising from Franchisee's authorized use of any of the Shoot 360 Intellectual Property in compliance with the Shoot 360 System, together with costs and expenses reasonably incurred by Franchisee in the defense of any such claim. Except as provided in the preceding sentence, Company shall not be obligated to Franchisee for any liability, costs, expenses, damages or losses that Franchisee may sustain as a result of any IP Claim.

6. To further protect the goodwill and reputation of the Shoot 360 System, Company may (but is not obligated to) adopt minimum information security standards for Franchisee and other Shoot 360 franchisees, which standards are subject to change from time to time with written notice. Franchisee agrees to comply with any such standards established within a reasonable period of time not to exceed 180 days, and agrees to demonstrate compliance upon reasonable request, which may include having an independent third-party auditor conduct an audit of Franchisee's data security systems and practices. Failure to comply with any minimum required data security policies shall be a material breach of this Agreement and grounds for termination with cause. In the absence of any minimum standard adopted by Company, Franchisee shall comply with all PCI (Payment Card Industry), CISP (Cardholder Information Security Program) and SDP (Site Data Protection) specifications. Franchisee shall keep all customer financial information, payment card information, and personal identifying information (for example, driver's license numbers, social security numbers, dates of birth) confidential and secure. To the extent it is kept on Franchisee's computer system or network, Franchisee shall, at a minimum, (a) install and maintain a firewall configuration; (b) restrict access to such information only to those who need to know and protect access by unique passwords; (c) install and regularly update anti-malware and antivirus software on all computer systems; (d) avoid unencrypted transmission of sensitive information; and (e) establish and maintain a policy that addresses information security.

## IX. PAYMENTS

In addition to the fees and payments identified elsewhere in this Agreement, Franchisee shall make the following payments to Company:

A. Initial Franchise Fee. As consideration for the license granted to Franchisee for use of the Licensed Marks and the Shoot 360 System, Franchisee agrees to pay a non-refundable fee in the amount of \$60,000 ("Initial Franchise Fee"). The Initial Franchise Fee is due in full upon the execution of this Agreement. Franchisee acknowledges and agrees that the Initial Franchise Fee has been fully earned by Company upon its payment by Franchisee in exchange for the franchise rights granted by this Agreement, and no portion of it is refundable ~~except as specifically provided in this Agreement~~.

B. Shoot 360 Package. Franchisee must pay to Company or its affiliate the price for the Shoot 360 Package for the Franchised Gym. The Shoot 360 Package price and related payment terms will be based on the pricing schedule in effect at the time of ~~your~~ Franchisee's order (the ~~current~~ pricing and terms as of the Effective Date are set forth in Schedule 2 to this Agreement). The Shoot 360 Package price is non-refundable except as specifically provided in this Agreement.

C. ~~Monthly Training Unit Fee~~ Royalty. Beginning on the Opening Date and for the remainder of the Term, Franchisee shall pay to Company, without offset, credit or deduction of any nature, a ~~Monthly Training Unit Fee based upon the pricing schedule set forth in Schedule 2 to this Agreement~~ royalty equal to 12% of the Gross Revenue of the Franchised Gym

("Royalty" or "Royalties"). The ~~Monthly Training Unit Fee~~Royalty will be paid ~~monthly in advance on or before the first day~~5th of each month based on Gross Revenue of the Franchised Gym in the immediately prior month, including any partial months, by ACH withdrawal without demand or notice. ~~Shoot 360 may increase the Monthly Training Unit Fee annually in accordance with any increase in the National Consumer Price Index ("CPI") published by the United States Bureau of Labor Statistics, but in no event will Monthly Training Unit Fees decrease from the then-current amount, even if the CPI decreases.~~

D. Brand Development Fee. Company reserves the right to charge a Brand Development Fee. Beginning when the Brand Development Fee becomes effective after written notice to Franchisee and for the remainder of the Term, Franchisee shall pay to Company, without offset, credit or deduction of any nature, a Brand Development Fee not to exceed 2.0% of the Gross Revenue of the Franchised Gym. The Brand Development Fee, if any, shall be due and payable at the same time as the Royalty.

E. Other Fees. Franchisee shall pay to Company other fees required as part of the Shoot 360 System, which as of the Effective Date include, without limitation: (1) a monthly fee for the gym management software (currently \$500 per month); and (2) a fee for the preparation of construction drawings and plans for the Approved Location (currently \$5,000-\$10,000) due upon receipt of our invoice.

F. Payment Due Date; Monthly Reports. Except ~~for Monthly Training Unit Fees and~~ as otherwise specified in this Agreement, fees due under this Agreement shall be paid by Franchisee to Company monthly within ~~fifteen~~five (~~15~~5) days after the close of each calendar month. For example, fees calculated on January Gross Revenue are due by February ~~15~~5. If required by the Company, Franchisee shall submit a monthly fee calculation report in the form and manner specified by Company from time to time. Franchisee may not withhold payment of any fees, or any other amounts due to Company on the grounds of the alleged non-performance or breach of any obligations of Company or its affiliates under this Agreement or any related agreement.

G. Payment Method. All fees, including the Royalty and Brand Development Fee, and any other ~~payments~~amounts required to be paid to Company shall be made through an electronic payment system designated by Company that uses pre-authorized transfers from Franchisee's designated operating account to Company through automated clearing house or direct debit by the Company of such account, or such other payment system that Company designates in the Manual or otherwise in writing.

1. Franchisee shall give its bank instructions in a form provided or approved by Company and obtain the bank's agreement to follow the instructions to effectuate the electronic payment system meeting Company's requirements. Without Company's prior written consent, the bank may not withdraw, modify or cancel its agreement to abide by the instructions provided by Franchisee. Franchisee must also execute any other documents or agreements reasonable or necessary to establish or maintain the electronic payment system as Company or the bank may reasonably request from time to time. Franchisee understands that Company may modify the electronic payment system at any time upon written notice and agrees to promptly conform to the changes at its sole expense, which may require changes to the bank's agreement.

2. Franchisee shall deposit all Gross Revenue from the Franchised Gym into the designated operating account accessed by the electronic payment system within 24 hours of receipt. It shall be a material breach of this Agreement for Franchisee to use another bank

account for any purpose to operate the Franchised Gym besides the designated operating account.

3. If Franchisee has not timely reported Gross Revenue to Company for any period, Company can, at its option, debit Franchisee's account for: (a) 110% of the fees transferred from their account for the last reporting period for which a report of the Gross Revenue was provided to Company; (b) the amount due based on information Company has regarding Franchisee's business activities; or (c) 110% of the fees transferred from Franchisee's account for the same period in the prior year. Further, Franchisee shall maintain sufficient funds in the designated operating account at all times during the Term to ensure full payment of all fees and other payments required by this Agreement that are based upon the Gross Revenue of the Franchised Gym, interest and all other obligations payable to Company when due. If a payment cannot be made due to insufficient funds in Franchisee's operating account, Company may, in its sole discretion or election, declare a breach of this Agreement, in which case Company may (a) terminate this Agreement in accordance with the procedures for termination (including the cure period specified in Section XV.B.4 of this Agreement), or (b) require that Franchisee direct its bank to send Company a monthly or periodic statement showing all account activity at the same time that it sends such statements to Franchisee or give Company electronic access to Franchisee's account activity if the bank makes electronic access available to its account holders.

4. Unless Franchisee notifies Company in writing within 30 days after Company debits Franchisee's operating account of an error in the amount that Company debits for any period, Franchisee shall be barred forever from challenging the amount that Company debits. However, if at any time Company discovers that the amounts that Company has debited from Franchisee's operating account are less than the amounts actually due to Company based on the Franchised Gym's actual Gross Revenue for the relevant period, Company may immediately debit Franchisee's operating account for the balance. Company agrees that if the amounts that Company debits from Franchisee's operating account exceed the amounts actually due to Company for the relevant period, Company will credit the excess to the next payment of recurring fees due from Franchisee. Nothing in this Section is intended to excuse Franchisee's obligation to report Gross Revenue for any period in a timely and accurate fashion or to limit or waive Company's right to declare Franchisee in material default based upon nonpayment of the fees or other payments due to Company.

5. Franchisee shall bear all costs to establish and maintain the required electronic payment system meeting Company's requirements and all fees and charges resulting from insufficient funds being in Franchisee's bank accounts at the time funds are withdrawn to pay obligations owed to Company or Company's affiliates. The duty to maintain an electronic payment system shall not change the date on which payments are due under this Agreement.

H. Per Diem Training Fees. Any training fees expressed as a *per diem* rate are not prorated even if the delivery of training services involves less than a full day (8 hours) of training. In addition, Company shall be entitled to the *per diem* training fee for each whole or partial travel day that Company's training staff who deliver additional training and on-site assistance spend traveling between their residence or place of work and the Franchised Gym.

I. Late Fees, Interest. If Franchisee fails to pay any fees or other amounts due to Company under this Agreement on or before the date payment is due, Franchisee shall additionally be obligated to pay, as a late charge, the product of the total amount past due multiplied by 1.5% per month (but not to exceed the maximum legal rate of interest then

permitted under Applicable Law) calculated starting on the date payment was due and continuing until the entire sum and late charge is paid in full. Franchisee understands and agrees that the late fee is not an agreement by Company to accept any payment after the date payment is due or a commitment by Company to extend credit to, or otherwise finance, the Franchised Gym. Franchisee's failure to pay all amounts when due shall constitute grounds for termination of this Agreement in accordance with the requirements of this Agreement notwithstanding Franchisee's obligation to pay a late fee.

J. Application of Payments. Notwithstanding any designation given to a payment by Franchisee, Company shall have the sole discretion to apply any payment from Franchisee to any past due indebtedness owed to Company or its affiliates in the amounts and in such order as Company shall determine.

K. Gross Receipts or Equivalent Taxes. Franchisee will pay to Company the amount of any state or local sales, use, gross receipts, or similar tax that Company may be required to pay now or in the future as determined by any state or local government on any ~~Monthly Training Unit Fee~~ Royalty or other payments that Franchisee pays to Company under this Agreement regardless of whether the state or local tax is imposed directly on Company, is required to be withheld by Franchisee from amounts due to Company under this Agreement, or is otherwise required to be collected by Franchisee from Company. Franchisee's payment of taxes to Company must be paid on or before the date payment must be withheld by Franchisee or paid by Franchisee under Applicable Law and Franchisee shall pay Company the amount of taxes due and owing in the same manner as payment of ~~the Monthly Training Unit Fee~~ Royalties. Franchisee's obligation under this Section will not be reduced or offset by any type of claim, credit or deduction of any kind. This provision will not apply to Company's liability for income or comparable taxes measured by income that Company receives on account of its relationship with Franchisee.

## X. ACCOUNTING AND RECORDS

A. Maintenance of Business Records. During the Term, Franchisee shall maintain complete and accurate business records in accordance with the standards stated in the Manual or otherwise prescribed by Company in writing. Franchisee shall keep all business records and required business equipment and business software systems together at the place where notices to Franchisee are required to be sent, unless Company grants Franchisee permission to keep its business records elsewhere. All business records that this Agreement requires Franchisee to maintain shall be retained by Franchisee during the Term and for a minimum of 5 years following the expiration or termination of this Agreement or an Event of Transfer.

### B. Reports.

1. After the Opening Date, Franchisee shall submit to Company on or before the date specified in the Manual the financial, operational and statistical reports and information as Company may require to: (a) provide Franchisee with consultation and advice in accordance with this Agreement; (b) monitor Franchisee's performance under this Agreement and Franchisee's purchases, revenue, operating costs, expenses and profitability; (c) develop chain-wide statistics; (d) develop new operating procedures; (e) develop new products and services and remove unsuccessful items; and (f) implement changes in the Shoot 360 System to respond to competitive and marketplace changes or to improve and enhance the reputation of the Licensed Marks and consumer awareness and identity of Shoot 360 Gyms generally.

2. Without limiting the types of reports that Company may require, Franchisee shall prepare and submit the following financial reports in accordance with the accounting, recordkeeping and bookkeeping procedures and in the format prescribed in the Manual:

a. Reports summarizing Gross Revenue, which shall cover the same period and be due, and submitted with, all payments of recurring fees based on Gross Revenue; and

b. Financial reports substantiating and documenting actual Gross Revenue and the results of operation of the Franchised Gym, including a profit and loss statement and balance sheet, for each accounting period that Company designates, which, until further notice, shall be a calendar month. Each financial report shall include not only the financial results for the period just ended, but also cumulative information for the year-to-date, together with such additional information as Company may request. All financial reports shall be prepared in accordance with generally accepted accounting principles, shall follow the guidelines prescribed by Company in the Manual, and be submitted to Company upon request within 30 days after the end of each calendar quarter and year.

3. Company shall have the absolute right to remotely poll Franchisee's Computer System and point of sale and other financial records daily, or more frequently, by electronic or other remote means and Franchisee hereby grants Company authority to do so. Franchisee shall observe the mandatory requirements set forth in the Manual to enable Company's remote access to Franchisee's bank and operating records and, upon request, provide Company with all passwords, access keys and other security devices as necessary to permit Company's access to the information stored on Franchisee's Computer System and other computers on which Franchisee stores the Franchised Gym's financial records.

4. Franchisee shall promptly comply with Company's requests for additional information. This obligation includes supplying Company with an exact copy of all sales and income tax returns relating to the Franchised Gym at the time Franchisee files them with governmental authorities or within 10 days after Company requests a copy.

5. Franchisee certifies that all reports, forms, records, information and data that Franchisee is required to maintain or submit, or voluntarily maintains or submits, or directs a third party to maintain or submit on its behalf, to Company, will be true and correct and not omit material facts that are necessary in order to make the information disclosed not misleading.

C. Recording of Transactions. Franchisee shall use the Computer System prescribed by Company in the Manual, which Company may modify in its sole discretion from time to time, to track and record all sales and transactions with Athletes and customers of the Franchised Gym. In addition to using the Computer System, Franchisee shall use any other business and accounting software applications that Company designates to record business activities, sales and inventories and prepare operating and financial reports and records in accordance with the requirements of this Agreement and the Manual. Franchisee is solely responsible for maintaining and upgrading the Computer System at Franchisee's sole expense in accordance with this Agreement.

#### D. Audit Rights.

1. Company may conduct periodic audits of Franchisee at any time to confirm compliance with all terms of this Agreement. In connection with such audits, Franchisee shall upon demand provide Company or its designated agents with access to all of Franchisee's books and records or, at Company's election in its sole discretion, copies of all such reports regarding its ~~gross commissions~~ Gross Revenue, its income, expenses, transaction data, rosters of employees, agents and contractors, and all other documents or information as Company may reasonably request, including complete federal income tax returns, state tax returns or filings, financial statements (including balance sheets and profit and loss statements), all prepared in accordance with generally accepted accounting principles.

2. If any examination or audit conducted by Company reveals any understatement in the Gross Revenue or other false information reported by Franchisee to Company, then Franchisee shall, within 10 days after notice from Company, pay to Company any additional fees that are owed, together with interest and late charges as provided in this Agreement.

3. In the event any audit should disclose that Franchisee has underpaid any amounts owed under this Agreement by two percent (2%) or more, then Franchisee shall promptly pay to Company the fees, costs and expenses incurred in connection with the audit, along with the delinquent amounts owing, plus interest and penalties as provided herein.

4. If two (2) or more audits or examinations of Franchisee's business records conducted within any 24-month period disclose that Franchisee has underreported Gross Revenue by an amount that is two percent (2%) or more of the actual Gross Revenue for the period, then the second understatement shall be conclusively presumed to have been intentional for purposes of this Agreement. In addition to the consequences identified in this Agreement arising because of the understatement, Company may terminate this Agreement upon discovery of the second understatement based upon Franchisee's intentional underreporting of Gross Revenue.

#### XI. STANDARDS OF QUALITY AND PERFORMANCE

##### A. General Provisions. Franchisee understands and agrees as follows:

1. Franchisee's strict and punctual performance of all of its obligations set forth in this Agreement or the Manual, or otherwise communicated to Franchisee in writing, is a condition of the franchise granted to Franchisee.

2. Company's designation, recommendation or approval of any supplier does not constitute a representation or warranty of the supplier's ability to meet Franchisee's purchasing requirements or of the fitness or merchantability of the items sold by the supplier. Franchisee's sole remedy in the event of any shortages, delays or defects in the items purchased shall be against the supplier and not against Company or Company's affiliates, unless Company or Company's affiliate is the supplier, in which case Franchisee's remedies are set forth in this Agreement.

3. Notwithstanding anything to the contrary in this Agreement, Company shall have the right to contact and communicate with, and Franchisee shall provide Company with any information necessary to enable Company to contact and communicate with, Franchisee's vendors, landlord, lenders, or any other supplier or service provider which Franchisee engages.

B. Specifications and Suppliers.

1. In operating the Franchised Gym, Franchisee must adhere strictly to the Shoot 360 System. To protect the Shoot 360 System, all branded items, marketing materials, equipment, uniforms, point of sale system, software, insurance, food and beverage items, and other goods and services that Franchisee purchases for use in its operations must meet Company's specifications, which may include minimum standards for quality, performance, design, appearance, and delivery.

2. Company shall specify all goods and services that Franchisee may, or must, use, offer, sell or promote in operating the Franchised Gym in the Manual or otherwise in writing. Company may identify the specifications and requirements of the Shoot 360 System in various ways, including: (a) designating specific equipment and supplies that Franchisee must or may use, offer, or sell, by brand name, manufacturer, supplier, model number, or minimum features or comparable specifications; (b) specifying training and tracking protocols and other operational guidelines or requirements; and (c) establishing standards for advertising featuring the Licensed Marks.

3. If Company has specified a mandatory supplier or one or more designated suppliers for a particular good or service, Franchisee shall purchase that good or service only from the mandatory supplier or a designated supplier, which may be limited to or include Company and its affiliates. If Company or Company's affiliate is the mandatory or a designated supplier, Franchisee shall purchase those goods and services at the then-current price and payment terms published in the Manual, which Company may modify at any time without prior written notice to Franchisee.

4. Company may modify its specifications and list of approved suppliers as frequently as Company deems necessary in its sole discretion, including adding new items, deleting existing items, and changing specifications, methods of use, and other features, and approving or revoking approval of any supplier. Company's changes in specifications for goods and services, or to the list of approved suppliers, shall be communicated to Franchisee by written supplements to the Manual or otherwise in writing.

5. Franchisee shall conform to all changes at its sole expense promptly following written notice from Company unless Company's written notice specifies a later implementation date. If Company withdraws its approval of a particular item for reasons relating to public health or safety, Franchisee shall cease using or selling the item identified in Company's notice immediately or by the date indicated in Company's notice. Franchisee shall not place a new order with a supplier after receiving written notice (a) of changes in specifications; or (b) that Company's approval of the supplier has been withdrawn or revoked.

6. Nothing in this Agreement shall obligate Company to reveal the specifications, features, cost of goods, or other non-public information regarding proprietary equipment, services, logo or branded merchandise, or other items, or information regarding Company's relationship with suppliers of such goods or services, all of which Franchisee understands and agrees constitute Confidential Information.

7. While Company will use reasonable efforts to secure favorable pricing terms from third-party suppliers whom Company recommends, Company makes no representation or warranty that the price of goods and services offered for sale by recommended suppliers will be

the lowest price available from any supplier capable of furnishing the same goods and services meeting Company's specifications.

C. Alternative Suppliers.

1. If Franchisee desires to offer for sale or use at the Franchised Gym any item that does not, at that time, meet Company's specifications, or desires to purchase any goods or services from a supplier who is not on Company's approved supplier list, Franchisee shall submit a written request to Company identifying the proposed item or supplier, together with (a) samples of the item for examination and/or testing so that Company may evaluate if the item meets its specifications and quality standards, and/or (b) information supporting the proposed supplier's financial capability, business reputation, delivery performance and credit rating. Company may charge a testing fee of up to \$1,000 per request for approval of an alternative product, service or supplier. Franchisee's payment of the testing fee shall be a condition of ~~obtaining approval to offer for sale, or use,~~ Company's review of an item or ~~buy from~~ a supplier that is not at the time approved by Company and covers Company's direct costs incurred in processing Franchisee's request. The offer to pay the testing fee does not obligate Company to entertain Franchisee's request to consider a substitute supplier or items that do not meet Company's specifications.

a. Company will notify Franchisee in writing within 30 days after receiving all requested information and the required testing fee and completing any inspection or testing if it approves the proposed item and/or supplier. Company's failure to timely respond shall constitute its disapproval. Each supplier designated or approved by Company must comply with Company's usual and customary requirements regarding insurance, indemnification and non-disclosure.

b. Franchisee understands and agrees that it is generally advantageous to the Shoot 360 System to limit the number of suppliers of certain goods and services in any given market area and that in deciding whether, in its sole discretion, to approve a proposed supplier, Company may consider the effect its approval may have on the ability of Company and its franchisees to obtain the lowest prices and on the quality and uniformity of goods and services used or sold from Shoot 360 Gyms.

2. Company may inspect the facilities of an approved supplier at any time. Company may revoke its approval of a supplier or item if, in Company's sole discretion, Company determines that doing so is in the best interests of Company or the Shoot 360 System. Franchisee shall conform to all changes pertaining to suppliers at its sole expense promptly following written notice from Company, unless Company's written notice specifies a later implementation date. Franchisee shall not place a new order with a supplier after receiving written notice that Company's approval of the supplier has been revoked. If Company withdraws its approval of a particular item or a supplier for reasons relating to public health or safety, Franchisee shall cease using or selling the goods and services identified in Company's notice immediately or by the date indicated in Company's notice.

D. Purchases from Company or Company's Affiliate.

1. Franchisee understands and agrees that, if Company or Company's affiliate is designated as a mandatory, designated, or preferred supplier of goods or services required to operate the Franchised Gym, Company or its affiliate, as supplier, will have sole discretion to establish and change prices and other terms of sale, shipment and delivery (which shall be

stated on the supplier's invoice or purchase order forms or communicated to Franchisee by other means, including by postings on an intranet portal); provided, however, that the prices that Franchisee pays shall be the same as the prices charged to similarly situated franchisees. Company and its affiliate may receive a profit from the sale of goods and services to Franchisee. Company makes no representation or warranty that the price of goods and services that it or its affiliate offers to sell as a supplier will be the lowest price available from any supplier capable of furnishing the same goods and services meeting Company's specifications. Company or its affiliate, as supplier, may discontinue the sale of any goods or services for any reason upon reasonable notice to Franchisee; provided, however, that if Company or its affiliate is the sole approved supplier, Company shall not discontinue sales until after identifying an approved substitute supplier of the goods or services in writing.

2. As a supplier, Company or Company's affiliate shall use reasonable commercial efforts to fill and ship Franchisee's orders reasonably promptly, but shall not be (a) liable to Franchisee for shortages, delays or defects due to causes beyond their control; or (b) obligated to fill or ship any orders to Franchisee if, at the time, Franchisee is in material breach of any obligation under this Agreement.

E. Standards of Service.

1. Franchisee shall (a) offer for sale, and sell, only the specific goods and services designated by Company, which may include mandatory and optional items; (b) label and identify all goods and services offered for sale by the specific names and other designations given to them by Company; (c) use only the equipment, supplies, containers, materials, and signs that conform to Company's current specifications and standards; (d) adhere to Company's business operating methods including policies and procedures for offering basketball skills training and ensuring child safety, guidelines for Local Advertising, and specifications for reproducing the Licensed Marks; (e) update the physical appearance of the Approved Location to incorporate changes that Company may periodically make to the then-current specifications for the design, appearance and trade dress of Shoot 360 Gyms; (f) utilize the Computer System and other accounting and recordkeeping systems specified in the Manual or otherwise by Company in writing; and (g) operate the Franchised Gym in accordance with Company's customer service standards and specifications. All specifications shall be set forth in the Manual or otherwise communicated to Franchisee and may be revised by Company as frequently as Company deems necessary in its sole discretion to promote the Shoot 360 System and respond to competitive and marketplace changes. Franchisee shall not offer for sale or sell any other kinds of services, products or merchandise, or otherwise deviate from Company's operating standards or specifications, except with Company's prior written consent.

2. Company may revise its list of authorized goods and services as frequently as Company deems necessary in its sole discretion, to add new items, delete existing items, designate items as mandatory or optional, or modify the features of authorized items. Franchisee shall be allowed a reasonable amount of time to implement all changes. Company may, in Company's sole discretion, implement changes only at certain Shoot 360 Gyms or within selected geographic regions. Company may, from time to time, authorize Franchisee to test specific new products, services or delivery systems and Franchisee agrees to cooperate in test marketing programs in compliance with Company's guidelines without reimbursement or compensation of any kind.

3. Franchisee shall offer for sale to Athletes and customers of the Franchised Gym the specific logo merchandise and products displaying the Licensed Marks that Company designates in the Manual, which Company may revise at any time.

4. Franchisee shall operate the Franchised Gym on all of the days and during the hours prescribed in the Manual, unless Company's prior written approval of different days or hours is obtained, or unless prohibited by the Lease or Applicable Law. Before the Opening Date, Franchisee shall advise Company of the Franchised Gym's operating hours, and after the Opening Date, Franchisee shall promptly notify Company of any changes in its operating hours required by the Lease. Franchisee shall prominently disclose its operating hours to the public in the manner required by the Manual, and shall be open and fully prepared to conduct business during all posted operating hours.

5. Franchisee shall, at its sole expense, maintain (a) a personal computer to prepare and print operating and financial reports, communicate through email, receive, send and store documents and perform other back-office business functions, and (b) a high-speed Internet connection to enable Company to remotely retrieve sales, inventory and other operating data for the Franchised Gym as frequently as Company deems necessary.

6. Franchisee shall not install or maintain on the Approved Location any newspaper racks, pay-to-play video or other types of gaming devices, ATM machines, juke boxes, vending machines rides or other similar devices except with Company's prior written consent. Franchisee shall not display any "for-sale" signs or other words indicating or implying that the Franchised Gym is for sale or that Franchisee is seeking or desires any form or type of Event of Transfer.

F. Operating Expenses. Franchisee shall pay all of the operating expenses of the Franchised Gym in a timely manner and understands and agrees that its failure to do so could materially harm the reputation of the Licensed Marks and the ability of Company and other franchisees to obtain certain favorable purchase, lease or finance terms. If Franchisee has a bona fide dispute with any supplier or vendor that Franchisee believes justifies non-payment or partial payment, Franchisee must promptly notify the supplier or vendor of the particulars of its claim and diligently pursue resolution of the claim or prosecution of appropriate legal action. Any trade debt that remains unpaid for more than 60 days after the date it is due shall constitute a breach of this Agreement unless, before the end of the 60-day period (1) Franchisee and the supplier or vendor agree to alternative payment terms; or (2) Franchisee initiates appropriate legal action to contest the trade debt. Company shall have no liability for Franchisee's debts or obligations to third parties.

G. Computer System.

1. Before the Opening Date, with respect to all components identified by Company as part of the Computer System, Franchisee shall (a) purchase or lease from suppliers designated or approved by Company all of the hardware components; (b) license all required software; (c) install all components; and (d) cause the Computer System to be fully operational. Franchisee shall additionally maintain a service contract in force for the Computer System with a designated or approved service provider that covers hardware maintenance, technical support, and software updates and upgrades.

2. Company may impose changes in the mandatory specification for the Computer System as frequently as Company deems necessary, including (a) replacing all of the hardware and software systems with new technology, which may be proprietary to Company or its affiliate; and (b) designating a specific vendor for the Computer System. Within a reasonable time following Company's written notice, Franchisee shall conform to the changes that Company specifies at Franchisee's sole expense.

## H. Approved Location and Tangible Property.

1. Franchisee shall, at its sole expense, maintain the condition and appearance of the Approved Location and all tangible property used to operate the Franchised Gym in the highest degree of cleanliness, orderliness and repair, consistent with the standards, specifications and requirements of the Shoot 360 System and as Company may from time to time direct. Franchisee shall promptly replace any tangible property used to operate the Franchised Gym that becomes worn, damaged and non-repairable, or mechanically impaired to the extent that it no longer adequately performs the function for which it was originally intended. All replacement items shall be of the same type, model and quality then specified in the Manual at the time replacement is required.

2. Franchisee understands and agrees that its failure to repair or maintain the Approved Location and the tangible property of the Franchised Gym in accordance with Company's standards shall constitute a breach of this Agreement. Without waiving its right to terminate this Agreement for such reason, Company may notify Franchisee in writing specifying the action to be taken by Franchisee to correct the deficiency. If Franchisee fails or refuses to initiate a bona fide program to complete any required repair, maintenance or corrective work within 30 days after receiving Company's written notice, Company shall have the right, in addition to all other remedies, to enter the Approved Location and complete the required repair, maintenance or corrective work on Franchisee's behalf. If Company reasonably believes that the deficiency presents a public health or safety issue, Company may set the deadline for correcting the deficiency to as little as 24 hours or such longer period that Company determines is reasonable under the circumstances. Company shall have no liability to Franchisee for any work performed. If Company elects to perform required repair, maintenance or corrective work, or replace non-conforming property with conforming property, Franchisee shall be invoiced for labor and materials, plus a 25% service charge and an amount sufficient to reimburse Company for Company's actual direct costs to supervise, perform and inspect the work and procure any replacement items, including labor, materials, transportation, lodging, meals, contractor fees and other direct expenses, all of which shall be due and payable upon receipt of invoice.

3. Franchisee shall not alter or modify the Approved Location or any of the tangible property used to operate the Franchised Gym in a manner contrary to Company's then-current standards.

4. In addition to maintaining the Approved Location and tangible property in continuous good condition and repair in accordance with this Agreement, Franchisee shall, at its sole expense, periodically make reasonable capital expenditures to remodel, modernize and redecorate the Approved Location so that the Franchised Gym at all times reflects the then-current image of the Shoot 360 System. Specifically, and without limiting the foregoing, on or before the 5<sup>th</sup> anniversary of the Opening Date, to the extent the Franchised Gym does not meet Company's then-current requirements, Franchisee shall conform the Franchised Gym to Company's then-current requirements for design, appearance, trade dress elements, layout, equipment, leasehold improvements, image, signs, and accounting and recordkeeping systems that apply to new Shoot 360 Gyms, including making upgrades to the Computer System.

I. Compliance With Laws. Franchisee shall at all times operate the Franchised Gym in strict compliance with Applicable Law. At Franchisee's sole expense, Franchisee shall secure and maintain in good standing all necessary licenses, permits, deposits and certificates required to operate the Franchised Gym lawfully and shall provide Company with proof of compliance promptly following Company's request.

J. Local Advertising.

1. From the Opening Date and continuing for the remainder of the Term, Franchisee shall spend during each month an amount equal to the greater of two percent (2%) of the Gross Revenue of the Franchised Gym and \$500 per month (“**Minimum Local Advertising Obligation**”), without offset, credit or deduction of any nature except as expressly provided in this Agreement.

a. Franchisee will report the nature, extent and amount of its local advertising expenditures in the form and at the times specified in the Manual. Upon request, Franchisee shall submit to Company appropriate documentation to substantiate the expenditures to demonstrate its compliance with the Minimum Local Advertising Obligation.

b. In determining if Franchisee is in compliance with the Minimum Local Advertising Obligation, Company shall give Franchisee credit for the following expenditures: (i) the cost of advertising, marketing and other forms of promotional activities that Franchisee undertakes to publicize and promote the Franchised Gym and increase customer awareness within Franchisee’s trade area; ~~and (ii) Franchisee’s reasonable internal expenses that Franchisee can substantiate were incurred specifically and directly to develop, produce or publish approved Local Advertising not to exceed two percent (2%) of Franchisee’s documented expenses during any month paid to third parties directly related to Local Advertising.~~

c. In no event shall the aggregate credit extended to Franchisee in any month exceed the Minimum Local Advertising Obligation for the month. Company will not apply excess credits in one month to reduce the Minimum Local Advertising Obligation in a later month.

d. If, at the end of any calendar year, Franchisee has not spent (or been given credit for spending in accordance with this subsection) an amount at least ~~two percent (2%) of Franchisee’s aggregate annual Gross Revenue~~ equal to the Minimum Local Advertising Obligation on Local Advertising, then, in addition to Company’s right to declare Franchisee to be in breach of this Agreement, Franchisee shall promptly pay the difference to Company.

2. Franchisee shall comply with the written guidelines for Local Advertising set forth in the Manual with respect to all Local Advertising that Franchisee chooses to conduct. Franchisee understands that Company’s written guidelines for Local Advertising may include the requirement that Local Advertising contain notices of the Shoot 360 Website URL or similar information indicating the availability of Shoot 360 franchises from Company in the manner that Company designates. All Local Advertising must be clear, factual and not misleading and conform to both the highest standards of ethical advertising and marketing and Company’s written guidelines and other marketing policies that Company prescribes from time to time.

3. Franchisee shall not use, disseminate, broadcast or publish any Local Advertising in any media channel (whether print, broadcast, electronic or digital, including, but not limited to, third-party websites) without first obtaining Company’s written approval of the copy, proposed media, method of distribution and marketing plan for the proposed Local Advertising. To apply for Company’s approval of a proposed Local Advertising, Franchisee shall submit to Company a true and correct copy, sample or transcript of the proposed Local Advertising, together with a written business plan that explains the proposed media plan, promotional event or other

intended use of the proposed Local Advertising. Company shall have 7 days from the date of receipt in which to approve or disapprove of the submitted materials. If written approval is not received by the end of 7 days, Company shall be deemed to have rejected the proposed Local Advertising. If written approval is given on or before the end of 7 days, Franchisee may use the proposed Local Advertising, but only in the exact form submitted to Company.

4. Franchisee will promote the Franchised Gym on third-party social media channels (e.g., Facebook, Yelp, YouTube, Instagram, LinkedIn, and other such channels that may exist in the future) in compliance with Company's social media policies as set forth in the Manual. Franchisee shall remove any social media post promptly upon notice from Company that the post violates Company's social media policy or otherwise is detrimental or harmful to the good name, business, goodwill or reputation of Company or the Shoot 360 System.

5. Franchisee shall observe Company's pricing policies, which Company may modify at any time. Franchisee recognizes that Company uses its pricing policies to differentiate Shoot 360 Gyms from competitors and may use the Brand Development Fund to advertise products and services at the specific resale prices that Company suggests. Nothing in this Agreement limits Company's right to implement policies regarding (a) the minimum prices at which Franchisee may advertise services, products or merchandise authorized for sale from the Franchised Gym; (b) the minimum or maximum retail prices that Franchisee may charge customers; or (c) the obligation to participate in price promotions to the fullest extent permitted by Applicable Law. Franchisee shall have no right to object to Company's pricing policies and waives any claims arising from or related to Company's prescription or suggestion of retail prices to the fullest extent permitted by Applicable Law.

6. At Franchisee's expense, Franchisee shall immediately remove from circulation and cease using any previously approved Local Advertising if Company determines, in its sole discretion, that continued circulation or use may, or will, damage the integrity or reputation of the Licensed Marks, is otherwise necessary to protect the goodwill of the Shoot 360 System and Company's and Company's affiliates' reasonable business interests, or otherwise violates this Agreement.

7. Franchisee may not maintain its own website promoting the Franchised Gym or use the Licensed Marks in any domain name.

8. Company shall identify the Franchised Gym in its list of Approved Locations on the Shoot 360 Website and provide comparable information about the Franchised Gym as Company provides for other Shoot 360 Gyms.

9. Upon no less than 30 days written notice, Company may establish a regional advertising cooperative ("**Co-Op**") for a geographic area that includes the Franchised Gym. The Co-Op shall be governed by a board, which will be elected by the members of the Co-Op. Thereafter, Franchisee shall pay to the Co-Op a Co-op Advertising Fee, in an amount set by the Co-Op board up to 1% of Gross Revenue, to be used for regional marketing programs. Co-op Advertising Fees paid by Franchisee will be credited toward Franchisee's Minimum Local Advertising Obligation. Company may create or dissolve a Co-Op or merge one or more neighboring areas into a larger Co-Op, all in its sole discretion.

K. Credit Cards; Gift Card and Other System-Wide Marketing Programs.

1. Franchisee shall honor all credit cards designated by Company and enter into and maintain, at Franchisee's sole expense, all necessary credit card agreements with the issuers of designated cards.

2. Franchisee shall participate in, and abide by, the Shoot 360 gift card program rules described in the Manual, as Company may revise it from time to time. Franchisee may not issue any other type of gift or loyalty card that is redeemable at the Franchised Gym without Company's prior written approval, which Franchisee may request through the process applicable to Local Advertising generally.

3. Franchisee shall additionally participate in network-wide or nationwide marketing programs identified by Company, including loyalty card programs, social media networking programs, customer and marketing surveys, direct marketing programs and designated e-commerce programs.

L. Complaints and Other Actions. Franchisee shall promptly report to Company any incidents involving personal injury or property damage sustained by Athletes or customers of the Franchised Gym at the Approved Location. Franchisee shall submit to Company promptly upon receipt copies of all customer complaints and notices and communications received from any government agency relating to alleged violations of Applicable Law and hereby authorizes the government agency to provide the same information directly to Company upon Company's request. Additionally, Franchisee shall promptly notify Company of any written threat, or the actual commencement, of any action, suit or proceeding against Franchisee, any person who is required by this Agreement to personally guaranty Franchisee's obligations to Company or involving the Approved Location or the business assets that might affect the operation or financial condition of the Franchised Gym, and provide Company with a copy of all relevant documents.

M. Management and Staffing.

1. The Franchised Gym shall at all times during the Term be under the direct, personal supervision of Franchisee's Certified Manager.

2. If Franchisee owns more than one franchise, the same individual may not be designated as the Certified Manager of more than one Shoot 360 Gym at any time without Company's prior written consent.

3. Additionally, Franchisee shall employ or retain a sufficient number of competent employees or independent contractors and cause each of them to receive appropriate training to perform their job or work duties in accordance with the standards and specifications of the Shoot 360 System as Company may require. Franchisee's Certified Manager shall be responsible for training Franchisee's employees and independent contractors who do not participate in the mandatory training program delivered in connection with the Opening Date.

4. All employees and independent contractors whose duties include customer service shall have sufficient literacy and fluency in the English language, in Company's judgment, to serve the public. While working in the Franchised Gym, all employees and independent contractors shall present a neat and clean appearance and wear the uniforms that Company

designates for their jobs, if applicable, in the color, style and design then specified by Company. Franchisee shall be responsible for the acts and omissions of its employees, independent contractors and other agents, including its Certified Manager, arising during the course of their employment or engagement by Franchisee.

5. Employees of Franchisee or the Franchised Gym shall not in any way be deemed employees of Company and shall be under the exclusive direction and control of Franchisee. Franchisee is solely responsible for hiring, firing and establishing employment and engagement policies applicable to its employees and independent contractors, and setting their wages. Franchisee understands and agrees that this Agreement does not impose any controls, or otherwise impinge, on Franchisee's sole discretion to make decisions pertaining to its employees, independent contractors and other agents. All employment related documents, including, without limitation, employment applications, schedules, job descriptions, and payroll documents, must clearly identify Franchisee, and not Company, as the employer.

6. Franchisee shall purchase logo uniforms for its employees and independent contractors from Company, Company's affiliate, or Company's mandatory or designated vendor.

7. In Franchisee's communications with its employees, independent contractors, prospective and actual Athletes, customers, suppliers and other third parties, and the general public, Franchisee shall conspicuously identify itself as the independent owner of its business operating under a license from Company in a manner that meets the minimum requirements specified in the Manual. This includes identifying the legal name of the Franchisee business entity followed by "**doing business as Shoot 360 under a license from Shoot 360 Nation LLC**" on any business or telephone directory listings; emails sent by persons acting on behalf of Franchisee; work orders, invoices and other customer-facing statements and communications, bank checks; delivery or service vehicle signs; employee handbooks prepared by Franchisee for Franchisee's employees; postings for new hires; salary checks; and other communications identified in the Manual. Franchisee shall notify its employees before, at the time of, and after their date of hire they are employed solely by Franchisee and are not employees of Company and all pay checks that Franchisee issues to its employees shall be in the legal name of the Franchisee business entity. Franchisee shall be solely responsible for the acts and omissions of its employees, independent contractors and other agents.

## XII. COMPANY'S OPERATIONS ASSISTANCE

In addition to obligations stated elsewhere in this Agreement, and provided Franchisee is not in default under the terms of this Agreement, Company shall provide the following services:

A. Grand Opening Marketing. Company shall assist Franchisee design and implement a grand opening marketing program to publicize the opening of the Franchised Gym to the public and advise Franchisee on strategies for developing local consumer awareness of the Licensed Marks.

B. Brand Development Fund. This section applies after Company begins requiring Franchisee to pay the Brand Development Fee.

1. Brand Development Fees are the property of Company and may be deposited by Company into its general operating account. Company has no obligation to deposit Brand

Development Fees in a separate bank account apart from its general funds. The aggregate of the Brand Development Fees paid by Company and its affiliates and franchisees either in or outside the United States is referred to as the “**Brand Development Fund.**”

2. Franchisee understands and agrees that the Brand Development Fund is not a trust and Company does not owe Franchisee a fiduciary duty based on Company’s authority to administer the Brand Development Fund or for any other reason. Company shall have the right to create, maintain, administer and discontinue the Brand Development Fund or other advertising funds for advertising and promotional programs as Company may deem necessary or appropriate. Company shall have the right to direct the concepts, materials, media and placement of all advertising and other programs.

3. Company shall use the Brand Development Fund, in Company’s sole discretion, for the purpose of paying expenses associated with the creation, development and publication of advertising and promotional programs designed to enhance consumer awareness and identity of the Licensed Marks and Shoot 360 Gyms generally, for the benefit of Shoot 360 Gyms and the Shoot 360 System, including market research, creative and production costs, marketing department fees, media costs, brand management costs and other costs relating to advertising and promotional programs undertaken by Company. Company shall not be restricted with respect to what, where and how the Brand Development Fund will be applied for the purposes described in this section. Company has sole discretion over the form, content, time, location, market and choice of media and markets for all advertising and promotion paid for from the Brand Development Fund proceeds. Without limiting the scope of Company’s general authority and sole discretion, Company may use the Brand Development Fund to pay for the cost to (a) create, prepare and produce advertising and promotional formats, materials and samples including point of sale materials, advertising slicks and copy, promotional graphics, brochures, mailers, authorized gift cards and coupons; (b) administer local, regional and national advertising programs, including buying media space or time, outdoor advertising art and space, direct mail lists, and customer lead generation and customer-directed advertising; (c) maintain the Shoot 360 Website, individual subpages for each Shoot 360 Gym, and a secure intranet portal to promote communication among Company, franchisees and invited guests regarding consumer marketing activities; (d) employ advertising, public relations and media buying agencies and personnel; (e) support public relations, market and consumer research; (f) pay expenses directly associated with maintaining and administering the Brand Development Fund, including the cost to prepare annual accountings, expenses to collect unpaid Brand Development Fees from franchisees or other contributors, and the cost of conducting the Annual Meeting if Company elects to hold one; and (g) support the cost of any network-wide gift card and loyalty card programs.

a. Company makes no representation that any amount of the Brand Development Fund will be spent in any particular geographic region or area or that monies will be spent in Franchisee’s market area in proportion to Franchisee’s contributions to the Brand Development Fund.

b. Company may (i) collect rebates, credits or other payments from suppliers based on purchases or sales by Franchisee, and (ii) condition its approval of a supplier on the supplier’s willingness to agree to make such payments to Company or Company’s affiliates on account of Franchisee’s purchases. ~~Company will contribute all such supplier payments to the Brand Development Fund as additional revenue unless a supplier requires Company to apply the rebates for a different purpose. Supplier payments that Company may contribute to the Brand Development Fund will not reduce Franchisee’s obligation to pay Brand Development Fees.~~

c. Company may make marketing, advertising and promotional formats and sample materials created by the Brand Development Fund available to Franchisee with or without additional reasonable charge, in Company's sole discretion on the same terms that Company offers to other franchisees. Franchisee shall be solely responsible for all costs to reproduce the formats and materials for its own use and distribution. In connection with reproduction and use of formats and materials created by the Brand Development Fund, Franchisee shall observe Company's requirements with respect to protecting Company's rights in the Shoot 360 Intellectual Property.

d. Within 90 days after the end of Company's fiscal year, Company shall prepare an annual accounting of the Brand Development Fund, and will furnish a copy of it to Franchisee upon request. Franchisee acknowledges and agrees that Company may spend in any fiscal year an amount greater or less than the aggregate contributions to the Brand Development Fund in that year and may recover over-expenditures from subsequent years and carry forward under-expenditures.

e. Company may, but is not obligated to, loan money to the Brand Development Fund in the event desired expenditures for any period exceed the balance in the Brand Development Fund. Any funds loaned to the Brand Development Fund will be repayable upon demand when funds are available and bear interest at no more than 2 points over the prime lending rate of Bank of America, its successor, or, if no longer in operation, another national banking institution with headquarters in the United States.

f. Company reserves the right to terminate the Brand Development Fund at any time. If there is a balance in the Brand Development Fund after payment of final expenses when Company terminates the Brand Development Fund, Company shall refund part of the balance to all those affiliates and franchisees that paid Brand Development Fees for the Accounting Period before Company announced the Brand Development Fund's termination in proportion to the amount of each operator's contributions, with Company's decision regarding the exact method for allocating the balance being final. Thereafter, Company may reinstate the Brand Development Fund effective upon no less than 30 days written notice to Franchisee.

~~4. For each Shoot 360 Gym that Company or Company's affiliates own, Company or Company's affiliates shall contribute to the Brand Development Fund on the terms and in an amount equal to the lowest percentage contribution rate that any franchisee of Company then is required to pay under a Franchise Agreement in effect at that time.~~

C. Shoot 360 Website; Franchised Gym Subpage. Company alone shall own and control the design and functionality of the Shoot 360 Website and all subpages including the Franchised Gym subpage. Company shall identify the Franchised Gym in its list of locations on the Shoot 360 Website and technically support the Franchised Gym subpage, for which Franchisee may determine the content consistent with the guidelines in the Manual. Company shall not charge Franchisee a fee to initially set up the Franchised Gym subpage or to review or input content changes that Franchisee desires to make to the subpage. All content changes are subject to Company's approval, under to the same procedures that apply to Local Advertising.

D. Continuing Consultation and Advice.

1. As and to the extent required in Company's sole discretion, Company will provide regular consultation and advice to Franchisee in response to Franchisee's inquiries about

specific administrative and operating issues that Franchisee brings to Company's attention. Company shall have sole discretion to determine the method for communicating the consultation or advice, which may differ from the methods used for other Shoot 360 franchisees. For example, and without limitation, consultation and advice may be provided by telephone, in writing (in which case Company may furnish the written information electronically), on-site in person, or by other means.

2. If Franchisee requests additional on-site instruction and assistance after the Opening Date and the completion of the mandatory training program and if Company, in its discretion, agrees to furnish the additional on-site instruction and assistance, the parties shall mutually schedule the time for the additional instruction and training. In connection with post-Opening Date on-site training delivered at Franchisee's request, Franchisee shall (a) pay Company the then-current *per diem* training fee set forth in the Manual for days spent training and traveling to and from the Approved Location and (b) reimburse Company for its representatives' reasonable travel expenses.

#### E. Inspections.

1. In addition to Company's audit rights described in this Agreement, Franchisee expressly authorizes Company and its representatives, at any reasonable time, and without prior notice to Franchisee, to enter the premises of the Approved Location and conduct regular inspections of the Franchised Gym and Franchisee's methods of operation, including using digital and other monitoring services to observe and conduct discussions with Franchisee's employees, observe customer interaction and services, and review Franchisee's books and records (including data stored on the Computer System) in order to verify compliance with this Agreement, the Manual and the Shoot 360 System. In order to enable Company and its representatives to conduct inspections, Franchisee shall provide free of charge reasonable quantities of inventory items, food and beverage items, Local Advertising or other samples for inspection and evaluation purposes to make certain that the items conform with Company's then-current standards.

2. Franchisee shall cooperate fully with Company's inspections and any mystery shopper or comparable programs that Company implements during the Term. At Franchisee's sole expense, Franchisee shall promptly cure all deviations from Company's standards, specifications and operating procedures of which Franchisee is notified either orally or in writing. Franchisee, on behalf of itself and, as applicable, its directors, officers, managers, employees, consultants, representatives and agents, hereby waives any claim that any inspections or recordings violate any person's rights of privacy.

F. Mystery Shopper Program. Company may implement a mystery shopper program using the services of an outside mystery shopper company to perform regular mystery shopper visits at the Franchised Gym in order to provide Company and Franchisee with critical feedback and insight into the effectiveness of Franchisee's operations from a customer's perspective. ~~If Company engages a third-party supplier to perform mystery shopper services, Franchisee agrees to pay the reasonable fees imposed by the third-party mystery shopper supplier over which Company has no control, and which will partially depend on the number and frequency of mystery shopper visits that the supplier makes to the Franchised Gym. The mystery shopper company may increase its fee at any time. Company may direct the mystery shopper company to increase its visits to the Franchised Gym if Franchisee receives unsatisfactory customer satisfaction scores or Company's inspections indicate operating deficiencies. At Company's election, Company may collect the mystery shopper service's fees,~~

~~in which case Company may charge Franchisee the mystery shopper service's fees plus up to 10% to cover Company's additional expenses in monitoring the mystery shopper service's work and reports. Alternatively, Company may require Franchisee to remit payment directly to the mystery shopper company according to the mystery shopper company's payment terms. If Company chooses to collect the mystery shopper service's fees, payment is due to Company within 10 days of Company's invoice unless Company indicates otherwise in writing.~~

G. Annual Meeting. Company may conduct an annual meeting at a location that Company selects ("**Annual Meeting**") to address recently-implemented changes in the Shoot 360 System and other topics of common interest to franchisees, including new product offerings, vendor relationships, industry trends, local promotional and marketing strategies, and competitive changes. If Company chooses to conduct an Annual Meeting, Company will determine the content, location and duration of the Annual Meeting; provided, however, the Annual Meeting shall not exceed five days in any 12-month period. Company may require the attendance of Franchisee's Certified Managers, Primary Owners or other designated personnel at one or more Annual Meetings, provided, however, Company shall not require that more than two (2) persons attend the Annual Meeting. Company may impose a registration fee. Additionally, Franchisee shall paybe responsible for the transportation, lodging, personal expenses and salary for each employee who attends an Annual Meeting.

### XIII. INSURANCE

A. Minimum Coverage. Before the Opening Date, Franchisee shall procure, at its own expense, and maintain in full force and effect during the Term policies of insurance in accordance with the requirements of this Agreement, including the following terms and conditions:

1. Comprehensive commercial general liability insurance covering product liability, motor vehicle liability, bodily and personal injury/death, personal and advertising injury, and property damage liability with minimum liability coverage of \$1,000,000 per occurrence and \$2,000,000 aggregate, combined single limit (including broad form contractual liability), or the higher amount required by the Lease, insuring Company and any affiliates it designates and Franchisee against all claims, suits, obligations, liabilities and damages, including attorneys' fees, based upon or arising out of actual or alleged personal injuries or property damage resulting from, or occurring in the course of, or otherwise relating to the Franchised Gym or the activities of Franchisee's employees. The required liability coverage shall not be limited in any way by reason of any insurance that Company maintains.

2. Abuse and Sexual Misconduct liability with minimum liability coverage of \$1,000,000.

3. An umbrella liability policy with not less than \$2,000,000 per occurrence and aggregate combined single limit as excess over general liability coverage.

4. Workers' compensation meeting the minimum statutory requirements and with employer's liability limits for bodily injury by accident or disease of not less than \$1,000,000 per accident or disease, which may be met in the form of primary and excess/umbrella coverage.

5. All "Risks" or "Special" form general casualty insurance coverage insurance including fire and extended coverage, vandalism and malicious mischief insurance, and coverage for additional perils (including flood and earthquake coverage if applicable to the area where the Franchised Gym is located and such coverage is available), for the full replacement

value of the Franchised Gym and its contents based on the cost of replacing the damaged or destroyed property with property meeting Company's current specifications at the time replacement is required. The minimum coverage shall be no less than the amounts specified in the Manual on the Effective Date.

6. Automobile insurance for each vehicle used to operate the Franchised Gym with minimum coverage of \$1,000,000 each occurrence, which may be met in the form of primary and excess coverage, and including coverage for owned, hired and non-owned automobiles.

7. Cyber security insurance with minimum coverage of \$100,000.

8. Business interruption insurance in an amount sufficient to cover the Franchised Gym's expenses (including payments due to Company), profits and losses for a minimum period of 12 months from the date of a closure due to an insured loss.

9. Additional types and amounts of insurance coverage as may be required by the Lease, including coverage for all parties that the Lease requires be covered as additional insureds, or by Applicable Law.

10. Any person that Franchisee hires as a general contractor or to perform comparable services at the Approved Location must maintain general liability and builder's risk insurance with comprehensive automobile liability coverage and worker's compensation insurance in the minimum amount of \$1,000,000 plus additional insurance that protects against damage to the premises and structure and other course of construction hazards.

**B. Additional Insurance Specifications.**

1. Company shall specify the deductible limits for each required insurance policy and may, from time to time, increase the minimum insurance requirements, establish and change deductible limits, require that Franchisee procure and maintain additional forms of insurance, and otherwise modify the insurance requirements contained in this Agreement based upon inflation, general industry standards, Company's experience with claims, or for other commercially reasonable reasons. Franchisee shall comply with any change imposed by Company within 30 days after written notice from Company and shall submit written proof of compliance to Company upon request.

2. Each insurance policy required by this Agreement shall be written by insurance companies of recognized responsibility meeting the standards stated in the Manual. Before the Opening Date, or the earlier date specified in the Lease, and then not less than annually thereafter on or before January 1 of each calendar year after the Opening Date, Franchisee shall submit to Company certificates of insurance showing compliance with Company's insurance requirements. Franchisee shall not begin construction or development of, or install equipment in, the Approved Location pursuant to Franchisee's Construction Drawings until Franchisee submits proof of its general contractor's insurance required by this Agreement. All certificates of insurance shall state that the policy will not be canceled or altered without at least 30 days' prior written notice to Company. Maintenance of required insurance shall not relieve Franchisee of liability under the indemnity provisions set forth in this Agreement.

3. Company and any affiliates of Company that Company designates shall each be named as an additional insured on all required insurance. Franchisee shall additionally cause each policy of insurance required by this Agreement to include a waiver of subrogation, which

shall provide that Franchisee, on the one hand, and Company, on the other hand, each releases and relieves the other, and each waives its entire right to recover damages, in contract, tort and otherwise, against the other for any loss or damage occurring to Franchisee's property arising out of or resulting from any of the perils required to be insured against under this Agreement. The effect of these releases and waivers shall not be limited by the amount of insurance carried by Franchisee or as otherwise required by this Agreement or by any deductible applicable thereto.

4. Should Franchisee not procure or maintain the insurance required by this Agreement, Company may, without waiving its right to declare a breach of this Agreement based on the default, procure the required insurance coverage at Franchisee's expense, although Company has no obligation to do so. Franchisee shall pay Company an amount equal to the premiums and related costs for the required insurance in full upon receipt of invoice, plus a 25% service charge and an amount sufficient to reimburse Company for its actual direct costs in obtaining the required insurance.

5. Franchisee understands and agrees that the minimum insurance requirements set forth in this Agreement do not constitute a representation or warranty by Company that the minimum coverage and specified types of insurance will be sufficient for the Franchised Gym. Franchisee understands and agrees that it is solely responsible for determining if the Franchised Gym requires higher coverage limits or other types of insurance protection.

#### XIV. COVENANTS

##### A. Competition.

1. During the Term and any Renewal Term, it shall be a breach of this Agreement for Franchisee, Franchisee's affiliates or any Covered Person, directly or indirectly, to own (either beneficially or of record), engage in or render services to, whether as an investor, partner, lender, director, officer, manager, employee, consultant, representative or agent, a Competitive Business located anywhere in the world; provided, however, the restrictions stated in this paragraph shall not apply to any Covered Person for a period longer than two (2) years from the date the Covered Person ceases to be ~~an officer, director, shareholder, member, manager, trustee, owner, general partner, employee or otherwise~~ associated in any capacity with Franchisee.

2. For a period of two (2) years after expiration or termination of the last Franchise Agreement between Franchisee and Company or the effective date of an Event of Transfer, it shall be a breach of this Agreement for Franchisee, Franchisee's affiliates or any Covered Person, directly or indirectly, to own (either beneficially or of record), engage in or render services to, either as an investor, partner, lender, director, officer, manager, employee, consultant, representative or agent, any Competitive Business that is located anywhere within 20 miles of the Approved Location or any other Shoot 360 Gym anywhere in the world that is open for business on or after the effective date of termination or expiration of this Agreement or the effective date of an Event of Transfer; provided, however, the restrictions stated in this paragraph shall not apply to any Covered Person for longer than two (2) years from the date that the Covered Person ceases to be ~~an officer, director, shareholder, member, manager, trustee, owner, general partner, employee or otherwise~~ associated in any capacity with Franchisee.

3. This Agreement does not prohibit Franchisee, Franchisee's affiliates or any Covered Person from owning 5% or less of the voting shares of a Competitive Business whose shares are publicly traded on a national or foreign stock exchange.

4. Franchisee acknowledges that the restrictions set forth in this Section are reasonable and necessary to protect Company's legitimate business interests, which include preventing Franchisee, Franchisee's affiliates and Covered Persons from using Company's Confidential Information to engage in activities that directly or indirectly benefit a Competitive Business.

B. Interference. Neither Franchisee nor any Covered Person shall, directly or indirectly, for itself or on behalf of any other person divert, or attempt to divert, any business or customer of the Franchised Gym to any competitor by direct or indirect inducement or perform any act that directly or indirectly could, or may, injure or prejudice the goodwill and reputation of the Licensed Marks or the Shoot 360 System.

C. Written Agreement. As a condition of this Agreement, unless they have already done so, Franchisee shall cause each Covered Person to execute Company's form of ~~Confidentiality and Non-Competition Agreement~~confidentiality agreement with Company containing restrictions substantively identical to the provisions of this Agreement.

D. Survival. The covenants stated in this Section shall survive termination, expiration or the transfer of this Agreement.

E. Savings Clause. The parties acknowledge that the covenants set forth in this Section XIV are independent of the other covenants and provisions of this Agreement. If any provision in this Section is void or unenforceable under Oregon law, but would be enforceable as written or as modified under the laws of the state in which the Approved Location is located ("**Local Law**"), the parties agree that Local Law shall govern any dispute concerning or involving the construction, interpretation, validity or enforcement of the provisions of this Agreement with respect to the subjects covered in this Section, but only with respect to those subjects. Franchisee expressly authorizes Company to conform the scope of any void or unenforceable covenant in order to conform it to Local Law. Franchisee expressly agrees, on behalf of itself and each Covered Person, to be bound by any modified covenant conforming to Local Law as if originally stated in this Agreement.

F. Enforcement. Franchisee understands and agrees that Company will suffer irreparable injury not capable of precise measurement in money damages if Franchisee or any Covered Person breaches the covenants set forth in this Section. Accordingly, in the event a breach occurs, Franchisee, on behalf of itself and each Covered Person, hereby consents to the issuance or entry of a temporary restraining order or other injunctive relief as well as to any other equitable relief that may be granted by a court having proper jurisdiction, without the requirement that Company post bond or comparable security. Franchisee further agrees that (1) the award of injunctive relief or other equitable remedies to Company for such a breach is reasonable and necessary for the protection of the business and goodwill of Company; and (2) Company's recovery of damages is not an adequate remedy if Franchisee or any Covered Person breaches the covenants set forth in this Section.

## XV. DEFAULT AND TERMINATION

### A. Termination by Franchisee.

1. Franchisee may terminate this Agreement by written notice to Company for any reason constituting good cause, provided that termination is accomplished in accordance with the requirements of this Agreement. Any attempt by Franchisee to terminate this Agreement other than on the grounds, or according to the procedures, stated in this Agreement shall be void.

2. Good cause means that Company has committed a material and substantial breach of this Agreement that it has not cured within the period allowed by this Agreement. Franchisee's written notice must specify with particularity the matters cited to be in default and provide Company with a minimum of 30 days in which to cure the default. If a default cannot reasonably be cured within the minimum 30-day period, Franchisee must allow such additional time as is reasonable under the circumstances. Franchisee's written notice of termination of this Agreement for good cause shall not excuse Franchisee from continuing to perform its obligations under this Agreement during the cure period or entitle Franchisee to a refund of any funds that Franchisee has paid to Company or its affiliates under this Agreement or a related agreement.

B. Termination by Company Without Opportunity to Cure. Company may terminate this Agreement, in its sole discretion and election, effective immediately upon Company's delivery to Franchisee of written notice of termination specifying the basis for the termination, and without any opportunity for Franchisee to cure, based on the occurrence of any of the following events:

1. Franchisee fails to obtain Company's written site approval within ~~420~~180 days after the Effective Date;

2. Franchisee fails to deliver an executed copy of the Lease and an Addendum to Lease for the Approved Location within ~~180~~270 days after the Effective Date;

3. Franchisee fails ~~to use its best efforts~~ to open the Franchised Gym for business within ~~180~~425 days after the ~~date on which Franchisee obtains possession of the Approved Location~~Effective Date;

4. Franchisee fails or refuses to pay, on or before the date payment is due, all ~~Monthly Training Unit Fees~~Royalties, Brand Development Fees or any other amounts payable to Company, Company's affiliates, the Brand Development Fund, or any of Franchisee's suppliers or creditors, and the default continues for a period of 15 days after Company's delivery to Franchisee of written notice of default;

5. Franchisee fails or refuses to submit any report or financial statement on or before the date due, and the default continues for a period of 15 days after Company's delivery to Franchisee of written notice of default;

6. Any Personal Guarantor fails or refuses to execute and deliver Company's form of Personal Guaranty or to deliver true, correct and current financial statements required by this Agreement for a period of 15 days after Company's delivery to Franchisee of written notice of default;

7. Franchisee loses the right to occupy the Approved Location due to Franchisee's breach of the Lease, based on a default that either cannot be cured or that Franchisee fails to cure within the allowed time period;

8. Franchisee commits an event of default under any other agreement between Franchisee and Company or Company's affiliate relating to the Franchised Gym or the franchise granted under this Agreement that, by its terms, cannot be cured or that Franchisee fails to cure within the time period allowed;

9. Franchisee or any Personal Guarantor makes any general arrangement or assignment for the benefit of creditors or becomes a debtor as that term is defined in 11 U.S.C. § 1101 or any successor statute, unless, in the case where a petition is filed against Franchisee, Franchisee obtains an order dismissing the proceeding within 60 days after the petition is filed; or a trustee or receiver is appointed to take possession of all, or substantially all, of the assets of the Franchised Gym, unless possession of the assets is restored to Franchisee within 60 days following the appointment; or all, or substantially all, of the assets of the Franchised Gym or the franchise rights are subject to an order of attachment, execution or other judicial seizure, unless the order or seizure is discharged within 60 days following issuance;

10. Franchisee, or any duly authorized representative of Franchisee, makes a material misrepresentation or omission in obtaining the franchise rights granted by this Agreement; or Franchisee, or any officer, director, shareholder, member, manager, or general partner of Franchisee, is convicted of or pleads no contest to a felony charge or engages in any conduct or practice that, in Company's reasonable business judgment, reflects unfavorably upon or is detrimental or harmful to the good name, business, goodwill or reputation of Company or the Shoot 360 System;

11. Franchisee fails to (a) immediately suspend, pending an investigation, any employee, owner or officer of Franchisee who is accused of physical, verbal or sexual abuse or harassment, so that the person has no access to Athletes or other customers of the Franchised Gym; (b) immediately terminate any employee or officer who is convicted of, or enters a plea of guilty or no contest to, a charge involving physical, verbal or sexual abuse or harassment, whether or not connected with the employee's work at the Franchised Gym; (c) adequately screen Franchisee's prospective employees to prevent hiring persons with a prior history of physical or sexual abuse or harassment; or (d) comply with Company's policies concerning child safety measures and workplace violence prevention.

12. Franchisee fails to comply with the conditions governing the transfer of rights under this Agreement in connection with an Event of Transfer;

13. If Franchisee is a business entity, an order is made or resolution passed for the winding-up or the liquidation of Franchisee; or Franchisee adopts or takes any action for its dissolution or liquidation;

14. Franchisee fails to comply with any requirement of this Agreement within 12 months after having received the more recent of two or more notices of default (whether or not the notices relate to the same or to different defaults and whether or not each default is timely cured by Franchisee);

15. Franchisee makes any unauthorized use, publication, duplication or disclosure of any Confidential Information or any portion of the Manual, or any person required by this Agreement to execute a Confidentiality and Non-Competition Agreement with Company or Franchisee breaches the Confidentiality and Non-Competition Agreement during the time period that the person is employed or engaged by Franchisee;

16. Franchisee, without Company's prior written consent, fails to operate the Franchised Gym for a period of five consecutive days for reasons that are not due to an event of Force Majeure, or for any shorter period or due to other acts or inactions by Franchisee that make it reasonable under the facts and circumstances for Company to conclude that Franchisee does not intend to continue to operate the Franchised Gym in the regular course;

17. Franchisee ~~materially~~ misuses or makes an unauthorized use of any of the components of the Shoot 360 System or commits any other act that does, or can reasonably be expected to, impair the goodwill or reputation associated with any aspect of the Shoot 360 System;

18. Franchisee ~~intentionally~~ underreports Gross Revenue ~~under the criteria established in this Agreement;~~

19. Franchisee fails to comply with any ~~federal, state or local law~~ Applicable Law within 10 days after being notified of its non-compliance, unless the violation involves public health and safety, in which case the length of the cure period may be shorter than 10 days but shall be reasonable under the circumstances; or

20. Company makes a determination in the exercise of Company's reasonable business judgment that Franchisee's continued operation of the Franchised Gym will result in imminent danger to public health and safety.

#### C. Termination by Company with Right to Cure.

1. Should Franchisee breach, or refuse to fulfill or perform, any obligation arising under this Agreement not identified in Subsection B above, or fail or refuse to adhere to any mandatory operating procedure, specification or standard prescribed by Company in the Manual or otherwise communicated to Franchisee, Company may terminate this Agreement, in its sole discretion and election, effective at the close of business 30 days after giving written notice of default to Franchisee that specifies the grounds of default, if Franchisee fails to cure the default cited in the notice by the end of the 30-day cure period. Company may indicate its decision to terminate by written notice given to Franchisee any time before, or after, the end of the 30-day cure period, including in the original notice of default.

2. If a default cannot reasonably be cured within 30 days, Franchisee may apply to Company for additional time to complete the cure. The length of the additional cure period, if any, allowed by Company shall be stated in writing signed by Company. The additional cure period, if any, shall, in Company's estimation, be sufficient in duration to enable a reasonable person acting diligently to complete the cure within the extended period. If Company grants an extension and if Franchisee does not complete the required cure within the extended cure period, termination of this Agreement shall be effective at the close of business on the last day of the extended cure period without further notice from Company.

D. Effect of Termination or Expiration.

1. In any proceeding in which the validity of termination of this Agreement is at issue, Company will not be limited to the reasons set forth in the notice of default or termination given to Franchisee.

2. The termination or expiration of this Agreement shall not result in the concurrent automatic termination of any other agreements between Franchisee and Company or its affiliates, unless Company takes steps independently to terminate the other contracts pursuant to their terms or as permitted by this Agreement.

XVI. RIGHTS AND DUTIES OF PARTIES UPON EXPIRATION OR TERMINATION

A. Franchisee's Obligations. On and after the effective date of termination or expiration of this Agreement, Franchisee must comply with the following duties:

1. Franchisee shall immediately pay all amounts owed to Company or its affiliates, including amounts for purchasing goods or services and late charges and interest on any late payments. ~~Monthly Training Unit Fees shall continue to be due and payable (and late charges thereon assessed) after the effective date of termination or expiration of this Agreement until the date that Franchisee completes all post-termination obligations required by this Agreement.~~

When termination is based upon Franchisee's default, Franchisee shall also pay to Company all damages, costs and expenses, and reimburse Company for its reasonable fees to retain attorneys, accountants or other experts that it incurs to enforce its rights under this Agreement in the event of a default and/or termination whether or not mediation or judicial action is commenced. Franchisee's payments shall be accompanied by all reports required by Company regarding business transactions and the results of operations through the effective date of termination or expiration of this Agreement or until the date that Franchisee completes all post-termination or post-expiration obligations required by this Agreement, whichever occurs later.

2. Franchisee shall immediately cease operating the Franchised Gym and permanently cease using, in any manner whatsoever, all rights and property incorporated within or associated with the Shoot 360 System in a manner that suggests or indicates that Franchisee is, or was, an authorized Shoot 360 franchisee or continues to remain associated with the Shoot 360 System. This obligation includes the duty at Franchisee's sole expense to remove all signs, trade dress and other physical objects that display the Licensed Marks or are or may reasonably be associated with the Shoot 360 System in order to eliminate the likelihood that the general public will assume the former Approved Location remains associated with Company or the Shoot 360 System.

3. Franchisee shall immediately cancel all Local Advertising and other promotional activities that associate Franchisee with the Shoot 360 System including all social media activities. Franchisee shall immediately cancel all fictitious or assumed name or equivalent registrations relating to its use of the Licensed Marks. Continued use by Franchisee of rights or other property incorporated within or associated with the Shoot 360 System shall constitute willful trademark infringement and unfair competition by Franchisee.

4. Company shall notify Franchisee within 5 days after the effective date of termination or expiration of this Agreement if Company will either (a) demand an assignment of the telephone numbers and business directory listings for the Franchised Gym; or (b) require Franchisee to disconnect the telephone number and take all steps necessary to remove all

telephone and other business directory listings that display any of the Licensed Marks. If Company gives timely notice that it will require an assignment, Franchisee hereby grants Company a power of attorney to complete the necessary documentation on Franchisee's behalf that the telephone company or listing services require in order to accomplish an assignment of the phone number and business listings. If Company gives timely notice that it will require Franchisee to disconnect the phone number and remove all telephone and business directory listings, Franchisee shall promptly furnish Company with evidence satisfactory to Company demonstrating Franchisee's compliance with this obligation within 10 days after the effective date of termination or expiration of this Agreement. Franchisee shall not be entitled to any compensation taking the actions required by this Section.

5. Franchisee shall immediately cease using and, within 48 hours after the effective date of termination or expiration of this Agreement, return to Company all copies of any portion of the Manual in Franchisee's possession or provide evidence satisfactory to Company that all information in Franchisee's possession pertaining to Confidential Information have been permanently removed from Franchisee's computers and permanently erased or destroyed.

6. If on the effective date of termination or expiration of this Agreement the Computer System includes proprietary software, Franchisee agrees to immediately discontinue using the proprietary software and permanently remove the proprietary software from Franchisee's computers. Continued use by Franchisee of any proprietary software or Confidential Information after the effective date of termination or expiration of this Agreement will constitute violation of this Agreement and willful copyright or other intellectual property infringement. Franchisee may not retain any copy or record of any of these materials.

7. Company shall give Franchisee written notice of its election to accept an assignment of the Lease within 10 days after the effective date of termination or expiration. Company's failure to timely notify Franchisee shall signify its decision not to accept an assignment of the Lease. If Company gives notice that it will accept an assignment of the Lease, Franchisee shall promptly vacate the Approved Location as required by the Addendum to Lease and leave the premises and all fixtures and equipment that are not capable of being removed without damage to the Approved Location, or which the Lease forbids to be removed, in good working order, condition and repair. If Company does not accept an assignment of the Lease, Franchisee shall, at its sole cost and expense, within 20 days after the effective date of termination or expiration, remove all signs and other physical and structural features that readily identify the site as a Shoot 360 Gym, in a manner acceptable to Company, so that the former Approved Location no longer suggests or indicates a connection with the Shoot 360 System. Company's right to accept an assignment of the Lease is independent of Company's right to acquire the physical non-fixtures assets in the Approved Location on the terms of this Agreement.

8. Franchisee shall execute and deliver a general release, in form satisfactory to Company, of any and all claims against Company, its affiliates and their respective officers, directors, shareholders, employees and agents.

9. Franchisee shall comply, and cause its Covered Persons to comply, with the covenants in this Agreement that by their terms apply after, or by their nature survive, the termination or expiration of this Agreement.

10. Franchisee shall keep and maintain all business records pertaining to the business conducted at the Franchised Gym for 5 years after the effective date of termination or expiration of this Agreement or any longer period required by Applicable Law. During this

period, Franchisee shall permit Company to inspect such business records as frequently as Company deems necessary.

B. Personal Guaranty. ~~Upon the effective date of termination or expiration of this Agreement,~~ Company may enforce the Personal Guaranty executed by any Personal Guarantor in order to secure payment and performance of Franchisee's obligations under this Agreement and Personal Guarantor's obligations, including those in this Section that arise upon the termination or expiration of this Agreement and those that survive the termination or expiration of this Agreement.

C. Company's Right to Purchase Physical Assets of the Franchised Gym.

1. Company shall have the right, but not the obligation, to purchase all, or any, of Franchisee's non-fixture physical assets relating to the Franchised Gym that are not treated by the Lease as fixtures of the Approved Location and part of the realty, at Franchisee's original cost less depreciation, based upon Franchisee's depreciation schedule, less the remaining balance, if any, of any financing that Franchisee owes to third parties for which the physical asset is pledged as security.

2. Company may exercise this option by giving Franchisee written notice within 10 days after the effective date of termination or expiration of this Agreement, specifying in the notice the specific physical assets that it desires to purchase. Within 10 days following receipt of Company's written notice, Franchisee shall furnish Company with documentation substantiating the original cost of each item identified by Company and depreciation taken as reported by Franchisee in its federal and state income tax returns. Within 10 days following receipt of Franchisee's documentation, Company shall notify Franchisee of the particular assets it will purchase and calculate the purchase price for the items in accordance with this Section, and within 10 days after giving the notice, Company will pay Franchisee the purchase price, less permitted set-offs.

3. Franchisee shall deliver possession of the physical assets to Company upon Company's payment of the net purchase price free and clear of all liens and encumbrances not approved by Company in writing. If equipment is subject to an equipment lease and Company elects to accept an assignment, Franchisee shall cooperate with Company in arranging for an assignment of the equipment lease to Company, which shall assume the obligations under the equipment lease arising on or after the effective date of assignment. Company's failure to serve written notice of its election within 10 days after the effective date of termination or expiration of this Agreement shall signify its decision not to purchase any remaining non-fixture physical assets of Franchisee.

4. ~~With respect to the non-fixture physical assets that Company purchases,~~ Company shall have the absolute right to set off from the purchase price all sums then owed by Franchisee to Company or Company's affiliates, including damages, costs and expenses and reasonable attorneys' fees in enforcing any default and termination, except as prohibited by Applicable Law. The right to set off shall not limit Company's remedies under this Agreement or Applicable Law.

D. Survival of Obligations. All obligations of the parties that expressly, or by their nature, survive the effective date of termination or expiration of this Agreement shall continue in full force and effect subsequent to the effective date of termination or expiration of this Agreement until they are satisfied in full. Franchisee shall remain fully liable for any and all

obligations of the Franchised Gym, whether incurred before, or after, the effective date of termination or expiration of this Agreement, including obligations arising under this Agreement, the Lease, and all obligations owed to Company's affiliates and other third parties, including payments to suppliers and independent contractors, salaries to employees, and taxes.

E. Third-Party Rights; Available Remedies.

1. No person acting for the benefit of Franchisee's creditors or any receiver, trustee in bankruptcy, sheriff or any other officer of a court or other person in possession of Franchisee's assets or business shall have the right to assume Franchisee's obligations under this Agreement without Company's prior consent.

2. Company's right to terminate this Agreement shall not be its exclusive remedy in the event of Franchisee's default, and Company shall be entitled, in its sole discretion and election, alternatively or cumulatively, to affirm this Agreement in the event of Franchisee's default and obtain damages arising from the default, injunctive relief to compel Franchisee to perform its obligations under this Agreement or to prevent Franchisee from breaching this Agreement, and any other remedy available under Applicable Law.

XVII. ASSIGNMENT AND TRANSFER

A. Assignment by Company. Franchisee acknowledges that Company maintains a staff to manage and operate the Shoot 360 System and that staff members can change from time to time. Franchisee represents that it has not signed this Agreement in reliance on any shareholder, director, officer, or employee remaining with Company in that capacity. Company is free to transfer and assign all of its rights under this Agreement to any person or business entity without prior notice to, or consent of, Franchisee if the assignee agrees in writing to assume Company's obligations under this Agreement. Upon the assignment and assumption, Company shall have no further obligation to Franchisee.

B. Delegation of Duties. In addition to Company's right to assign this Agreement, Company has the absolute right to delegate performance of any portion or all of its obligations under this Agreement to any third-party designee of its own choosing, whether the designee is Company's affiliate, agent or independent contractor. In the event of a delegation of duties, the third-party designee shall perform the delegated functions in compliance with this Agreement. When Company delegates duties to a third party (in contrast to when Company transfers and assigns all of its rights under this Agreement to a third party that assumes Company's obligations), Company shall remain responsible for the performance of the third-party to whom Company's duties are delegated.

C. Assignment by Franchisee: In General. Franchisee understands and agrees that the franchise rights awarded by this Agreement are personal and are awarded in reliance upon, among other considerations, the individual or collective character, skill, aptitude, attitude, experience, business ability and financial condition and capacity of Franchisee and, if Franchisee is a business entity, that of its officers, directors, shareholders, LLC managers and members, trustees, partners and Personal Guarantors.

1. Without Company's prior written consent, Franchisee shall not, directly or indirectly, attempt or complete an Event of Transfer either voluntarily or by operation of law, except in accordance with this Agreement. Company agrees not to withhold its consent unreasonably if Company concludes, in its reasonable business judgment, that Franchisee satisfies the

conditions applicable to an Event of Transfer or a Qualified Transfer. Any attempted or purported transfer that fails to comply with the requirements of this Agreement shall be null and void and shall constitute a material default of this Agreement.

2. Company's consent to an Event of Transfer is not a representation of the fairness of the terms of any contract between Franchisee and a transferee, a guarantee of the Franchised Gym's or transferee's prospects for success, or a waiver of any claims that Company or Company's affiliates may have against Franchisee or any Personal Guarantor.

D. Company's Right of First Refusal. Except with respect to Qualified Transfers, if Franchisee, or the person to whom an offer is directed ("**Individual Transferor**"), receives a bona fide written offer ("**Third-Party Offer**") to purchase or otherwise acquire an interest that will result in an Event of Transfer, Franchisee or the Individual Transferor, shall, within 5 days after receiving the Third-Party Offer and before accepting it, apply to Company in writing for Company's consent to the proposed transfer. Additionally, the following conditions shall apply:

1. Franchisee, or the Individual Transferor, shall attach to its application for consent to complete the proposed Event of Transfer a complete copy of the Third-Party Offer together with (a) information relating to the transferee's experience and qualifications; (b) a copy of the transferee's current financial statement, and (c) any other information material to the Third-Party Offer, transferee, proposed Event of Transfer, or that Company reasonably requests.

2. Company or its nominee shall have the right, exercisable by written notice ("**Notice of Exercise**") given to Franchisee or the Individual Transferor, within 30 days following receipt of the Third-Party Offer, all supporting information, and the application for consent, to notify Franchisee or the Individual Transferor that it will purchase or acquire the rights, assets, or ownership interests proposed to be assigned on the same terms and conditions set forth in the Third-Party Offer, except that Company may (a) substitute cash for any form of payment proposed in the offer discounted to present value based upon the rate of interest stated in the Third-Party Offer, and (b) deduct from the purchase price the amount of any commission or fee otherwise payable to any broker or agent in connection with the Third-Party Offer and all amounts then due and owing from Franchisee to Company or Company's affiliates. If Company gives timely Notice of Exercise, the assets that Company purchases shall be free and clear of liens. If any asset is pledged as security for financing that is then unpaid, Company may further deduct from the purchase price the remaining amount payable under the terms of financing.

3. The closing shall take place at Company's headquarters at a mutually agreed upon date and time, but not later than 90 days following Company's receipt of the Third-Party Offer, all supporting information, and the application for consent to transfer.

4. At the closing, Franchisee or the Individual Transferor shall deliver to Company the same documents, affidavits, warranties, indemnities and instruments as would have been delivered by Franchisee or the Individual Transferor to the transferee pursuant to the Third-Party Offer. Additionally, Franchisee and the Individual Transferor shall deliver a general release, in form satisfactory to Company, of any and all claims against Company, Company's affiliates and their respective officers, directors, shareholders, employees and agents.

5. All costs, fees, document taxes, and other expenses incurred in connection with the transfer shall be allocated between Franchisee and Company in accordance with the terms of

the Third-Party Offer, and any costs not allocated shall be paid by Franchisee or the Individual Transferor.

E. Conditions of Assignment to Third Party.

1. If Company does not exercise its right of first refusal, Franchisee may not complete the Event of Transfer without Company's prior written consent. Company shall notify Franchisee of its decision consenting, or refusing to consent to, the proposed transfer within 30 days after Company receives the Third-Party Offer (if any), all supporting information and the application for consent to transfer. The requirements of this Section XVII.E do not apply to a Qualified Transfer.

2. As a condition to Company's consent to an Event of Transfer, the following conditions must be satisfied:

a. The proposed transferee must submit a completed franchise application to Company and meet Company's then-current qualifications for new Shoot 360 franchisees, including qualifications pertaining to financial condition, credit rating, experience, moral character and reputation. Company's evaluation of the proposed transferee's financial condition shall take into account the amount the proposed transferee is obligated to pay to Franchisee to consummate the Event of Transfer.

b. As of the date Company's consent is requested and through the date of closing of the proposed transfer and assignment, Franchisee must not be in default under this Agreement, the Lease, or any other agreements with Company, and must be current with all monetary obligations owed to third parties, including Company's affiliates.

c. The proposed transferee must be a business entity in good standing and agree to confine its business activities to operating the Franchised Gym after the closing of the Event of Transfer and not invest its assets or resources except to perform Franchisee's duties under this Agreement. The proposed transferee must execute all other documents and agreements required by Company to consummate the transfer of this Agreement.

d. The proposed transferee shall execute Company's then-current Franchise Agreement that Company is offering to new Shoot 360 franchisees in the United States for the remainder of the Term of this Agreement and any unexercised Renewal Term, or, at Company's sole option, may allow the proposed transferee to execute appropriate documentation agreeing to assume all of Franchisee's obligations under this Agreement arising on or after the closing date of the Event of Transfer.

e. Franchisee shall pay Company a Transfer Fee of \$10,000, unless the approved buyer is an existing Shoot 360 franchisee and the buyer's Primary Owners and management team have previously completed Company's initial training program, in which case the Transfer Fee is \$5,000.

(1) If Franchisee owns and proposes to transfer more than one franchise simultaneously, as part of the same Event of Transfer, to the same proposed transferee, Franchisee shall pay a separate Transfer Fee for each of the separate franchises being transferred and comply with any additional transfer conditions set forth in the applicable Franchise Agreements.

(2) Once Franchisee pays the Transfer Fee, it is fully-earned and non-refundable except if Company determines that the proposed transferee does not meet Company's then-current qualifications for new Shoot 360 franchisees and refuses to consent to the proposed Event of Transfer, in which case Company may retain up to \$2,500 of the Transfer Fee (or of each Transfer Fee paid, if more than one franchise would be transferred as part of the same transaction).

f. Franchisee must simultaneously transfer its rights under the Lease and all other contracts whose continuation is necessary for operation of the Franchised Gym to the same proposed transferee and must satisfy any separate conditions to obtain any third-party consents required to accomplish the transfers, including the consent of the landlord of the Approved Location.

g. Franchisee must execute and deliver a general release, in form satisfactory to Company, of any and all claims against Company, Company's affiliates and their respective officers, directors, shareholders, employees and agents.

h. The proposed transferee must execute all other documents and agreements required by Company to consummate the transfer of this Agreement. If the proposed transferee is a business entity, each person who at the time of the transfer, or later, owns or acquires, either legally or beneficially, ~~10% or more of the~~any ownership interests of the proposed transferee must execute Company's then-current form of Personal Guaranty unless the then-current Franchise Agreement sets a lower percentage ownership threshold, in which case the percentage in the then-current Franchise Agreement shall control.

i. Franchisee's right to receive the sales proceeds from the proposed transferee shall be subordinate to the proposed transferee's and Franchisee's duties owed to Company and Company's affiliates under, or pursuant to, this Agreement or any other agreement as of the effective date of the Event of Transfer. All contracts by and between Franchisee and the proposed transferee shall expressly include a subordination provision permitting payment of the sales proceeds to Franchisee only after any outstanding obligations that Franchisee or the proposed transferee owes to Company and Company's affiliates are fully satisfied.

j. Until the proposed transferee's Primary Owners and management team satisfy Company's then-current minimum training requirements, Franchisee shall remain responsible for day-to-day management of the Franchised Gym, even if this covers a period after the closing date of the Event of Transfer transaction.

k. Company may condition its consent on Franchisee completing, before the closing date, specific improvements and repairs to the Approved Location in order to conform the Approved Location to Company's then-current appearance and design standards and equipment specifications.

l. Neither Company's exercise of its right of first refusal, its consent to an Event of Transfer, nor Franchisee's consummation of a transfer shall operate to release Franchisee of those obligations that expressly, or by their nature, survive the effective date of termination or expiration of this Agreement, including the provisions regarding non-disclosure of Confidential Information and the covenants pertaining to a Competitive Business.

3. Franchisee may only complete the Event of Transfer to the proposed transferee on the terms identified in the Third-Party Offer or as otherwise stated in Franchisee's application for consent. If there is any material change in the terms of the Third-Party Offer after Franchisee applies to Company for its consent, Company has a right of first refusal to accept the new terms subject to the conditions stated in this Section.

4. If Company consents to the transfer to a third party, the transfer must close within 60 days from the date the Third-Party Offer is first submitted to Company unless Franchisee requests in writing, and Company agrees to grant, an extension of time to close the transfer, which extension Company agrees not to unreasonably withhold. If Company refuses to grant the extension of time, Franchisee must again offer Company the opportunity to exercise its right of first refusal subject to the conditions stated in this Section.

F. Business Entity Franchisee.

1. Franchisee shall furnish to Company, upon execution of this Agreement or at such other time as transfer to the business entity is permitted, a copy of its articles of incorporation, by-laws, operating agreement, partnership agreement or other governing agreements. Franchisee shall promptly provide Company with a copy of any amendments to, or changes in, the documents or other information during the Term.

2. Schedule 3 is a true and correct list of Franchisee's owners and their ownership interests as of the Effective Date. During the Term, Franchisee will notify Company of all changes to Schedule 3 promptly after they occur (whether the change involves adding new owners, deleting owners, updating the percentage ownership interest of Franchisee's owners, or making other changes to Schedule 3) regardless of the percentage change in ownership or the fact that a transaction constitutes a Qualified Transfer or is between two existing owners.

3. Franchisee shall maintain stop transfer instructions against the transfer on its records of any ownership interests. Each certificate representing an ownership interest in Franchisee shall bear a legend as follows: "The ownership, transfer, sale, gift, or other disposition of the interest represented by this certificate are restricted by and subject to the terms of a Franchise Agreement with Shoot 360 Nation LLC."

4. Franchisee's Primary Owner(s) shall deliver a certificate to Company on or before January 15th of each calendar year during the Term that lists all owners of record and all beneficial owners of any interest in the ownership interests of Franchisee.

G. Qualified Transfers. Before completing a Qualified Transfer, Franchisee must do all of the following: (1) provide Company with written notice of its intent to complete a Qualified Transfer; (2) when the Qualified Transfer is to a newly-formed business entity, deliver the documents that this Agreement requires be delivered by a Franchisee business entity; (3) pay Company a Qualified Transfer fee of \$1,500 per Qualified Transfer; and (4) execute and deliver a general release, in form satisfactory to Company, of any and all claims against Company, Company's affiliates and their respective officers, directors, shareholders, employees and agents. The Qualified Transfer shall not be effective unless and until Franchisee satisfies conditions (1)-(4). Company shall not have a right of first refusal with respect to a Qualified Transfer, nor shall Company's prior written consent to a Qualified Transfer be necessary if Franchisee satisfies the conditions stated in this Section.

H. Death or Incapacity.

1. Subject to the provisions of this Section, if an Event of Transfer occurs due to the death or incapacity of (a) a Primary Owner who owns enough ownership interests of the business entity to result in a Change of Control; or (b) a Certified Manager if there is no other individual in Franchisee's management who meets the qualifications of a Certified Manager; then the spouse, heirs, executor or personal representative of the deceased or incapacitated person, or the Franchisee's remaining shareholders, members, partners or owners, as appropriate to the circumstance (collectively, "**Successor**") shall have 90 days from the date of death or incapacity to (i) qualify themselves; or (ii) complete the sale or assignment of the interest to a qualified, approved third party. In either (i) or (ii), Successor must satisfy all of the conditions and obtain Company's consent to complete the Event of Transfer. At the end of the 90-day period, if Successor has not obtained Company's consent to complete the Event of Transfer, Company may, at its election, terminate this Agreement.

2. Immediately following the date of death or incapacity, if Successor is unable to demonstrate to Company's reasonable satisfaction that Successor has the financial ability and business skills to operate the Franchised Gym in accordance with the requirements of this Agreement during the interim period until Successor is able to obtain Company's consent to complete the Event of Transfer, Company shall have the absolute right (but not the obligation) to occupy the Approved Location and assume day-to-day management of the Franchised Gym for the account of Franchisee. In addition to receiving the fees due to Company under this Agreement, Franchisee agrees that in exchange for Company's management services, Company shall be entitled to receive the then-current management fee specified in the Manual ("**Management Fee**") during the period of Company's management (including travel days to the Protected Area) and be reimbursed for (a) all of its direct costs and expenses in rendering management services; and (b) Company's reasonable travel expenses, including expenses for air and ground transportation, lodging, meals, and miscellaneous travel-related personal charges. For the sake of clarity, the Management Fee is in addition to, not in lieu of, the ~~Monthly Training Unit Fees~~Royalties, Brand Development Fees, and other fees and payments due and payable by Franchisee to Company under this Agreement. Company may pay itself the Management Fee each calendar month during the management period out of the cash flow of the Franchised Gym together with ~~Monthly Training Unit Fees~~Royalties and any other fees due Company or its affiliates. This Agreement shall otherwise continue in full force and effect during the period of Company's day-to-day management. Successor's failure or refusal to cooperate with Company's right to step in to manage the Franchised Gym during the interim period as provided in this Section shall constitute a material breach of this Agreement.

3. The parties recognize that Company's right to manage the Franchised Gym is primarily intended to facilitate an orderly transition of ownership with minimal disruption to the Franchised Gym's continuous operation. Company shall have the right to manage the Franchised Gym until Successor obtains Company's consent to the Event of Transfer, up to 90 days. By mutual agreement of Company and Successor, the period of Company's management may be extended for longer than 90 days, but in no event shall it extend beyond one year from the date of death or incapacity. If Successor cannot obtain Company's consent to a proposed transferee by the end of one year (or if Successor fails to obtain Company's consent to the Event of Transfer within 90 days and Company and Successor do not agree to extend the period of Company's management), Company may terminate this Agreement.

4. During the time that Company manages the Franchised Gym, Company shall periodically discuss the status of the Franchised Gym's operations and financial results with Successor and provide such information about the Franchised Gym's current performance as Successor may reasonably require to account for the financial condition of the Franchised Gym.

5. During the time that Company manages the Franchised Gym, Franchisee shall not be relieved of any of its obligations under this Agreement. Company shall not be liable for any debts, losses, costs or expenses incurred in the operation of the Franchised Gym or to any creditor of Franchisee for any products or services purchased during any period in which the Franchised Gym is managed by Company. All such debts, losses, costs and expenses shall remain the responsibility of Franchisee.

#### XVIII. RELATIONSHIP OF PARTIES; EMPLOYMENT MATTERS

Franchisee is not and shall not hold itself out to be a legal representative, employee, joint venturer, partner or agent of Company or for any purpose whatsoever. Franchisee is an independent contractor franchisee and is in no way authorized to make any contract, agreement, warranty or representation on behalf of Company or to create any obligation, express or implied, on behalf of Company. Franchisee will have sole authority and control over all day-to-day operations of Franchisee's business, including without limitation all employment matters. Franchisee's employees shall be employees of Franchisee only, and Franchisee shall have sole responsibility to determine whom and how many to employ, terms of employment, scheduling work hours, how to assign work, and when and how to discipline and terminate its employees. Company will not have any authority, duty or obligation to operate Franchisee's business, to direct or supervise Franchisee's employees, or to oversee Franchisee's employment policies or practices. Company also will have no involvement in any administrative functions of Franchisee's business.

#### XIX. INDEMNIFICATION BY FRANCHISEE

Franchisee agrees to indemnify Company from and against any and all claims based upon, arising out of, or in any way related to the operation of Franchisee's business including, but not limited to: any intentional act, negligent act, error or omission by Franchisee or any of its agents, employees, franchisees, or independent contractors; any claims arising from Franchisee's alleged violation of any employment or labor laws; claims arising from data theft, electronic security breaches, hacking of email accounts, or other cybersecurity issues; together with all attorney's fees, costs and other expenses reasonably incurred by or on behalf of Company in the investigation of or defense against any such claims. In the event that any claim is tendered to Franchisee under the provisions of this section for indemnity, Company shall have the right at its election to select its own defense counsel, and to control the litigation, including the right to make any decisions concerning the compromise or settlement of any claims. The provisions of this paragraph shall survive the expiration or termination of this Agreement.

#### XX. DISPUTE RESOLUTION

A. Agreement to Mediate Disputes. Except as otherwise provided in subparagraph B of this Section, neither party to this Agreement shall bring an action or proceeding to enforce or interpret any provision of this Agreement, or seeking any legal remedy based upon the relationship created by this Agreement or an alleged breach of this Agreement, until the dispute has been submitted to mediation conducted in accordance with the procedures stated in this Agreement.

1. The mediation shall be conducted pursuant to the rules of JAMS ("**Mediation Service**"). Either party may initiate the mediation ("**Initiating Party**") by notifying the Mediation Service in writing, with a copy to the other party ("**Responding Party**"). The notice shall

describe with specificity the nature of the dispute and the Initiating Party's claim for relief. Thereupon, both parties will be obligated to engage in the mediation, which shall be conducted in accordance with the Mediation Service's then-current rules, except to the extent the rules conflict with this Agreement, in which case this Agreement shall control.

2. The mediator must be either a practicing attorney with experience in business format franchising or a retired judge, with no past or present affiliation or conflict with any party to the mediation. The parties agree that the mediator and the Mediation Service's employees shall be disqualified as a witness, expert, consultant or attorney in any pending or subsequent proceeding relating to the dispute that is the subject of the mediation.

3. The fees and expenses of the Mediation Service, including, without limitation, the mediator's fee and expenses, shall be shared equally by the parties. Each party shall bear its own attorney's fees and other costs incurred in connection with the mediation irrespective of the outcome of the mediation or the mediator's evaluation of each party's case.

4. The mediation conference shall commence within 30 days after selection of the mediator. Regardless of whether Company or Franchisee is the Initiating Party, the mediation shall be conducted at Company's headquarters at the time, unless the parties otherwise agree or as required by Applicable Law.

5. The parties shall participate in good faith in the entire mediation, including the mediation conference, with the intention of resolving the dispute, if at all possible. The parties shall each send at least one representative to the mediation conference who has authority to enter into a binding contract on that party's behalf and on behalf of all principals of that party who are required by the terms of the parties' settlement to be personally bound by it. The parties recognize and agree, however, that the mediator's recommendations and decision shall not be binding on the parties.

6. The mediation conference shall continue until conclusion, which is deemed to occur when: (a) a written settlement is reached, (b) the mediator concludes, after a minimum of eight hours of mediation, and informs the parties in writing, that further efforts would not be useful, or (c) the parties agree in writing that an impasse has been reached. Neither party may withdraw before the conclusion of the mediation conference.

7. The mediation proceeding will be treated as a compromise settlement negotiation. All offers, promises, conduct and statements, whether oral or written, made in the course of the mediation proceeding by any party or their agents, experts, counsel, employees or representatives, and by the mediator and the Mediation Service's employees, are confidential. Such offers, promises, conduct and statements may not be disclosed to any third party and are privileged and inadmissible for any purpose, including impeachment, under applicable federal and state laws or rules of evidence; provided however, that evidence otherwise discoverable or admissible shall not be rendered not discoverable or inadmissible as a result of its use in the mediation. If a party informs the mediator that information is conveyed in confidence by the party to the mediator, the mediator will not disclose the information.

8. If one party breaches this Agreement by refusing to participate in the mediation or not complying with the requirements for conducting the mediation, the non-breaching party may immediately file suit and take such other action to enforce its rights as permitted by law and the breaching party shall be obligated to pay: (a) the mediator's fees and costs; (b) the non-breaching party's reasonable attorneys' fees and costs incurred in connection with the

mediation; and (c) to the extent permitted by law, the non-breaching party's reasonable attorneys' fees and costs incurred in any suit arising out of the same dispute, regardless of whether the non-breaching party is the prevailing party. Additionally, the breaching party shall forfeit any right to recover its attorneys' fees and costs should it prevail in the suit. The parties agree that the foregoing conditions are necessary in order to encourage meaningful mediation as a means for efficiently resolving any disputes that may arise.

**B. Exceptions to Duty to Mediate Disputes.**

1. The obligation to mediate shall not apply to any disputes, controversies or claims (a) where the monetary relief sought is under \$10,000, (b) in which Company seeks to enforce its rights under any Addendum to Lease, or (c) any claim by either party seeking interim or injunctive relief (whether or not mediation has already commenced), including, without limitation, requests for temporary restraining order, preliminary injunction, writ of attachment, appointment of a receiver, for claim and delivery, or any other order that a court may issue to preserve the status quo or prevent irreparable injury, including the claim of either party for injunctive relief to preserve the status quo pending the completion of mediation. Once a party files an application for interim or injunctive relief, the time period for mediation shall be tolled pending the court's ruling on the application. The party awarded interim or injunctive relief shall not be required to post bond or comparable security.

**C. Judicial Relief.**

1. The parties agree that (a) all disputes arising out of or relating to this Agreement that are not resolved by negotiation or mediation, and (b) all claims that this Agreement expressly excludes from mediation, shall be brought exclusively in Multnomah County Circuit Court or, if required to be brought in federal court, in the federal court located closest to Company's headquarters. As of the Effective Date, the parties acknowledge that the United States District Court for the District of Oregon is the federal court located closest to Company's headquarters; however, the parties further acknowledge that Company may relocate its headquarters in its sole discretion at any time without advance notice to Franchisee.

2. To the fullest extent that it may effectively do so under Applicable Law, Franchisee waives the defense of an inconvenient forum to the maintenance of an action in the courts identified in this Section and agrees not to commence any action of any kind against Company, Company's affiliates, and their respective officers, directors, shareholders, LLC managers and members, employees, agents or property, arising out of or relating to this Agreement except in the courts identified in this Section.

**D. WAIVER OF JURY TRIAL. COMPANY AND FRANCHISEE EACH HEREBY WAIVE THEIR RESPECTIVE RIGHT TO TRIAL BY JURY OF ANY CAUSE OF ACTION, CLAIM, COUNTERCLAIM OR CROSS-COMPLAINT IN ANY ACTION, PROCEEDING AND/OR HEARING BROUGHT BY EITHER COMPANY OR FRANCHISEE ON ANY MATTER WHATSOEVER ARISING OUT OF, OR IN ANY WAY CONNECTED WITH, THIS AGREEMENT, THE RELATIONSHIP OF THE PARTIES, THE USE OF THE SHOOT 360 SYSTEM, OR ANY CLAIM OF INJURY OR DAMAGE, OR THE ENFORCEMENT OF ANY REMEDY UNDER ANY LAW, STATUTE, REGULATION, EMERGENCY OR OTHERWISE, NOW OR HEREAFTER IN EFFECT, TO THE FULLEST EXTENT PERMITTED UNDER APPLICABLE LAW.**

E. Choice of Law. Except as otherwise provided in this Agreement, the parties agree that Oregon law shall govern the construction, interpretation, validity and enforcement of this Agreement and shall be applied in any mediation or judicial proceeding to resolve all disputes between them, except to the extent the subject matter of the dispute arises exclusively under federal law, in which event the federal law shall govern.

F. Limitations Period. To the extent permitted by Applicable Law, any legal action of any kind arising out of or relating to this Agreement or its breach, including without limitation, any claim that this Agreement or any of its parts is invalid, illegal or otherwise voidable or void, must be commenced by no later than one year from the date of the act, event, occurrence or transaction that constitutes or gives rise to the alleged violation or liability; provided, however, the applicable limitations period shall be tolled during the course of any mediation that is initiated before the last day of the limitations period with the tolling beginning on the date that the Responding Party receives the Initiating Party's demand for mediation and continuing until the date that the mediation is either concluded, or suspended due to a party's failure or refusal to participate in the mediation in violation of this Agreement.

G. Punitive or Exemplary Damages. Company and Franchisee, on behalf of themselves and their respective affiliates, directors, officers, shareholders, members, managers, guarantors, employees and agents, as applicable, each hereby waive to the fullest extent permitted by law, any right to, or claim for, punitive or exemplary damages against the other and agree that, in the event of a dispute between them, each is limited to recovering only the actual damages proven to have been sustained by it.

H. Attorneys' Fees. Except as expressly provided in this Agreement, in any action or proceeding brought to enforce any provision of this Agreement or arising out of or in connection with the relationship of the parties hereunder, the prevailing party shall be entitled to recover against the other its reasonable attorneys' fees and court costs in addition to any other relief awarded by the court. As used in this Agreement, the "prevailing party" is the party who recovers greater relief in the action.

I. Waiver of Collateral Estoppel. The parties agree they should each be able to settle, mediate, litigate or compromise disputes in which they may be, or become, involved with third parties without having the dispute affect their rights and obligations to each other under this Agreement. Company and Franchisee therefore each agree that a decision of an arbitrator or judge in any proceeding or action in which either Company or Franchisee, but not both of them, is a party shall not prevent the party to the proceeding or action from making the same or similar arguments, or taking the same or similar positions, in any proceeding or action between Company and Franchisee. Company and Franchisee therefore waive the right to assert that principles of collateral estoppel prevent either of them from raising any claim or defense in an action or proceeding between them even if they lost a similar claim or defense in another action or proceeding with a third party.

J. Waiver of Class Action Relief. Company and Franchisee agree that any mediation or litigation initiated or brought by either party against the other will be conducted on an individual, not on a class-wide, basis. Franchisee hereby agrees to waive any class action proceeding or counterclaim in respect of any dispute against Company and/or any of its affiliates or their respective officers, directors, shareholders, LLC managers and members, employees, agents, attorneys, accountants, associates or guarantors, successors or assigns, whether at law or equity.

K. Survival. The agreements in this Section shall survive termination, expiration or transfer of this Agreement.

## XXI. REPRESENTATIONS OF FRANCHISEE

Franchisee, in order to induce Company to enter into this Agreement, acknowledges, agrees, and represents to Company as follows:

A. Acceptance of Conditions. Franchisee accepts the terms, conditions and covenants contained in this Agreement to be reasonably necessary to maintain Company's standards of service and quality and to protect and preserve Company's rights in the Shoot 360 System and the goodwill of the Licensed Marks.

B. Independent Investigation. Franchisee has conducted an independent investigation of the business contemplated by this Agreement. Franchisee recognizes that the Shoot 360 System may evolve and change ~~over time~~ and that Company may impose change to the Shoot 360 System that Company, in its sole discretion, believes will benefit Shoot 360 Gyms generally and strengthen consumer awareness of, and confidence in, the Licensed Marks. Franchisee is aware that Company cannot predict the nature of future changes to the Shoot 360 System or Franchisee's future investment required to adopt such future changes.

C. No Representations. By executing this Agreement, Franchisee represents and warrants that no person acting on Company's behalf has made any representations or promises to Franchisee that are not contained in this Agreement, including representations or promises about actual or potential sales, earnings, gross profits or net profits that Franchisee can expect to earn. No representations have been made by Company, Company's affiliates or their respective officers, directors, shareholders, employees or agents that are contrary to statements made in Company's Franchise Disclosure Document previously received by Franchisee or to the terms contained in this Agreement.

D. Success of Franchised Gym. Franchisee understands and agrees that owning and operating the Franchised Gym involves business risks and that the success of the Franchised Gym will depend on Franchisee's investment of time, capital and personnel, the business abilities and experience of Franchisee's management, Franchisee's Local Advertising efforts, the desirability of the Approved Location in Franchisee's local market, local demographic factors, and other factors beyond Company's or Franchisee's control, including climate and weather conditions, local competition, consumer preferences, inflation, labor costs, prevailing economic conditions and similar types of market conditions, which may change over time and are difficult to anticipate.

E. Signatory Status. The person executing this Agreement as or on behalf of Franchisee, and each Personal Guarantor, is a United States citizen or a lawful resident alien of the United States.

F. Status of Franchisee. If Franchisee is a business entity, Franchisee understands that it is a material obligation of this Agreement that it remain duly organized and in good standing for as long as Franchisee is a party to this Agreement.

G. Application and Financial Information. All financial and other information provided to Company in connection with Franchisee's application is true and correct, and no

material information or fact has been omitted that is necessary in order to make the information disclosed not misleading.

H. Anti-Terrorism Representations. Franchisee represents that none of Franchisee's assets are currently subject to being blocked under Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, and all other present and future Applicable Law and requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war (collectively, "**Anti-Terrorism Laws**"), and Franchisee is not otherwise in violation of Anti-Terrorism Laws. Franchisee agrees to comply with, and assist Company to the fullest extent possible in Company's efforts to comply with, Anti-Terrorism Laws. Any violation of, or "blocking" of assets under, any Anti-Terrorism Laws will constitute a breach of this Agreement and grounds for immediate termination without an opportunity to cure.

## XXII. MISCELLANEOUS

### A. Notices.

1. All communications required or permitted to be given to either party hereunder shall be in writing and shall, if properly addressed, be deemed given on the earliest of: (a) the date when delivered by hand; (b) the date when delivered by fax or email if confirmation of transmission is received or can be established by the sender; (c) one business day after delivery to a reputable national overnight delivery service; or (d) five days after being sent by U.S. certified or registered mail, postage prepaid, return receipt requested. A "business day" means weekdays only, excluding Saturdays, Sundays and holidays. Notices shall be directed to the address shown in Schedule 1 for the party and its representative. Either party may change its address for receiving notices by giving appropriate written notice to the other. All communications required or permitted to be given by a party in writing may be given electronically to the party's designated email address in Schedule 1 or as subsequently changed by written notice.

2. All payments and reports required to be delivered to Company shall be directed to Company at the address in Schedule 1 or to an electronic address or account otherwise designated by Company. Notwithstanding the parties' agreement regarding when notices shall be deemed to be given, any required payment or report not received by Company on or before the date it is due shall be deemed delinquent.

B. Time of the Essence. Time is of the essence of this Agreement with respect to each and every provision of this Agreement in which time is a factor.

C. Waiver. Any waiver granted by Company to Franchisee excusing or reducing any obligation or restriction imposed under this Agreement shall be in writing and shall be effective upon delivery of such writing by Company to Franchisee or upon such other effective date as specified in the writing, and only to the extent specifically allowed in such writing. No waiver granted by Company, and no action taken by Company, with respect to any third party shall limit Company's right to take action of any kind, or not to take action, with respect to Franchisee. Any waiver granted by Company to Franchisee shall be without prejudice to any other rights Company may have. The rights and remedies granted to Company are cumulative. No delay on the part of Company in the exercise of any right or remedy shall operate as a waiver thereof, and no single or partial exercise by Company of any right or remedy shall preclude Company from fully exercising such right or remedy or any other right or remedy.

Company's acceptance of any payments made by Franchisee after a breach of this Agreement shall not be, nor be construed as, a waiver by Company of any breach by Franchisee of any term, covenant or condition of this Agreement.

D. Section Headings; Language. The Section headings used in this Agreement are inserted for convenience only and shall not be deemed to affect the meaning or construction of any of the terms, provisions, covenants or conditions of this Agreement. The language used in this Agreement shall in all cases be construed simply according to its fair meaning and not strictly for or against Company or Franchisee. The term "Franchisee" as used herein is applicable to one or more persons or business entities if the interest of Franchisee is owned by more than one. The singular usage includes the plural, and the masculine and neuter usages include the other and the feminine. If two or more persons are at any time the Franchisee hereunder, whether or not as partners or joint venturers, their obligations and liabilities to Company shall be joint and several. In this Agreement, the words "includes" and "including" shall be read to mean "without limitation" and shall not limit the generality of the words that precede them. Nothing in this Agreement is intended, nor shall it be deemed, to confer any rights or remedies upon any person or business entity not a party hereto.

E. Binding on Successors. The covenants, agreements, terms and conditions contained in this Agreement shall be binding upon, and shall inure to the benefit of, the successors, permitted assigns, heirs and personal representatives of the parties to this Agreement.

F. Validity; Conformity with Applicable Law. Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be valid under Applicable Law, but if any provision of this Agreement shall be invalid or prohibited under Applicable Law, such provision shall be ineffective only to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Agreement. If the provisions of this Agreement provide for periods of notice less than those required by Applicable Law, or provide for termination, cancellation, non-renewal or the like other than in accordance with Applicable Law, such provisions shall be deemed to be automatically amended to conform them to the provisions of Applicable Law. If any provision of this Agreement is deemed unenforceable by virtue of its scope in terms of geographic area, business activity prohibited, or length of time, but could be made enforceable by reducing any or all thereof, the provision may be modified by a mediator or court so that it may be enforced to the fullest extent permissible under the choice of law adopted by this Agreement or other Applicable Law.

G. Amendments. No amendment, change, modification or variance to or from the terms and conditions set forth in this Agreement shall be binding on any party unless it is set forth in writing and duly executed by Company and Franchisee.

H. Withholding of Consent; Company's Business Judgment.

1. Except where this Agreement expressly requires Company to exercise its reasonable business judgment in deciding to grant or deny approval of any action or request by Franchisee, Company has the absolute right to refuse any request by Franchisee or to withhold its approval of any action by Franchisee in Company's sole discretion. Further, whenever the prior consent or approval of Company is required by this Agreement, Company's consent or approval must be evidenced by a writing signed by Company's duly authorized representative unless this Agreement expressly states otherwise.

2. The parties recognize, and any mediator or judge is affirmatively advised, that certain provisions of this Agreement describe the right of Company to take (or refrain from taking) certain actions in its sole discretion and other actions in the exercise of its reasonable business judgment. Where this Agreement expressly requires that Company make a decision based upon Company's reasonable business judgment, Company must consider the best interest of all Shoot 360 Gyms and Company's own business interests. If Company makes a decision reasonably based upon its business judgment, neither a mediator nor a judge shall substitute his or her judgment for the judgment so exercised by Company. The mere fact that one could reach a different decision than the one made by Company is not a basis for finding that Company made its decision without the exercise of reasonable business judgment. Company's duty to exercise reasonable business judgment in making certain decisions does not restrict or limit Company's right under this Agreement to make other decisions based entirely on Company's sole discretion as permitted by this Agreement. "Company's sole discretion" means that Company may consider any set of facts or circumstances that it deems relevant in rendering a decision.

I. Entire Agreement. This Agreement, including all schedules attached hereto, and all agreements or documents that are expressly incorporated in or made a part of this Agreement, sets forth the entire agreement between the parties, superseding any and all prior agreements, understandings, and discussions between them pertaining to its subject matter. Nothing in this Agreement is intended to disclaim any representation made in Company's Franchise Disclosure Document.

J. Force Majeure. Neither party is responsible for any failure to perform its obligations under this Agreement if and to the extent that its performance is prevented or delayed due to any of the following events not caused by Franchisee or its owners or agents (each an event of "**Force Majeure**"): (1) a fire, earthquake, natural disaster, or act of god; (2) any act of declared or undeclared war, terrorism, riot, or insurrection, or any nuclear, biological, chemical, or similar attack; (3) an epidemic, pandemic, or other public health or safety emergency; (4) material shortages or rationing; (5) failure or disturbance in transportation, communication, or similar vital infrastructure; (6) a strike, lockout or other labor dispute or action; (7) any action by a civil or military authority in response to any of the foregoing; or (8) any other similar cause that is not within the control of the party whose performance is required. The party whose performance is prevented or delayed shall use its reasonable efforts to mitigate the effect of the event of Force Majeure on its performance. Upon completion of the event of Force Majeure, the party whose performance was affected must resume the performance of its obligations under this Agreement as soon as reasonably practicable. An event of Force Majeure does not relieve a party from liability for an obligation that arose before the onset of the event of Force Majeure nor from the prompt payment of any fee or other payment due to Company pursuant to this Agreement. Notwithstanding anything set forth in this Agreement to the contrary, an event of Force Majeure shall not apply to any payment obligations of a party hereunder.

K. Consent of Spouse. If Franchisee is a business entity, the spouse of each Guarantor shall execute a Consent of Spouse in the form of Schedule 5. If Franchisee is an individual, Franchisee's spouse shall execute a Consent of Spouse in the form of Schedule 5.

L. Effectiveness. This Agreement shall become effective only upon execution by both Company and Franchisee.

M. Further Assurances. Each party agrees to execute and deliver such additional documents and instruments and to perform such additional acts as may be necessary or appropriate to effectuate, carry out and perform the terms, provisions and conditions of this Agreement.

N. Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, but such counterparts together shall constitute one and the same instrument.

O. Electronic Signatures. The parties accept the use of an electronic signature in lieu of a manual signature and agree that an electronic signature will be binding on a party to the same extent as if the party signed this Agreement manually.

P. Confidentiality and Public Announcements. In addition to the provisions of this Agreement regarding Confidential Information, ~~the parties agree~~ Franchisee agrees that it will make no public announcement or any other disclosure regarding the existence or terms of this Agreement, the names or any other identifying information regarding the parties or any individual member or owner of a party, or the nature of the parties' negotiations ~~shall be disclosed~~ in any way or made public unless (1) the ~~other party~~ Company gives its prior written consent; or (2) disclosure is required by Applicable Law.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the Effective Date.

Company:

SHOOT 360 NATION LLC  
a Washington limited liability company

Franchisee:

\_\_\_\_\_

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

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

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

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

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

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

**SCHEDULE 1  
APPROVED LOCATION, PROTECTED AREA, NOTICE ADDRESSES**

**Site Selection Area:** \_\_\_\_\_

**Approved Location:** \_\_\_\_\_

**Protected Area:** The Protected Area is the area within a \_\_\_\_-mile radius from the Approved Location.

The site of the Approved Location and the boundaries of the Site Selection Area and Protected Area are based on the location of the references used as of the Effective Date or such later date when the references are inserted into this Schedule. The Approved Location or Protected Area will not be altered by a subsequent movement of the references originally used to describe them. For all calculations based upon a distance, the measurement will be made in a straight line between the nearest points; if any portion of an object is within the stated distance from a point, the entire object is considered to be within that distance.

**Addresses for Notice**

<b>TO: COMPANY</b>	<b>TO: FRANCHISEE</b>
Craig Moody Shoot 360 Nation LLC 12403 NE 60th Way, #D-1 Vancouver, Washington 98682 Franchise@Shoot360.com	_____ _____ _____ _____
<b>WITH A COPY TO:</b>	<b>WITH A COPY TO:</b>
<a href="#">Joseph J. Fittante, Jr.</a> <a href="#">Larkin Hoffman Daly &amp; Lindgren Ltd.</a> <a href="#">8300 Norman Center Drive Suite 10000</a> <a href="#">Minneapolis, Minnesota 55437</a> <a href="mailto:jfittante@larkinhoffman.com">jfittante@larkinhoffman.com</a>	_____ _____ _____ _____
<del>Tanja Hens</del> <del>Davis Wright Tremaine-LLP</del> <del>560 SW Tenth Ave, Suite 700</del> <del>Portland, Oregon 97205</del> <del>tanjahens@dwt.com</del>	_____ _____ _____ _____

Company:  
SHOOT 360 NATION LLC

Franchisee:  
\_\_\_\_\_

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

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

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

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

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

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

**SCHEDULE 2  
CURRENT PRICING AND TERMS**

	<b>Number of Training Units</b>			
	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>
<b>Monthly Training Unit Fee</b>				
Monthly Fee Per Training Unit	\$1,600	\$1,550	\$1,500	\$1,450
Number of Training Units	5	6	7	8
<b>Total Monthly Training Unit Fee</b>	<b>\$8,000</b>	<b>\$9,300</b>	<b>\$10,500</b>	<b>\$11,600</b>

**Shoot 360 Package**

**Basketball Training Equipment**

Price Per Training Unit	\$67,000	\$64,800	\$62,600	\$61,600
Number of Training Units	5	6	7	8
<b>Total Training Unit Price</b>	<b>\$335,000</b>	<b>\$388,800</b>	<b>\$438,200</b>	<b>\$492,800</b>

**Flooring** (if purchased from us)                      TBD                      TBD                      TBD                      TBD

**Branding Package**    \$35,000                      \$37,500                      \$40,000                      \$42,500

**Optional Equipment**    TBD                      TBD                      TBD                      TBD

**Payment Terms:**

**Amount Due**

50% of the Shoot 360 Package Price  
25% of the Shoot 360 Package Price  
15% of the Shoot 360 Package Price  
10% of the Shoot 360 Package Price

**Date Due**

at the time of order (at least 120 days before shipping)  
90 days before shipping date  
at the time of shipping, and  
upon delivery and installation

We will deliver and you will accept delivery of the Basketball Training Equipment at the Approved Location unless another address is specified in writing. The Shoot 360 Package Price includes freight, transit insurance, and installation. Basketball Training Equipment will be shipped FOB destination. In addition to the Shoot 360 Package Price, you will pay us all applicable sales or similar taxes. A late charge of 1.5% per month (but not to exceed the maximum rate of interest then permitted under Applicable Law) will be due on the unpaid balance for any late payment until paid in full.

You hereby grant us, and we will retain until full payment of the Shoot 360 Package Price and any applicable taxes, a purchase money security interest in the Basketball Training Equipment. You authorize us to file UCC financing statements to perfect our security interest. Title to the Basketball Training Equipment, free and clear of liens, claims and encumbrances, will vest in you upon full payment by you to us of the Shoot 360 Package Price and any taxes.

**WARRANTY:** With respect to electronic technology and automatic rebounders manufactured by others but installed by us, we offer a limited one-year warranty. We provide a limited five-year warranty for equipment we and our affiliates manufacture (for example, steel frames) and for installation services. For details regarding the warranties provided, see the Manual.

**WE MAKE NO OTHER WARRANTY, EXPRESS OR IMPLIED, AS TO DESIGN, OPERATION, OR QUALITY OF MATERIAL OR WORKMANSHIP. ALL OTHER WARRANTIES, INCLUDING WARRANTIES OF MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE, ARE HEREBY EXCLUDED. YOU AGREE THAT WE WILL NOT BE LIABLE FOR DAMAGES ARISING IN STRICT LIABILITY OR FOR**

SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES, HOWEVER ARISING. UNDER NO CIRCUMSTANCE WILL OUR LIABILITY EXCEED THE PURCHASE PRICE OF EACH ITEM.

**SCHEDULE 3**

**FRANCHISEE'S OWNERS  
AS OF THE EFFECTIVE DATE**

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

Franchisee: \_\_\_\_\_

State of Incorporation or organization: \_\_\_\_\_

Primary Owner(s): \_\_\_\_\_

Owner Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
Spouse Name: \_\_\_\_\_  
Nature of Interests: \_\_\_\_\_  
Nature of Units/Shares Held: \_\_\_\_\_  
Percentage Held: \_\_\_\_\_

Owner Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
Spouse Name: \_\_\_\_\_  
Nature of Interests: \_\_\_\_\_  
Nature of Units/Shares Held: \_\_\_\_\_  
Percentage Held: \_\_\_\_\_

Owner Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
Spouse Name: \_\_\_\_\_  
Nature of Interests: \_\_\_\_\_  
Nature of Units/Shares Held: \_\_\_\_\_  
Percentage Held: \_\_\_\_\_

Owner Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
Spouse Name: \_\_\_\_\_  
Nature of Interests: \_\_\_\_\_  
Nature of Units/Shares Held: \_\_\_\_\_  
Percentage Held: \_\_\_\_\_

Owner Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
Spouse Name: \_\_\_\_\_  
Nature of Interests: \_\_\_\_\_  
Nature of Units/Shares Held: \_\_\_\_\_  
Percentage Held: \_\_\_\_\_

Owner Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
Spouse Name: \_\_\_\_\_  
Nature of Interests: \_\_\_\_\_  
Nature of Units/Shares Held: \_\_\_\_\_  
Percentage Held: \_\_\_\_\_

Owner Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
Spouse Name: \_\_\_\_\_  
Nature of Interests: \_\_\_\_\_  
Nature of Units/Shares Held: \_\_\_\_\_  
Percentage Held: \_\_\_\_\_

Owner Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
Spouse Name: \_\_\_\_\_  
Nature of Interests: \_\_\_\_\_  
Nature of Units/Shares Held: \_\_\_\_\_  
Percentage Held: \_\_\_\_\_

[Add additional rows if needed]

## SCHEDULE 4

### PERSONAL GUARANTY

This Personal Guaranty (“**Guaranty**”) is made as of \_\_\_\_\_, by \_\_\_\_\_, an individual (“**Guarantor**”) in favor of **Shoot 360 Nation LLC**, a Washington limited liability company (“**Company**”).

### RECITALS

A. \_\_\_\_\_ (“**Debtor**”) has applied to acquire the right and license to open and operate a Shoot 360 Gym subject to the terms and conditions of a Franchise Agreement (“**Franchise Agreement**”) in the form attached to the Franchise Disclosure Document that Company has delivered to Debtor before Debtor’s execution of the Franchise Agreement.

B. Debtor is a business entity other than a partnership duly organized under the laws of the State of \_\_\_\_\_.

C. Company requires that each person owning ~~10% or more of the ownership interests~~ an interest in Debtor execute a copy of this Guaranty in favor of Company, agreeing to personally guarantee Debtor’s obligations under the Franchise Agreement and to be personally bound by all obligations of Debtor under the Franchise Agreement.

D. Guarantor owns ~~10% or more of the~~ an ownership ~~interests~~ interest in Debtor.

NOW, THEREFORE, to induce Company to enter into the Franchise Agreement with Debtor, Guarantor covenants and agrees as follows:

1. Definitions. Guarantor agrees that all capitalized terms in this Guaranty that are not defined in this Guaranty have the meaning given to them in the Franchise Agreement and agrees that those definitions are incorporated into this Guaranty by this reference. Guarantor represents that it is, or has had the opportunity to become, familiar with the definitions.

#### 2. Personal Guaranty.

a. Guarantor hereby unconditionally and irrevocably guarantees to Company and Company’s affiliates the full and punctual payment and performance of all present and future amounts, liabilities, duties and obligations of Debtor under the Franchise Agreement and any other agreements executed in connection therewith, to Company, Company’s affiliates, or to their respective successors (collectively, the “**Indebtedness**”).

b. Guarantor specifically agrees to be individually bound by all covenants, obligations, and commitments of Debtor contained in the Franchise Agreement and any other agreements executed in connection therewith to the same extent as if Guarantor had individually been named as Franchisee in the Franchise Agreement and any other agreements executed in connection therewith, and the Guarantor had individually executed the Franchise Agreement and all such other agreements, if any.

c. ~~b.~~ Debtor’s payments of any Indebtedness will not discharge or diminish Guarantor’s obligations and liability under this Guaranty ~~for any remaining or future Indebtedness~~.

d. ~~e.~~ Guarantor's obligations under this Guaranty are primary obligations of Guarantor.

e. ~~d.~~ If more than one person executes at this Guaranty or another personal guaranty in favor of Company that covers the ~~Indebtedness~~ obligations hereunder or any portion thereof, Guarantor's obligations under this Guaranty are joint and several with the other personal guarantors whether such guarantees are executed simultaneous with, prior to, or after the execution of this Guaranty.

f. ~~e.~~ If Debtor fails to pay or perform any of the Indebtedness, Company may proceed first and directly against Guarantor without first (i) proceeding against Debtor or any other personal guarantor; (ii) exhausting other remedies that Company may have under Applicable Law; or (iii) taking possession of any collateral pledged as security for the Indebtedness or this Guaranty. Guarantor's obligations to Company under this Guaranty are not subject to any counterclaim, recoupment, set-off, reduction, or defense based on any claim that Guarantor may have against Debtor.

g. ~~f.~~ If Debtor fails to pay the Indebtedness when due for any reason, Company may give written notice demanding payment and Guarantor shall have five days after receiving Company's written demand to pay the entire amount of the Indebtedness then due to Company in immediately available funds to Company at its address specified in the Franchise Agreement for giving notices to Company. Guarantor will breach this Guaranty if the amount demanded by Company is not received within five days following Guarantor's receipt of Company's written demand. Company's written demand to Guarantor shall not modify the terms of the Franchise Agreement.

h. ~~g.~~ This Guaranty shall not be affected, impaired, modified, waived or released due to (i) the invalidity or unenforceability of any provision of the Franchise Agreement; (ii) any bankruptcy, reorganization, dissolution, liquidation or similar proceedings affecting Debtor or its affiliates, or the performance by Debtor of all the provisions of the Franchise Agreement and any ancillary agreements, nor does the same release the undersigned from being individually bound to perform all covenants, obligations, and commitments of Debtor contained in the Franchise Agreement or any other agreement to the same extent as if each Guarantor had individually executed the Franchise Agreement and such other agreement, if any; or (iii) an Event of Transfer by Debtor or other sale or disposition of Debtor's assets. Additionally, none of the following actions will affect, impair, modify, waive, reduce or release Company's rights or Guarantor's obligations or liabilities under this Guaranty: if Company (a) renews, extends or otherwise changes the time or terms for Debtor's payment of the Indebtedness; (b) extends or changes the time or terms for performance by Debtor; (c) amends, compromises, releases, terminates, waives, surrenders, or otherwise modifies the Franchise Agreement; (d) releases, terminates, exchanges, surrenders, sells or assigns any collateral that Company has accepted to secure Debtor's payment or performance of the Indebtedness; (e) accepts additional property or other security as collateral for any or all of the Indebtedness; (f) fails or delays to enforce, assert or exercise any right, power, privilege or remedy conferred upon Company under the Franchise Agreement or Applicable Law; (g) consents to Debtor taking certain action or does not object to Debtor taking certain action regarding the Indebtedness; or (h) applies any payment received from Debtor, or from any other source other than Guarantor, to the Indebtedness in any order that Company elects, which Guarantor acknowledges Company may do under the Franchise Agreement.

i. ~~h.~~ Guarantor unconditionally waives, to the fullest extent permitted by Applicable Law, all notices that Applicable Law may require Company to give to Guarantor in order for Company to enforce its rights under this Guaranty. Guarantor shall not exercise any right to subrogation, reimbursement or contribution against Debtor.

j. ~~i.~~ If Guarantor lends money to Debtor, Guarantor's right to repayment is subordinate to Debtor's obligations to Company.

3. Duration. This Guaranty shall survive termination of the Franchise Agreement.

4. Financial Information. While the Franchise Agreement is in effect, Guarantor shall furnish Company with complete personal financial information, including personal tax returns, reasonably promptly following Company's request.

5. Notices. All notices required or permitted under this Guaranty shall be in writing. Notices to Company shall be given as required by the Franchise Agreement, and notices to Guarantor shall be directed to the address below Guarantor's signature. Notices shall be deemed duly given on the earliest of: (a) the date when delivered by hand; (b) one business day after delivery to a reputable national overnight delivery service; or (c) four business days after being sent by U.S. certified or registered mail, postage prepaid, return receipt requested. A party may change its address for receiving notice by written notice to the other.

6. Guarantor's Personal Contact Information: Guarantor shall notify Company immediately of any changes in its contact information shown below its signature so that Company has current contact information for Guarantor for as long as this Guaranty is in effect.

7. Dispute Resolution. Oregon law will govern the construction, interpretation, validity and enforcement of this Guaranty. Guarantor agrees to resolve any dispute with Company arising out of the interpretation or enforcement of this Guaranty exclusively in the federal or state courts located in Multnomah County, Oregon, and to submit to the jurisdiction of these courts. The prevailing party in a dispute shall be entitled to recover against the other its reasonable attorneys' fees and court costs, in addition to any other relief awarded by the court.

8. Miscellaneous. This Guaranty shall bind Guarantor's personal representatives, heirs and successors and shall inure to the benefit of Company and its successors and assigns. Any waiver granted by Company to Guarantor must be in writing and will be effective upon Company's delivery of the writing to Guarantor or upon the specific effective date specified in the writing, and only to the extent specifically allowed in such writing. No waiver granted by Company shall limit Company's right to take action of any kind, or not to take action with respect to Guarantor. Any waiver granted by Company to Guarantor is without prejudice to any other rights Company may have. No delay on Company's part in exercising any right or remedy shall constitute a waiver by Company, and no partial exercise by Company of any right or remedy shall preclude Company from fully exercising the same or any other right or remedy. This Guaranty may only be amended by a written agreement executed by Company and Guarantor. [This Guaranty shall be a continuing Guaranty and may not be revoked without the prior written consent of Company.](#) Upon request, Guarantor agrees to execute and deliver such additional documents and instruments and to perform such additional acts as may be necessary or appropriate to perform this Guaranty. [This Guaranty shall apply to all agreements referenced in this Guaranty, to the renewal of all such agreements, and to any successor agreements thereto.](#)

[\[Signature page follows\]](#)

IN WITNESS WHEREOF, Guarantor has caused this Guaranty to be duly executed as of the date first written above.

**GUARANTOR:**

\_\_\_\_\_

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

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

\_\_\_\_\_

Telephone: \_\_\_\_\_

Email: \_\_\_\_\_

**SCHEDULE 5**

**SPOUSAL CONSENT**

The undersigned represents the following in order to induce Shoot 360 Nation LLC (“**Company**”) to enter into the Franchise Agreement with Franchisee:

(1) The undersigned is married to the person identified in Row A below (“**Spouse**”).

(2) Spouse, either alone or with the undersigned, owns ~~10% or more of the~~an ownership ~~interests of~~interest in the business entity identified in Row B below (“**Franchisee**”).

(3) Franchisee has entered into a Franchise Agreement with Company on the date shown in Row C below.

(4) In accordance with the terms of the Franchise Agreement, Spouse has executed a Personal Guaranty of the obligations of Franchisee in favor of Company.

(5) The undersigned consents to Spouse’s execution of a Personal Guaranty in favor of Company as required by the Franchise Agreement, and agrees that the actions and the obligations undertaken by Spouse in the Personal Guaranty are binding on the marital community.

The undersigned declares that he or she: (a) has had the opportunity to read the Franchise Agreement that is the subject of the Personal Guaranty; (b) has had the opportunity to seek the advice of independent counsel before executing this Spousal Consent; and (c) executes this Spousal Consent freely with full understanding of its significance.

<b>Row A – Name of Spouse</b>
<b>Row B – Name of Franchisee and State of Incorporation or Organization</b>
<b>Row C – Effective Date of Franchise Agreement</b>

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

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

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

## SCHEDULE 6

### ~~RIGHT OF FIRST OFFER ADDENDUM~~

~~This Addendum is made by and between Shoot 360 Nation LLC, a Washington limited liability company ("Company" or "we") and \_\_\_\_\_ ("Franchisee" or "you"), with respect to the Shoot 360 Franchise Agreement dated \_\_\_\_\_, 202\_\_ ("Franchise Agreement"), of which this Addendum is a part. In the event of conflict, the provisions of this Addendum will supersede the corresponding provisions of the Franchise Agreement.~~

~~You desire a right of first offer related to the future development of Shoot 360 Gyms (as defined in the Franchise Agreement) and we desire to grant to you such rights, on the terms and conditions below.~~

~~Now, therefore, in consideration of the mutual covenants set forth below, the parties agree as follows:~~

~~1. First Right Area; Reserved Rights. For purposes of this Addendum, "First Right Area" means the geographic area described in Exhibit A to this Addendum, as further limited in this Section.~~

~~a. If the First Right Area is identified by city or other political subdivisions, political boundaries will be considered fixed as of the date of the Franchise Agreement, notwithstanding any political reorganization or change to the boundaries. The parties may depict the First Right Area on a map attached in Exhibit A. However, if there is any inconsistency between the language in this text and the attached map, the language in this text of this Addendum will control. All street boundaries will be deemed to end at the street's centerline unless otherwise specified.~~

~~b. The First Right Area, and your rights under this Addendum, excludes any National Basketball Association (NBA) franchise team(s) located in or operating within the First Right Area. We retain the exclusive right to construct and open Shoot 360 Gyms in conjunction with any such team(s) and to offer and sell franchises to NBA teams at any time, at any location, in any way, and subject to whatever terms we deem appropriate in our sole and exclusive judgment.~~

~~c. You acknowledge and agree that we may exercise any and all other rights in the First Right Area, including all rights that we reserve in the Franchise Agreement, any other Shoot 360 franchise agreement, addendum or related document. Except as expressly stated in this Addendum, we and our affiliates may engage, and allow others to engage, in any activities we desire within and outside the First Right Area, without restriction, subject to only your rights under this Addendum and any franchise agreements with us that are then in effect.~~

~~d. You have no right to assign or sub-license any rights granted in this Addendum to anyone else.~~

~~2. Right of First Offer. During the first year of the initial term of the Franchise Agreement, we grant you a right of first offer in the First Right Area, as follows:~~

~~a. Except as otherwise provided in this Addendum or the Franchise Agreement, we will not develop, nor license anyone other than you to develop, a Shoot 360 Gym in the First Right Area except through the procedures set forth in this Addendum.~~

~~b. Before we develop and open a Shoot 360 Gym, or solicit or accept an offer from a third party to develop and open a Shoot 360 Gym in the First Right Area, we will notify you in writing of our intent to do so, and will give you sufficient information and documentation to allow you to analyze the status and value of the proposed business and related due diligence information ("Notice").~~

~~c. If you wish to exercise your right to purchase, you must do so within 30 days after receipt of after your receipt of our written notification and due diligence information, by sending us: (i) written notice of your election to exercise your right of first offer; and (ii) an overview regarding your management team and management plan regarding the specific location to be developed by you as a Shoot 360 Gym. You agree to give us all information and materials we request to assess the proposed franchise location and your financial and operational ability to develop and operate the proposed Gym.~~

~~d. If you exercise your right of first offer, we will not unreasonably withhold approval of any site you propose that meets our then-current site selection criteria, which may include population density, other demographic characteristics, visibility, traffic flow, competition, accessibility, parking, size and other physical and commercial characteristics. We have the absolute right to disapprove any site that does not meet our criteria. We agree to use reasonable efforts to review your proposed site within 30 days after we receive all requested information and materials. If we do not reject the location in writing within 30 days, or within 30 days after our receipt of the additional information, whichever is later, the location will be deemed disapproved.~~

~~e. If we approve a proposed site and your financial and operational ability to develop and operate the proposed franchise, then within 30 days of site approval, you and we will sign our then-current form of franchise agreement (subject to any modified terms set forth in the Notice). We may adjust the time frame to ensure that the sale is completed in compliance with all applicable federal and state franchise laws. After you sign the franchise agreement, the terms and conditions of it will control the development and operation of that franchise.~~

~~f. If you offer us a purchase price and terms that we do not agree to, we may move forward to develop the location or sell to a third party, but on no better terms for the purchaser than you offered to us.~~

~~g. If you do not exercise your right of first offer within 30 days of the Notice, we may make the proposed sale to a third party. Any such sale will not be at a lower price nor on more favorable terms than those offered to you in the Notice.~~

~~h. If you exercise your right of first offer, nothing in this Addendum prevents the third-party franchise prospect from seeking another franchise location within the First Right Area (which location, if proposed, will also be subject to this Section 1).~~

~~3. Conditions. Each of the following will be a condition precedent to Company's obligations under this Addendum:~~

~~a. You have fully performed all of your obligations under all existing franchise agreements between you and us.~~

~~b. Your first Shoot 360 Gym is open and in full operation under the supervision of a fully trained Certified Manager.~~

~~4. Effect of Failure to Meet Time Frames. Strict compliance with the deadlines outlined in this Addendum is of the essence. If you do not timely meet these time frames, you will be in default of this Addendum. Any such default shall constitute a material breach of this Addendum, and will entitle us, in our sole discretion, to: (a) terminate your rights under this Addendum; or (b) reduce the First Right Area to the size and magnitude that we deem appropriate under the circumstances.~~

~~5. Termination of Franchise Agreement. Any material violation or breach of the Franchise Agreement or of any other franchise or other agreement between the parties will be deemed a material breach of the Franchise Agreement and of this Addendum. If the Franchise Agreement is terminated for breach (including your failure to meet the development deadlines in the Franchise Agreement), this Addendum will terminate automatically as of the date of termination of the Franchise Agreement.~~

~~6. Transfer. The rights and obligations of the parties under this Addendum may not be assigned, transferred, conveyed, given away, pledged, or otherwise encumbered (collectively, "transfer") separately from the Franchise Agreement to which this Addendum is attached. Accordingly, any transfer of rights under this Addendum will be subject to the terms and conditions set forth in the Franchise Agreement. Any transfer of this Addendum in violation of the Franchise Agreement will be void, and shall constitute a material default of this Addendum and the Franchise Agreement.~~

~~7. Additional Provisions~~

~~a. This Addendum constitutes the entire agreement between the parties with respect to first rights of offer and supersedes all prior understandings among the parties with respect to that subject matter. This Addendum may be executed in counterparts. This Addendum may not be modified or amended in a manner adverse to any party except by written agreement signed by that party. This Addendum will benefit and bind the respective heirs, executors, administrators, successors, and assigns of the parties.~~

~~b. This Addendum does not create a franchise relationship between you and us. Any franchise relationship between you and us is created solely by a fully signed franchise agreement. This Addendum does not create a fiduciary relationship between you and us. We and you are and will be independent contractors; nothing in this Addendum is intended to make either you or us a general or special agent, joint venturer, partner or employee of the other for any purpose. You agree to conspicuously identify yourself in all dealings with customers, suppliers, public officials, franchise personnel and others as the owner of the business under a franchise agreement with us, and to place such notices of independent ownership on such forms, business cards, stationery, advertising and other materials as we may require from time to time.~~

~~IN WITNESS WHEREOF, the parties have executed this Addendum as of the Effective Date.~~

~~Company:~~

~~Franchisee:~~

~~SHOOT 360 NATION LLC  
a Washington limited liability company~~

~~\_\_\_\_\_~~

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

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

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

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

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

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

**EXHIBIT A  
FIRST RIGHT AREA**

County(ies)/State(s)

\_\_\_\_\_

\_\_\_\_\_

City

\_\_\_\_\_

Zip Code(s)

\_\_\_\_\_

**SCHEDULE 7**

**ELECTRONIC DEBIT AUTHORIZATION FORM**

The undersigned ("Franchisee") acknowledges that on or about \_\_\_\_\_, 202\_\_, Franchisee and Shoot 360 Nation LLC ("Shoot 360") entered into a Franchise Agreement ("Agreement") for the operation of a franchise.

To enable Shoot 360 to receive automatic payments pursuant to the Agreement and Shoot 360's Best Practices Manual, Franchisee authorizes ("Authorization") Shoot 360 to withdraw funds from and otherwise initiate debit entries to Franchisee's checking account, indicated below, and the depository named below ("Depository"), to debit the same to such account.

Depository Name: \_\_\_\_\_  
Branch: \_\_\_\_\_  
City State and Zip: \_\_\_\_\_  
Transit/ABA#: \_\_\_\_\_  
Bank Account Name: \_\_\_\_\_  
Bank Account Number: \_\_\_\_\_  
Tax ID for Account: \_\_\_\_\_

This Authorization is to remain in full force and effect until the underlying obligations of the Agreement have been satisfied in full or expressly released in writing by Shoot 360. Franchisee expressly agrees that this Authorization will apply to any and all depositories and bank accounts that Franchisee opens during the term of the Agreement and any renewal terms. Without limiting the above, Franchisee acknowledges and agrees that if Franchisee closes any bank account, Franchisee will:

- 1) immediately notify Shoot 360 in writing;
- 2) open or otherwise establish another bank account;
- 3) execute and deliver to Shoot 360 all documents necessary for Shoot 360 to begin and continue making withdrawals from such bank account/depository by ACH debiting or other electronic means.

Franchisee expressly acknowledges and agrees that this Authorization will be the only written authorization needed from Franchisee in order to initiate debit entries/ACH debit originations to Franchisee's bank account(s) established with any depository in the future.

Name of Franchisee(s): \_\_\_\_\_

Signature: Sample - Not for Execution  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**Notice to Franchisee**

- 1) ATTACH ONE VOIDED CHECK HERE.
- 2) ENSURE TO COMPLETE ALL BLANK SPACES ABOVE.

**RETURN 2 ORIGINAL COPIES OF THIS FORM TO SHOOT 360 IMMEDIATELY**

## SCHEDULE 87

### COLLATERAL ASSIGNMENT OF TELEPHONE NUMBERS, ADDRESSES, LISTINGS, AND ASSUMED OR FICTITIOUS BUSINESS NAME

This Collateral Assignment of Telephone Numbers, Addresses, Listings, and Assumed or Fictitious Business Name ("**Assignment**") is entered into as of \_\_\_\_\_ ("**Effective Date**") in accordance with the terms of the Franchise Agreement ("**Franchise Agreement**") between and the person(s) or entity identified on the signature block of this Agreement as "**Franchisee**" and Shoot 360 Nation LLC, a Washington limited liability company ("**Company**").

This Assignment is being executed concurrently with the Franchise Agreement, under which Company grants Franchisee the right and license to use the Shoot 360 System in connection with the operation of one Shoot 360 Gym at the Approved Location subject to the terms and conditions of the Franchise Agreement.

FOR VALUE RECEIVED, Franchisee hereby irrevocably and unconditionally assigns and transfers to Company all of Franchisee's right, title, and interest in and to those certain telephone numbers, addresses, domain names, locators, directories, listings, and assumed or fictitious business names (collectively, the "**Numbers, Addresses, Listings and Names**") that Franchisee has used or is using in connection with the operation of the Franchised Gym as of the effective date of termination or expiration of the Franchise Agreement.

This Assignment may not be revoked without the prior written consent of Company. The parties agree that this Assignment is for collateral purposes only and does not impose on Company any liability or obligation of any kind to Franchisee or any third party arising from or in connection with the operation of the Franchised Gym or Franchisee's acts or omissions. Company's execution of this Assignment does not create or impose any express or implied obligations upon Company pertaining to the Numbers, Addresses, Listings and Names used by Franchisee on or before the effective date of termination or expiration of the Franchise Agreement. Furthermore, nothing in this Assignment is intended to, or shall, modify Franchisee's indemnity agreement in the Franchise Agreement.

Upon termination or expiration of the Franchise Agreement (without renewal or extension) and in accordance with the requirements of the Franchise Agreement, Franchisee shall immediately cease using the Numbers, Addresses, Listings and Names and shall notify the telephone, Internet, email, electronic network, directory, and listing entities with which Franchisee has dealt (all such entities are collectively referred to as the "**Provider Companies**") to effectuate the assignment and transfer of Franchisee's interest in the Numbers, Addresses, Listings and Names to Company pursuant to the terms of this Assignment. If Franchisee fails to do so, Franchisee agrees that this Assignment gives Company the absolute and unconditional authority to direct the Provider Companies on Franchisee's behalf to effectuate the assignment and transfer of the Numbers, Addresses, Listings and Names to Company upon termination or expiration of the Franchise Agreement. The parties agree that the Provider Companies may accept Company's written notice, the Franchise Agreement or this Assignment as conclusive proof of Company's exclusive rights in and to the Numbers, Addresses, Listings, and Names as of the effective date of termination or expiration of the Franchise Agreement. The parties further agree that, if the Provider Companies require that the parties execute the Provider Companies' own assignment forms or other transfer documents following termination or expiration of the Franchise Agreement, Company's execution of those forms or documentation on behalf of Franchisee shall effectuate Franchisee's consent and agreement to the assignment.

Franchisee hereby appoints Company as Franchisee's true and lawful attorney-in-fact to direct the Provider Companies to assign the Numbers, Addresses, Listings, and Names to Company, and to execute such documents and take such actions as may be necessary to effectuate the assignment.

The parties agree that at any time after the date of this Assignment they will perform all additional acts and execute and deliver any documents as may be necessary to assist in or accomplish the purpose of this Assignment following termination or expiration of the Franchise Agreement.

IN WITNESS WHEREOF, the parties have signed this Assignment as of the Effective Date.

Company:

Franchisee:

Shoot 360 Nation LLC

\_\_\_\_\_

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

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

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

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

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

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

**SCHEDULE 9**  
**SBA LOAN ADDENDUM<sup>8</sup>**

**ADDENDUM TO FRANCHISE<sup>1</sup> AGREEMENT**

THIS ADDENDUM ("**Addendum**") is made and entered into on \_\_\_\_\_, by and between SHOOT 360 NATION LLC ("**Franchisor**"), located at 12403 NE 60th Way, #D-1, Vancouver, Washington, and \_\_\_\_\_ ("**Franchisee**"), located at \_\_\_\_\_.

Franchisor and Franchisee entered into a Franchise Agreement on \_\_\_\_\_, (such Agreement, together with any amendments, the "**Franchise Agreement**"). Franchisee is applying for financing(s) from a lender in which funding is provided with the assistance of the U.S. Small Business Administration ("**SBA**"). SBA requires the execution of this Addendum as a condition for obtaining SBA-assisted financing.

In consideration of the mutual promises below and for good and valuable consideration, the receipt and sufficiency of which the parties acknowledge, the parties agree that notwithstanding any other terms in the Franchise Agreement or any other document Franchisor requires Franchisee to sign:

**CHANGE OF OWNERSHIP**

- If Franchisee is proposing to transfer a partial interest in Franchisee and Franchisor has an option to purchase or a right of first refusal with respect to that partial interest Franchisor may exercise such option or right only if the proposed transferee is not a current owner or family member of a current owner of Franchisee. If the Franchisor's consent is required for any transfer (full or partial). Franchisor will not unreasonably withhold such consent. In the event of an approved transfer of the (Enter type of) interest or any portion thereof the transferor will not be liable for the actions of the transferee Franchisee.

**FORCED SALE OF ASSETS**

- If Franchisor has the option to purchase the business personal assets upon default or termination of the Franchise Agreement and the parties are unable to agree on the value of the assets, the value will be determined by an appraiser chosen by both parties. If the Franchisee owns the real estate where the Franchisee location is operating, Franchisee will not be required to sell the real estate upon default or termination, but Franchisee may be required to lease the real estate for the remainder of the (enter type of) term (excluding additional renewals) for fair market value.

<sup>1</sup> While relationships established under license, jobber, dealer and similar agreements are not generally described as "franchise" relationships, if such relationships meet the Federal Trade Commission's (FTC's) definition of a franchise (see 16 CFR § 436), they are treated by SBA as franchise relationships for franchise affiliation determinations per 13 CFR § 121.301(f)(5).

## **COVENANTS**

- ~~• If the Franchisee owns the real estate where the Franchisee location is operating, Franchisor has not and will not during the term of the Franchise Agreement record against the real estate any restrictions on the use of the property, including any restrictive covenants, branding covenants or environmental use restrictions. If any such restrictions are currently recorded against the Franchisee's real estate, they must be removed in order for the Franchisee to obtain SBA-assisted financing.~~

## **EMPLOYMENT**

- ~~• Franchisor will not directly control (hire, fire or schedule) Franchisee's employees. For temporary personnel franchises, the temporary employees will be employed by the Franchisee not the Franchisor.~~

~~As to the referenced Franchise Agreement, this Addendum automatically terminates when SBA no longer has any interest in any SBA-assisted financing provided to the Franchisee.~~

~~Except as amended by this Addendum, the Franchise Agreement remains in full force and effect according to its terms.~~

~~Franchisor and Franchisee acknowledge that submission of false information to SBA, or the withholding of material information from SBA, can result in criminal prosecution under 18 U.S.C. 1001 and other provisions, including liability for treble damages under the False Claims Act. 31 U.S.C. §§ 3729–3733.~~

## **Authorized Representative of FRANCHISOR:**

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

Craig Moody, President/Founder

## **Authorized Representative of FRANCHISEE:**

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

[Name/Title]

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

[Name/Title]

~~Note to Parties: This Addendum only addresses 'affiliation' between the Franchisor and Franchisee. Additionally, the applicant Franchisee and the (type of agreement) system must meet all SBA eligibility requirements.~~

SBA Form 2462 (01-2018)

**SCHEDULE 10**

**ADDENDUM TO LEASE (“Addendum”)**

**BY AND BETWEEN**

\_\_\_\_\_ (“Landlord”) and \_\_\_\_\_ (“Tenant or Franchisee”)

**RE: LEASE ASSUMPTION RIGHTS OF SHOOT 360 NATION LLC (“Company”)**

Company and Tenant are parties to a Franchise Agreement dated \_\_\_\_\_ (“**Franchise Agreement**”), pursuant to which Company has granted Franchisee a license to use the SHOOT 360 marks and business methods to operate a Shoot 360 Gym at a specific Approved Location (“**Franchised Gym**”) on the terms and conditions stated in the Franchise Agreement; and

Company has approved Franchisee’s request to locate the Franchised Gym in certain premises (“**Premises**”) owned by Landlord that are the subject of the Lease attached hereto as Attachment A (“**Lease**”), on the condition that all of the terms and conditions in this Addendum are made a part of the Lease.

As a condition to Company’s approval of the Premises as the Approved Location for the operation of the Franchised Gym under the Franchise Agreement, Franchisee must obtain Landlord’s agreement to this Addendum.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord, Tenant, and Company each agree to the following terms and conditions as of the Effective Date of this Addendum:

Section 1. Definitions. Any capitalized term not expressly defined in this Addendum shall have the same meaning assigned to the term in the Franchise Agreement, and the parties incorporate those definitions by reference into this Addendum. Landlord acknowledges that it has had the opportunity to request a copy of the Franchise Agreement before executing this Addendum so that it may become familiar with the definitions incorporated into this Addendum.

Section 2. Assignment of Lease. Tenant irrevocably assigns and transfers to Company all of Tenant’s right, title, and interest in and to the Lease and all options contained in the Lease. Tenant acknowledges and agrees that: (a) this assignment is a condition of the award of franchise rights in the Franchise Agreement; (b) Tenant may not revoke this assignment without the prior written consent of Company; and (c) any attempt by Tenant to revoke this assignment or challenge or deny its existence shall constitute a material breach of the Franchise Agreement. The parties acknowledge that unless and until Company accepts the assignment from Tenant, Company has no obligations, liabilities, or responsibilities under the Lease of any kind, including as a guarantor or indemnitor of Tenant’s obligations to Landlord. Company’s signature below does not constitute Company’s acceptance of the assignment of the Lease or create or impose any obligations on Company to Landlord.

Section 3. Use of Premises. Tenant may use the Premises only for the operation of a Shoot 360 Gym in accordance with the terms of the Lease and the Franchise Agreement. Landlord agrees that Company may enter the Premises at any time to inspect Tenant’s operations and engage in all activities permitted by the Franchise Agreement.

Section 4. Default under Franchise Agreement. Tenant's default under the Franchise Agreement for any reason shall automatically constitute an event of default under the Lease, without the requirement of written notice of default from Landlord. Tenant may cure the default under the Lease only by curing the default under the Franchise Agreement in a timely manner.

Section 5. Notices to Company. Landlord shall serve Company with a copy of any notice of default, breach or termination of Lease at the same time it serves Tenant with such notice. Franchisor will have the right (but not any obligation), in Franchisor's sole discretion, to cure any breach at Tenant's expense within 15 business days after the expiration of the period that Tenant had to cure the default.

Section 6. Incorporation by Reference. Landlord and Franchisee hereby expressly incorporate this Addendum in, and make it part of, the Lease.

Section 7. Default by Tenant. Landlord agrees not to terminate the Lease based on Tenant's breach or default of the Lease unless and until it gives Company written notice identifying the breach or default and at least ten (10) days to cure the breach or default. If Company chooses not to cure the breach or default of the Lease, Landlord may terminate the Lease in the manner provided in the Lease, but shall have no remedy whatsoever against Company.

Section 8. Acceptance of Assignment by Company. Company may accept the assignment of the Lease at any time before the Lease terminates or expires if: (a) Company terminates the Franchise Agreement for any reason; or (b) Tenant loses the right to occupy the Premises for any reason other than due to the expiration of the Lease or condemnation or destruction of the Premises on the terms stated in the Lease. To accept the assignment, Company must give written notice to Landlord and Franchisee. If Company accepts the assignment, all of the following shall apply from and after the date of acceptance:

a. Company shall have all of the right, title and interest that Tenant has under the Lease;

b. If Company accepts the assignment without simultaneously terminating the Franchise Agreement, Tenant shall be treated as Company's subtenant and shall occupy the Premises under a sublease from Company, which sublease shall be on the same terms and conditions of the Lease;

c. If Company accepts the assignment and simultaneously terminates the Franchise Agreement, Company may subsequently, without obtaining Landlord's consent, assign the Lease or sublease the Premises to a third-party franchisee that Company designates to operate the Premises as a Shoot 360 Gym under the terms of a written franchise agreement between Company and the third-party franchisee at the time Company awards the new franchise to the third-party franchisee; and

d. Company shall be liable to perform only those obligations of Tenant under the Lease arising from and after the date on which Company gives written notice to Landlord and Tenant accepting the assignment. Company shall have no liability for obligations arising prior to Company's written notice accepting the assignment.

Section 9. Landlord's Agreements. In addition to agreements stated elsewhere in this Addendum, for the benefit of Company, Landlord agrees not to (a) accept Franchisee's voluntary surrender of the Lease without prior notice to Company, or (b) amend, extend, renew, or cancel the Lease without Company's prior written consent.

Section 10. Gym De-identification. Upon termination, expiration, or non-renewal of the Lease, Tenant shall de-identify the Premises as a Shoot 360 Gym. In the event that Tenant fails to do so, Landlord gives Franchisor the express right to de-identify the Premises. De-identification consists of removal of all signs; modification or remodeling of all identifying architectural features; repainting as necessary to no longer use the color scheme used by Franchisor; and any other steps necessary (in Franchisor's reasonable discretion) to effectively distinguish the Premises from Franchisor's proprietary marks, designs, and trade dress.

Section 11. Notices. Any notices required in this Addendum must be in writing and will be deemed given (a) when actually delivered by personal delivery; or (b) four days after being sent by certified or registered mail, return receipt requested, if addressed in accordance with Attachment B. Any party may change its address for receiving notices by appropriate written notice to the other.

Section 12. Miscellaneous. This Addendum may only be amended by written agreement duly executed by each party. Any waiver excusing or reducing any obligation imposed by this Addendum shall be in writing and executed by the party who is charged with making the waiver and shall be effective only to the extent specifically allowed in such writing. The language of this Addendum shall in all cases be construed simply according to its fair meaning and not strictly for or against any party. Nothing in this Addendum is intended, nor shall it be deemed, to confer any rights or remedies upon any person or entity not a party to this Addendum. This Addendum shall be binding upon, and shall inure to the benefit of, the successors, assigns, heirs, and personal representatives of the parties to this Addendum. This Addendum sets forth the entire agreement with regard to the rights of Company relating to the Lease, fully superseding any and all prior agreements or understandings between the parties pertaining to the subject matter of this Addendum.

Section 13. Waiver of Jury Trial. LANDLORD, TENANT AND COMPANY HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO TRIAL BY JURY OF ANY CAUSE OF ACTION, CLAIM, COUNTERCLAIM, OR CROSS-COMPLAINT IN ANY ACTION, PROCEEDING AND/OR HEARING BROUGHT BY EITHER LANDLORD, TENANT OR COMPANY ON ANY MATTER WHATSOEVER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS ADDENDUM, THE RELATIONSHIP OF LANDLORD, TENANT AND COMPANY, THE USE OR OCCUPANCY OF THE PREMISES, OR ANY CLAIM OR INJURY OR DAMAGE, OR THE ENFORCEMENT OF ANY REMEDY UNDER ANY LAW, STATUTE, REGULATION, EMERGENCY OR OTHERWISE, NOW OR HEREAFTER IN EFFECT.

Section 14. Further Assurances. Each party agrees to execute and deliver such additional documents and instruments and to perform such additional acts as may be necessary or appropriate to effectuate and perform the terms, provisions and conditions of this Addendum.

Section 15. Electronic Signatures. The parties accept the use of an electronic signature in lieu of a manual signature and agree that an electronic signature will be binding on a party to the same extent as if the party had manually signed this Addendum.

Section 16. Confidentiality and Public Announcements. In addition to provisions in the Franchise Agreement regarding Confidential Information, the parties agree that no public announcement or other disclosure regarding the existence or terms of this Addendum, the names or any other identifying information regarding the parties or any individual member or owner of a party, or the nature of the parties' negotiations shall be disclosed in any way or made public unless the other party gives its prior written consent or if disclosure is required by Applicable Law.

*[Signature page follows]*

IN WITNESS WHEREOF, the parties have signed this Addendum as of \_\_\_\_\_,  
20\_\_ (“**Effective Date**”).

Company:

Shoot 360 Nation LLC

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

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

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

Franchisee:

\_\_\_\_\_

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

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

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

Landlord:

\_\_\_\_\_

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

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

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

\_\_\_\_\_

**ATTACHMENT A**

**Lease**

[Attach copy of lease]

**ATTACHMENT B**

**Addresses for Notice**

Company:

SHOOT 360 NATION LLC  
12403 NE 60<sup>th</sup> Way, G#D-1  
Vancouver, Washington 98682  
Franchise@Shoot360.com

Landlord:

[NAME]

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Tenant/Franchisee:

[NAME]

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~~4879-0331-7689, v. 2~~  
[4886-2279-1662, v. 5](#)

**EXHIBIT D**  
**AREA DEVELOPMENT AGREEMENT**



**AREA DEVELOPMENT AGREEMENT**

*between*

**SHOOT 360 NATION LLC**

12403 NE 60<sup>th</sup> Way, #D-1

Vancouver, Washington 98682

360-433-9841

*and*

---

[address]

[telephone]

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### **Exhibits**

Exhibit A – Development Territory, Fee, Quota and Deadlines

Exhibit B – Franchise Agreement

Exhibit C – Personal Guaranty

Exhibit D – Spousal Consent

Exhibit E – Developer's Owners

## AREA DEVELOPMENT AGREEMENT

This Area Development Agreement (“**Agreement**”) is made as of \_\_\_\_\_, 20\_\_\_\_ (“**Effective Date**”) by and between SHOOT 360 NATION LLC, a Washington limited liability company (“**Company**”), and \_\_\_\_\_, a \_\_\_\_\_ (“**Developer**”).

### RECITALS

A. Company offers franchises to qualified persons to own and operate Shoot 360 basketball training facilities in connection with a license to use the Shoot 360 System and Licensed Marks.

B. Developer wishes to develop and open multiple Shoot 360 Gyms in the market area identified in this Agreement. Each Gym is to be developed and operated under a separate Franchise Agreement on Company’s then-current form.

C. To induce Company to enter into this Agreement, Developer represents that it has the expertise, financial resources, local marketing knowledge and know-how to open and operate multiple Gyms at the same time in the Development Territory, and is willing to invest the necessary capital, time and skill to meet the development commitments in this Agreement.

D. This Agreement memorializes the terms and conditions of the parties regarding Developer’s multi-unit development rights in the Development Territory.

NOW, THEREFORE, the parties agree as follows:

### I. DEFINITIONS

A. If a capitalized term is not defined in this Agreement, it has the same meaning assigned in the Franchise Agreement. For purposes of clarity, any references in the Franchise Agreement to “you” or “your” mean Developer and to “we,” “us,” or “our” mean Company.

B. “**Affiliate**” means a person or business entity that controls, is controlled by, or is under common control with, a party to this Agreement.

C. “**Approved Location**” means the business premises in the Development Territory approved by Company in writing for Developer’s operation of a Gym under a Franchise Agreement.

D. “**Captive Venue**” refers to the location of a Shoot 360 Gym in a larger public or privately-owned retail or entertainment destination or complex where the real estate developer includes basketball training services or play opportunities as an accommodation to a captive market. Captive Venues include, without limitation, professional sports stadiums and arenas, airports, mass transit stations, resorts and other types of lodging facilities, military bases, professional team practice facilities, entertainment centers, amusement parks, universities and other types of schools, and similar types of captive market locations that Company may designate.

E. “**Certified Trainer**” is the member of Developer’s management team who completes Company’s “train-the-trainer” instructional course and any refresher and continuing instruction and demonstrates to Company’s sole satisfaction their competency to teach

Developer's employees who do not attend Company's mandatory initial training program about the Shoot 360 System standards and requirements applicable to their job duties.

F. **"Development Deadline"** is each specific date shown on **Exhibit A** by which Developer must open a Gym in the Development Quota.

G. **"Development Quota"** is the number of Shoot 360 Gyms that must be open for business under a separate Franchise Agreement by the Development Deadlines shown on **Exhibit A**.

H. **"Development Term"** is the period beginning on Effective Date of this Agreement and expiring without notice at the close of business on the date (i) of the last Development Deadline shown on **Exhibit A**; or (ii) when the last Gym in the Development Quota actually opens for business to the public, whichever occurs first; unless this Agreement is sooner terminated pursuant to the terms of this Agreement.

I. **"Development Territory"** is the geographic area identified on **Exhibit A**. The Development Territory excludes any Captive Venue located in the Development Territory on or after the Effective Date.

J. **"Franchise Agreement"** means each Franchise Agreement to be executed by Developer pursuant to this Agreement, as follows: (1) with respect to the first Shoot 360 Gym in the Development Quota, the Franchise Agreement to be executed concurrently with this Agreement (in the form attached as **Exhibit B**); and (2) with respect to subsequent Shoot 360 Gyms in the Development Quota, Company's then-current Franchise Agreement.

K. **"Initial Training Program"** means the initial training program for the operation of Shoot 360 Gyms offered by Company at the time when Developer obtains Company's written approval of the Approved Location for each Gym. After the first four Gyms opened by Developer in the Development Territory, Developer will have the option to have Developer's Certified Trainer provide the mandatory initial training for subsequent Gyms. Developer will be considered for a discount on the Initial Franchise Fee for a particular Gym, pursuant to Company's then-current policy, if Developer's Certified Trainer provides the initial training for that Gym.

L. **"Opening Date"** is the date on which a Gym constructed and development in accordance with the Franchise Agreement actually opens for business to the public.

## II. DEVELOPMENT RIGHTS AND OBLIGATIONS

### A. Grant of Rights.

1. Subject to the terms and conditions of this Agreement, including the rights that Company expressly reserves in the Development Territory, Company hereby grants to Developer, and Developer hereby accepts, the exclusive right to open and operate the number of Shoot 360 Gyms in the Development Territory equal to the Development Quota shown on **Exhibit A**, each under the terms of a separate Franchise Agreement. Subject to Company's reserved rights and provided that Developer is not in default under this Agreement, Company agrees not to directly or indirectly operate, or grant any other person the right to operate, a Shoot 360 Gym that is physically located in the Development Territory during the Development Term.

2. Developer is solely responsible for planning its development activities to allow sufficient time to secure approval of an Approved Location for each Shoot 360 Gym in the Development Quota, execute a lease for the Approved Location, and complete the build-out and development of each Gym in accordance with the requirements of the Franchise Agreement in order to open each Gym in the Development Quota by no later than the Development Deadlines shown on **Exhibit A**.

**B. Development Territory.**

1. The designation of a Development Territory does not give Developer the right to object to Company's award of franchises to others for locations outside the Development Territory, regardless of how close another Shoot 360 Gym may be located to the boundaries of the Development Territory or whether a portion of the development territory overlaps with your Development Territory. The significance of designating a Development Territory is solely to indicate that the ~~geographic area within which~~ Company will not open or operate, or grant others the right to open or operate, a Shoot 360 Gym that is physically located in the Development Territory, subject to the exclusions and reserved rights set forth in this Agreement and in any Franchise Agreement.

2. The designation of a Development Territory does not give Developer the right to use the Licensed Marks in the Development Territory or market or advertise its Gym in media that circulates, broadcasts or otherwise is directed to or accessible by persons in the Development Territory. The designation of a Development Territory is not a guaranty that the Shoot 360 Gyms that Developer opens and operates in the Development Territory will achieve a minimum level of Gross Revenue or be successful or profitable.

3. Once the Development Term ends, the Development Territory shall have no relevance. The only relevant territory once the Development Term ends will be the Protected Area that is assigned to an individual Shoot 360 Gym and any First Right Territory designated in any of the Franchise Agreements to be executed by Developer.

**C. Company's Reserved Rights.**

1. Company reserves to itself and its Affiliates all rights that it does not award to Developer. Developer understands that its right to develop Shoot 360 Gyms in the Development Territory is subject to Company's reserved rights described in this Section. Without limiting the foregoing, during the Development Term, Company and its affiliates retain all other rights with respect to the Licensed Marks and the Shoot 360 System, including the right to, directly or indirectly through other franchisees or licensees, without prior notice or compensation to or consent of Developer:

(a) own and operate, and to license or franchise others to operate, Shoot 360 Gyms outside the Development Territory;

(b) own and operate, and to license or franchise others to operate, businesses under other names, trade names, trademarks or service marks inside or outside the Development Territory;

(c) use, and award licenses to third parties to use, the Licensed Marks and Shoot 360 System in rendering services to: (i) any professional basketball league, professional basketball team, or development team that is owned by a professional team for

purposes of training league or team players; and (ii) any school or university with regards to prospective and existing student programs. This includes the right to open and operate, directly or through a licensee, a Shoot 360 Gym anywhere in the Development Territory for the benefit of the parties described in (i) and (ii) above;

(d) use, and award licenses to third parties to use, the Shoot 360 System in connection with operating a business under the Licensed Marks, or some other name and logo that we select in our sole discretion, incorporating Basketball Training Equipment with a food and beverage menu and/or basketball tournaments or other competitive events to attract customers primarily interested in a social, entertainment, or competitive experience and not basketball skills performance training;

(e) use all, or parts, of the Shoot 360 System and to exploit the Licensed Marks in any manner, method or channel of distribution;

(f) service National Accounts;

(g) acquire a chain of competitive businesses ~~with three or more locations operating under a common trade name and method of operation~~, and convert any of the chain's locations to a Shoot 360 Gym operated by Company, its affiliate, a franchisee, or the previous owner;

(h) advertise the Licensed Marks and Shoot 360 System to any person anywhere, including in the Development Territory;

(i) purchase or be purchased by, or merge or combine with, competing businesses, wherever located; and

(j) offer and sell the same or similar items that now or in the future are offered for sale at Shoot 360 Gyms, through any other existing or future retail or wholesale channel of distribution (for example, via the Internet, e-mail, digital cellular networks, retail stores, mobile services and/or digital subscription plans) to athletes and customers located anywhere, including in the Development Territory, under the Licensed Marks or under any other names, trade names, trademarks or service marks.

2. Company has no obligation to share with Developer any revenue or profits that Company earns from engaging in reserved activities in the Development Territory.

**D. Development Rights Subject to Financial Verification.**

1. Concurrently with the execution of this Agreement, the parties shall sign the Franchise Agreement for the first Gym in the Development Quota, in the form attached as **Exhibit B.**

2. In conjunction with Developer's request for approval of a site as an Approved Location for a Gym, Company may require that Developer and each of its owners provide Company with their current financial statements, budgets and other information to demonstrate to Company's reasonable satisfaction that Developer has access to sufficient capital to complete the development and opening of the proposed new Gym without undue risk of impairment to Developer's ability to continue to support the operations of the other Gyms, if any, that are then open or under development. Company may choose to disapprove a

proposed site and not offer Developer a license for an additional Gym if, based on the financial and other information supplied by Developer, Company determines that Developer does not have access to sufficient capital to complete the development, opening and operation of the proposed new Gym without undue risk of impairment to Developer's ability to continue to fulfill its obligations with respect to the other Gyms in the Development Territory, if any, that are then open or under development.

E. Exclusions.

1. Company grants Developer no rights other than the rights expressly stated in this Agreement.

2. Nothing in this Agreement gives Developer the right to use, or sublicense to others the use of, the Licensed Marks or Shoot 360 System.

3. Nothing in this Agreement gives Developer the right to object to Company's grant of franchises to others for locations outside of the Development Territory.

4. Nothing in this Agreement gives Developer an interest in Company or the right to participate in Company's business activities, investment or corporate opportunities.

F. Development Fee.

1. Upon execution of this Agreement, Developer shall pay Company a non-refundable development fee equal to the sum of \$\_\_\_\_\_ ("**Development Fee**"), representing the Initial Franchise Fee for each of the Shoot 360 Gyms in the Development Quota, plus \$250,000 as a deposit toward the Shoot 360 Package Price for the first Gym in the Development Quota. The Development Fee calculation assumes that Developer will meet Company's requirements to qualify for the reduced Initial Franchise Fee beginning with the fifth Franchise Agreement.

(a) Company will credit \$60,000 of the Development Fee to the Initial Franchise Fee payable under the first Franchise Agreement, which the parties will execute concurrently with the execution of this Agreement. When Developer obtains Company's approval of a proposed site for the first Gym, Developer shall pay Company the Shoot 360 Package Price for the first Gym, less the \$250,000 deposit paid as part of the Development Fee (which will be credited toward the Shoot 360 Package Price upon site approval).

(b) Company will credit the Development Fee amount shown on Exhibit A for each subsequent Gym in the Development Quota toward the Initial Franchise Fee for that Gym when Developer obtains Company's approval of a proposed site, executes the Franchise Agreement and pays Company the 50% down payment on the Shoot 360 Package Price for that Gym. If, at that time, Developer does not meet Company's requirements to qualify for the reduced Initial Franchise Fee, then, at the execution of the Franchise Agreement, Developer shall also pay Company the remaining balance of the undiscounted Initial Franchise Fee payable under the then-current Franchise Agreement.

2. The Development Fee and the balance of any Initial Franchise Fee that is paid to Company pursuant to this Agreement or a Franchise Agreement shall be fully earned by Company when paid, regardless of the number of Gyms that Developer actually opens for business or the length of time each franchised Gym continues in operation.

3. If this Agreement terminates based upon Developer's default before expiration of the Development Term, Developer shall have no right to recover from Company, directly or indirectly, any portion of the unused Development Fee. Developer acknowledges and agrees that the parties' execution of this Agreement and Company's agreement to forego other development opportunities in the Development Territory while this Agreement is in effect is adequate consideration for Developer's payment of the Development Fee, which is fully earned by Company upon the parties' execution of this Agreement and is not refundable under any circumstance.

G. Initial Training; Certified Trainer Program.

1. Developer understands and agrees that Company will deliver the initial training program described in the Franchise Agreement in connection with Developer's first four Shoot 360 Gyms. The discounted Initial Franchise Fees for the fifth and subsequent Gyms included in the Development Fee calculation assume that Developer's Certified Trainer will provide the initial training program for those Gyms. In the event that Developer does not have a Certified Trainer or Developer's Certified Trainer does not conduct the initial training for any of the fifth and subsequent Gyms, for each such location, Developer shall pay Company the full undiscounted Initial Franchise Fee, and Company will provide the initial training program.

2. Before Developer signs the Franchise Agreement for its fifth Shoot 360 Gym, Developer shall designate one of its management-level employees who must complete Company's "train-the-trainer" instructional course, which Company, as of the Effective Date, intends to deliver primarily using various methods of self-directed on-line tutorials. The manager whom Developer designates to complete Company's "train-the-trainer" program must have at least 12 months of management-level experience working at one of Developer's operating Shoot 360 Gyms. Company's "train-the-trainer" program is designed to teach a member of Developer's management team the skills that Company teaches during Company's mandatory initial training program so that Developer's Certified Trainer assumes responsibility for delivering training to Developer's managers and employees who will work at the fifth and subsequent Shoot 360 Gyms and employees whom Developer hires to work at Shoot 360 Gyms after Company has delivered the initial training program for those Shoot 360 Gyms. Company will not charge a fee to deliver the "train-the-trainer" course, but Developer is solely responsible for the salary and expenses of its manager who completes the "train-the-trainer" course, which will not exceed 40 hours in duration.

3. After Developer's manager completes the "train-the-trainer" course, Company will conduct an in-person evaluation of the manager at one of Developer's operating Shoot 360 Gyms in order to observe the manager's delivery of training of Developer's newly-hired employees. If Company is satisfied in its sole discretion with the manager's competency to teach Developer's employees about the Shoot 360 System standards and requirements applicable to their job duties, the manager will earn the designation as a "Certified Trainer." Developer's Certified Trainer is not eligible to train the employees of Company's other franchisees. Due to the demands on Developer's Certified Trainer's time to be available to train Developer's newly hired staff, Developer's Certified Trainer may not also serve as the designated manager of one of Developer's Shoot 360 Gyms.

4. A Certified Trainer must be able to teach in all material respects the then-current training curriculum that Company's teaches during mandatory initial training to new Shoot 360 Gym franchisees. Company shall provide Developer's Certified Trainer with access to any new training materials or curriculum that Company may develop for its initial training

program at no charge so that they can incorporate the updated material and curriculum into their own training programs. Company may require that a Certified Manager complete annual refresher training in order to maintain their certification. Company may modify the minimum requirements for maintaining Certified Trainer status at any time upon not less than 30 days' written notice, but will give Developer's Certified Trainer a reasonable amount of time to meet the new requirements.

5. At any time, Company may require that Developer's Certified Trainer complete additional "train-the-trainer" training at Developer's sole expense if Company's compliance audits reveal questions about the manager's competency as a training instructor.

6. Company may revoke a manager's standing as a Certified Trainer if (i) Developer fails to achieve a passing grade in an inspection conducted at any one of Developer's Shoot 360 Gyms; (ii) Company determines in its sole discretion that Developer's manager is not effectively teaching Company's curriculum; (iii) the manager who completes Company's "train-the-trainer" instructional course is no longer employed by Developer for any reason; or (iv) Developer commits a breach of this Agreement or any Franchise Agreement for which Company issues a notice of default, even if the grounds of default cited in the notice are identified as a curable default and the cure period has not yet expired or even if Developer cures the default in a timely manner. If revocation is due to Developer's breach of this Agreement or a Franchise Agreement and Developer cures the breach, Developer may apply to have the manager's Certified Trainer status reinstated, which Company may condition on the manager submitting to a new in-person evaluation to demonstrate their teaching competency, which the manager must complete to Company's satisfaction.

#### H. Development Rights Following Expiration or Termination.

1. The parties agree that once the Development Term expires or this Agreement is terminated, whichever occurs first, Company shall have the complete and unrestricted right to open, or award franchises to third parties to open, Shoot 360 Gyms anywhere in the Development Territory outside of any Protected Area that Company assigns to Developer's Gyms under a Franchise Agreement, if the Gym is then-operating or in a stage of development where the Approved Location of the Gym has already been determined and a Protected Area has been designated by Company.

2. Other than allowing Developer to relocate an Approved Location with Company's prior written approval in accordance with the procedures in the Franchise Agreement, Developer understands and agrees that once the Development Term expires or this Agreement is terminated, whichever occurs first, Company shall have no obligation to offer Developer any further development or licensing rights or approve Developer's request to open a Gym to replace a Gym that Developer permanently closes for any reason.

### III. GYM DEVELOPMENT

A. Selection of Approved Location. Developer shall locate each Shoot 360 Gym in the Development Territory at an Approved Location according to Company's then-current site selection criteria and site approval procedures. Once the Approved Location is identified, Company shall assign each Gym a Protected Area in accordance with the Franchise Agreement.

B. Lease and Assignment of Lease. Before entering into a lease for the Approved Location, Developer must secure Company's approval of the lease and the addendum to lease documents in accordance with the Franchise Agreement procedure, and submit a true and correct copy of the fully executed lease and addendum documents after Developer and the landlord execute them. The addendum to lease must be in the form attached to the Franchise Agreement.

C. Execution of Franchise Agreement.

1. With the exception of the Franchise Agreement for the first Gym, which the parties will execute concurrently with the execution of this Agreement, the parties will execute a separate Franchise Agreement for each remaining Gym in the Development Quota in accordance with this Section.

2. Following Company's written approval of the Approved Location, Company will promptly send Developer a copy of the Franchise Agreement for Developer's execution, which shall identify the street address of the Approved Location and Protected Area that Company will assign to the Approved Location. Developer shall have 15 days after receiving the Franchise Agreement in which to deliver a properly executed Franchise Agreement together with payment in full of the balance of the Initial Franchise Fee for the particular Franchise required by this Agreement. The Effective Date of the Franchise Agreement shall be the date that the Franchise Agreement is counter-signed by Company.

3. Developer's failure to execute and deliver the Franchise Agreement within 15 days after Company delivers them to Developer for execution shall be deemed a material breach of this Agreement and grounds for termination of the Agreement. Developer may not begin construction and build-out of the new Approved Location before executing the Franchise Agreement. Once the parties execute the Franchise Agreement for an Approved Location, the parties' relationship and mutual rights and obligations as to the construction, development, ownership and operation of a Gym at that site shall be exclusively governed by the Franchise Agreement, as it may be amended.

D. Manager. Developer must designate a different person as the manager of each Shoot 360 Gym that Developer opens pursuant to its multi-unit development rights. Developer must enroll each manager in Company's initial training program, and the designated manager must successfully complete initial training before the Gym's Opening Date in accordance with the Franchise Agreement. Developer may not designate the same person as the manager of more than one Shoot 360 Gym at any time without Company's prior written approval.

E. Closures.

1. During the Development Term, if a Gym closes for any reason not involving Developer's breach of the Franchise Agreement or lease after it has been opened for a period long enough, or under circumstances, for Company reasonably to believe the closure is permanent, and as a result of the closure Developer falls below the Development Quota applicable at the time of the closure, Developer shall have 30 days after the closure to present Company with a business plan for reopening a replacement Gym.

2. Company shall have 30 days after receipt of Developer's business plan to approve or disapprove it in Company's sole discretion. Developer's failure to submit a business plan within the 30 day period shall signify Developer's decision not to open a replacement Gym

and its willingness to risk the termination of this Agreement based on its falling below the Development Quota. If Developer submits a business plan and Company fails to issue written approval within 30 days after receipt, Company shall be deemed to have rejected the business plan and the parties shall thereafter, for the next 30 days, negotiate in good faith to determine if there is any basis for mutually agreeing to a business plan allowing Developer to open a replacement Gym.

3. If the parties mutually agree to a business plan, they shall memorialize their agreement in writing and Developer shall thereafter open a replacement Gym in the Development Area by a mutually-agreed upon Development Deadline at a location approved by Company pursuant to the site approval procedures in this Agreement. A closure will not extend any remaining Development Deadlines or reduce the Development Quota stated in this Agreement.

~~4. During the period of closure until the substitute Gym commences operating, Company may require Developer, upon reasonable notice, to pay to Company the Monthly Training Unit Fee for the closed Gym, on or before the date that the Monthly Training Unit Fee is required to be paid under the Franchise Agreement, equal to the average Monthly Training Unit Fee paid by Developer during the six (6) months immediately preceding the date that operations cease or the shorter period that Developer has been in business. For the sake of clarity, this provision shall only apply during the Development Term for the purpose of enabling Developer to preserve its remaining unexpired development rights if a Gym closes during the Development Term and causes the number of open and operating Shoot 360 Gyms in the Development Territory to fall below the Development Quota applicable at the time of the closure. Otherwise, Developer's desire to relocate a Shoot 360 Gym shall be subject to the provisions in the applicable Franchise Agreement addressing relocation.~~

~~4.~~ ~~5.~~ If an event of Force Majeure materially threatens or prevents Developer from meeting a Development Quota by the applicable Development Deadline, Company shall extend the remaining Development Deadlines for an amount of time that Company believes is reasonable under the circumstances. Alternatively, in Company's discretion, Company may reduce the aggregate Development Quota.

#### IV. NO LICENSE OF MARKS OR SYSTEM

Developer acknowledges that this Agreement is not a franchise agreement and does not grant Developer any right to use the Licensed Marks or the Shoot 360 System. Developer's right to use the Licensed Marks and the Shoot 360 System, if any, is derived solely from each Franchise Agreement that may be entered into pursuant to this Agreement.

#### V. DEVELOPER'S TIME, ATTENTION AND BEST EFFORTS

Developer shall devote sufficient time and attention and its best efforts to meet its development obligations under this Agreement.

#### VI. DEFAULT AND TERMINATION

##### A. Events Resulting in Termination by Company.

1. Company may terminate this Agreement, in its discretion and election, effective immediately upon Company's delivery to Developer of written notice of termination

specifying the basis for the termination, and without any opportunity to cure, based on the occurrence of any of the following events:

(a) Developer fails to satisfy any Development Quota by the applicable Development Deadline.

(b) Developer fails or refuses to pay, on or before the date payment is due, the balance of the Initial Franchise Fee that is payable when Developer executes a Franchise Agreement, and the default continues for a period of 10 days after written notice of default is given by Company to Developer.

(c) Developer makes any general arrangement or assignment for the benefit of creditors or becomes a debtor as that term is defined in 11 U.S.C. § 1101 or any successor statute, unless, in the case where a petition is filed against Developer, Developer obtains an order dismissing the proceeding within 60 days after the petition is filed; or a trustee or receiver is appointed to take possession of all, or substantially all, of Developer's assets, unless possession of the assets is restored to Developer within 60 days following the appointment; or all, or substantially all, of Developer's assets are subject to an order of attachment, execution or other judicial seizure, unless the order or seizure is discharged within 60 days following issuance.

(d) Developer, or any duly authorized representative of Developer, makes a material misrepresentation or omission in obtaining the development rights granted by this Agreement, or Developer, or any officer, director, owner, managing member, or general partner of Developer, is convicted of or pleads no contest to a felony charge or engages in any conduct or practice that, in Company's reasonable business judgment, reflects unfavorably upon or is detrimental or harmful to the good name, business, goodwill or reputation of Company or the Shoot 360 System.

(e) Company terminates any Franchise Agreement between Developer (or its Affiliate) and Company in accordance with its terms based on a material breach of the Franchise Agreement by Developer, even if, after the termination, the number of operating Shoot 360 Gyms in the Development Territory remains equal to or greater than the Development Quota at that time.

(f) Developer fails to comply with the conditions in this Agreement applicable to a Transfer.

(g) If Developer is a business entity, an order is made or resolution passed for the winding-up or the liquidation of Developer; or Developer adopts or takes any action for its dissolution or liquidation.

(h) Developer fails to comply with applicable law within ten (10) days after being notified of non-compliance.

(i) Developer violates any covenant in any Franchise Agreement pertaining to use of Confidential Information.

(j) Developer materially misuses or makes an unauthorized use of any of the components of the Shoot 360 System or commits any other act that does, or can reasonably be expected to, impair the goodwill or reputation associated with any aspect of the Shoot 360 System.

(k) After curing any default under this Agreement, Developer engages in the same noncompliance, whether or not the subsequent default is timely corrected after notice is delivered to Developer, or, alternatively, if on 3 or more occasions within any 24 consecutive months during the Development Term, Developer fails to comply with one or more requirements of this Agreement, whether or not each separate default (which need not be the same act of noncompliance) is timely corrected after notice is delivered to Developer.

(l) Developer fails to comply with any other provision of this Agreement and does not correct the default within 30 days after Company gives Developer written notice of the default specifying the action that Developer must take to cure the default.

**B. Effect of Termination or Expiration.**

1. Upon termination or expiration of this Agreement, each Franchise Agreement then in effect by and between Developer and Company pertaining to a Gym owned by Developer at an Approved Location shall remain in full force and effect, unless, in the case of termination, the grounds upon which termination of this Agreement is predicated also constitute grounds permitting Company to terminate the Franchise Agreement and Company has duly terminated the Franchise Agreement in accordance with its terms.

2. Upon either (i) the termination of this Agreement before the last day of the Development Term, or (ii) the expiration of the Development Term, Developer shall have no further right to develop additional Shoot 360 Gyms in the Development Territory, nor shall Developer have any right to prevent Company, or others, from owning and operating, or granting licenses to others to own and operate, Shoot 360 Gyms in the Development Territory outside of the Protected Area identified in any Franchise Agreement that remains in effect between Company and Developer.

3. In the event of a breach or a threatened or attempted breach of any of the provisions of this Agreement, Company shall be entitled to exercise all remedies available under applicable law in addition to the remedies set forth in this Agreement, including preliminary injunctive or other equitable relief without the requirement that Company post bond or comparable security.

4. In any proceeding in which the validity of termination of this Agreement is at issue, Company shall not be limited to the reasons set forth in any notice of termination or default given to Developer.

5. Developer shall immediately cease using and return to Company all documents and confidential or proprietary materials provided to Developer pursuant to this Agreement, and shall retain no copy or record of the foregoing, unless use of the materials is expressly authorized by a Franchise Agreement that remains in full force and effect.

6. Upon request of Company, Developer shall promptly execute and deliver a general release, in form satisfactory to Company, of any and all claims against Company and its officers, directors, shareholders, employees and agents.

## VII. TRANSFER

### A. Assignment or Delegation of Duties by Company.

1. Developer acknowledges that Company maintains a staff to manage and operate the Shoot 360 System and that staff members can change from time to time. Developer represents that it has not signed this Agreement in reliance on any shareholder, director, officer, or employee remaining with Company in that capacity. Company is free to transfer and assign all of its rights under this Agreement to any person or business entity without prior notice to, or consent of, Developer if the assignee agrees in writing to assume Company's obligations under this Agreement. Upon the assignment and assumption, Company shall have no further obligation to Developer.

2. In addition to Company's right to assign this Agreement, Company has the absolute right to delegate performance of any portion or all of its obligations under this Agreement to any third-party designee of its own choosing, whether the designee is Company's Affiliate, agent or independent contractor. In the event of a delegation of duties, the third-party designee shall perform the delegated functions in compliance with this Agreement. When Company delegates its duties to a third party (in contrast to when Company transfers and assigns all of its rights under this Agreement to a third party that assumes Company's obligations), Company shall remain responsible for the performance of the third-party to whom Company's duties are delegated.

### B. Transfer by Developer.

1. The parties hereby incorporate by reference the definitions, terms and conditions in the Franchise Agreement that apply to a Transfer with the express intention of having all of them apply to a Transfer of Developer's rights and obligations under this Agreement understanding that references in the Franchise Agreement to "you" and "your" shall mean Developer. The parties agree to be bound by the definitions, procedures, terms and conditions with respect to any Transfer that Developer wishes to complete or attempts to complete including the provisions pertaining to Company's right of first refusal.

2. Developer understands and agrees that the rights awarded by this Agreement are personal and are awarded in reliance upon, among other considerations, the individual or collective character, skill, aptitude, attitude, experience, business ability and financial condition and capacity of Developer and, if Developer is a business entity, that of its officers, directors, owners, LLC managing members, trustees, and partners. It shall be a material breach of this Agreement for Developer to (i) complete, or attempt to complete, a Transfer of this Agreement without complying with the requirements of this Agreement; (ii) subdivide or attempt to subdivide the Development Territory; or (iii) sublicense or assign all or part of Developer's right, title and interest under the Agreement and not Developer's entire right, title and interest in accordance with the Transfer procedures.

3. Developer understands and agrees that Company may withhold its consent to a Transfer of this Agreement unless Developer agrees to sell and assign to the same proposed transferee as part of the same Transfer transaction all right, title and interest in and to (i) this Agreement; and (ii) at least one Franchise Agreement then in effect by and between Company and Developer or Developer's Affiliate together with the other assets of the particular Gym governed by that Franchise Agreement even if the Gym has not yet opened for business.

4. Developer shall pay Company a Transfer Fee of \$10,000 in full when Developer applies for consent to complete a Transfer that involves this Agreement (reduced to \$5,000 if the proposed transferee is an existing Shoot 360 franchisee in good standing). Developer understands and agrees that a separate Transfer Fee is payable for each Gym when a Transfer involves the transfer of one or more Franchise Agreements to the same buyer. The Transfer Fee is fully-earned when paid. However, Company will refund the Transfer Fee less \$2,500 if Company determines that the proposed transferee does not meet Company's then-current qualifications for area developers or new Shoot 360 franchisees and refuses to consent to the proposed Transfer or the proposed Transfer fails to close for any other reason.

## VIII. RELATIONSHIP OF PARTIES; INDEMNIFICATION

A. Independent Contractor. This Agreement does not create a fiduciary relationship between the parties, nor does it make either party a general or special agent, joint venturer, partner or employee of the other for any purpose. With respect to all matters, the Developer relationship to Company is as an independent contractor. Developer acknowledges that it is the independent owner of the rights granted by this Agreement and shall conduct its business using its own judgment and discretion, subject only to the provisions of this Agreement. Developer shall conspicuously identify itself in all advertising and all dealings with guests, suppliers and other third parties as the owner of the Gym operating under a license from Company.

B. Indemnification by Developer.

1. Developer shall indemnify and hold Company, Company's Affiliates and their respective officers, directors, shareholders, employees, agents, successors and assigns, harmless from and against any and all costs, expenses, losses, fines, penalties, liabilities, damages, causes of action, claims and demands whatsoever, arising from or relating to Developer's activities conducted pursuant to this Agreement, whether or not arising from bodily injury, personal injury or property damage, infringement, or any other violation of the rights of others, or in any other way, subject to the provisions of this Agreement.

2. Company shall have the right to retain its own counsel to defend any third-party claim asserted against it which is covered by this indemnification agreement.

3. Developer's indemnification and defense obligations shall survive the expiration, termination or assignment of this Agreement for any reason.

4. Developer's indemnification obligations shall extend, without limitation, to (i) all claims for actual, consequential and punitive damages; (ii) claims for lost profits; (iii) costs of investigation; (iv) costs and expenses incurred in defending any claim within the scope of Developer's indemnification including attorneys and other professional fees, court costs, and travel and living expenses necessitated by the need or desire to appear before (or witness the proceedings of) courts or tribunals (including arbitration tribunals), or government or quasi-governmental entities (including those incurred by Company's attorneys, experts and advisors); (v) costs and expenses for any recalls, refunds, compensation or public notices; (vi) claims based on alleged "vicarious," "principal/agent," "joint employer," or other legal theories as a result of Company's status as franchisor; and (vii) costs and expenses that Company or any of the indemnified parties incur as a result of any litigation or insolvency proceedings involving Developer (whether or not Developer is a party in the proceeding).

5. The scope of Developer's indemnification obligations shall apply regardless of whether a claim brought against Company, Company's Affiliates or any of the indemnified individuals is reduced to final judgment or results in settlement. The indemnified parties shall have the right to retain their own counsel to defend any third party claim which is covered by this indemnification agreement. The scope of Developer's indemnification obligations shall not be limited by decisions that an indemnified party makes in connection with their defense.

6. If a final judgment results in a finding that an indemnified party's liability is due to the indemnified party's gross negligence, willful misconduct or criminal acts, any costs or expenses paid or incurred by Developer pursuant to Developer's indemnification obligation shall promptly be reimbursed in full by the indemnified party to Developer except to the extent that the final judgment finds Developer jointly liable, in which event Developer's indemnification obligation will extend to any finding of Developer's comparative or contributory negligence.

7. Developer shall give Company written notice of any claim, matter, inquiry or investigation that could be the basis for a claim for indemnification promptly after Developer has actual knowledge or is deemed to have constructive knowledge of the claim, matter, inquiry or investigation. Developer shall fully cooperate with Company in connection with Company's handling of the claim, matter, inquiry or investigation. Company shall have no duty to seek recovery from third parties to mitigate its losses or reduce Developer's liability under its indemnification obligation.

8. Developer's indemnification obligations shall survive the expiration, termination or a Transfer of this Agreement.

C. Security Interest. To secure Developer's performance under this Agreement, Developer hereby grants to Company a security interest in and to Developer's contract rights under this Agreement Company may record appropriate financing statements to protect and perfect Company's rights as a secured party under applicable law. Except with Company's prior written consent, which Company shall not unreasonably withhold, it shall be a breach of this Agreement for Developer to grant another person a security interest in Developer's contract rights as a Developer even if subordinate to Company's security interest.

## IX. DISPUTE RESOLUTION

The parties hereby incorporate by reference the dispute resolution procedures in the Franchise Agreement including the provisions regarding mediation with the understanding that references in the Franchise Agreement to "you" and "your" shall mean Developer. The parties agree to be bound by those dispute resolution procedures, terms and conditions with respect to any dispute that may arise between them out of or pertaining to this Agreement, the relationship created by this Agreement or an alleged breach of this Agreement.

## X. REPRESENTATIONS BY DEVELOPER

Developer, in order to induce Company to enter into this Agreement, acknowledges, agrees, and represents to Company as follows:

A. Acceptance of Conditions. Developer has read this Agreement and Company's Franchise Disclosure Document and understands and accepts the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain Company's

standards of service and quality and to protect and preserve Company's rights in the Shoot 360 System and the goodwill of the Licensed Marks.

B. Independent Investigation. Developer has conducted an independent investigation of the business contemplated by this Agreement. Developer recognizes that the Shoot 360 System may evolve and change over time and that Company may impose change to the Shoot 360 System that Company believes, in its sole discretion, will benefit Shoot 360 Gyms generally and strengthen consumer awareness of, and confidence in, the Licensed Marks. Developer is aware that Company cannot predict the nature of future changes to the Shoot 360 System or the amount of Developer's future investment to adopt future changes.

C. No Representations. No person acting on Company's behalf has made any representations or promises to Developer that are not contained in this Agreement, including representations or promises about actual or potential sales, earnings, gross profits or net profits that Developer can expect to earn. No representations have been made by Company, Company's Affiliates or their respective officers, directors, shareholders, employees or agents that are contrary to statements made in the Franchise Disclosure Document previously received by Developer or to the terms contained in this Agreement.

D. Signatory Status. The person executing this Agreement as or on behalf of Developer, and each Personal Guarantor, is a United States citizen or a lawful resident alien of the United States.

E. Status of Developer. If Developer is a business entity, Developer understands that it is a material obligation of this Agreement that it remain duly organized and in good standing for as long as Developer is a party to this Agreement.

F. Application and Financial Information. All financial and other information provided to Company in connection with Developer's application is true and correct, and no material information or fact has been omitted that is necessary in order to make the information disclosed not misleading.

G. Developer's Owners. **Exhibit E** is a true and correct list of Developer's owners and their ownership interest as of the Effective Date. During the Term, Developer will notify Company of all changes to **Exhibit E** promptly after they occur (whether the change involves adding new owners, deleting owners, updating the percentage ownership interest of Developer's owners, or making other changes to **Exhibit E**).

H. Anti-Terrorism Representations. Neither Developer's assets nor the assets of any person executing this Agreement as, or on behalf of, Developer, are subject to being blocked under any Anti-Terrorism Laws. Furthermore, Developer is not otherwise in violation of applicable law including Anti-Terrorism Laws. Additionally, Developer agrees to comply with and assist Company to the fullest extent possible in Company's efforts to comply with Anti-Terrorism Laws. Any violation of, or "blocking" of assets under, any Anti-Terrorism Laws shall constitute a material breach of this Agreement and grounds for immediate termination without an opportunity to cure.

## XI. MISCELLANEOUS

### A. Notices.

1. All notices required or permitted to be given to either party hereunder shall be in writing and shall be deemed duly given if property addressed on the earlier of (i) the date when delivered by hand; (ii) the date when delivered by e-mail if confirmation of transmission is received or can be established by the sender; (iii) one business day after delivery to a reputable national overnight delivery service; or (iv) five calendar days after being placed in the United States Mail and sent by certified or registered mail, postage prepaid, return receipt requested. Notices shall be directed to the same address for a party required by the Franchise Agreement. Either party may change its address for receiving notices by giving appropriate written notice to the other. All communications required or permitted to be given by a party in writing may be given electronically to the party's designated e-mail address if the Franchise Agreement permits notice by email.

2. All payments required to be delivered to Company shall be directed to Company at the above address or to an electronic address or account otherwise designated by Company. Notwithstanding the parties' agreement regarding when notices shall be deemed to be given, any required payment or report not actually received by Company on the date it is due shall be deemed delinquent.

B. Time of the Essence. Time is of the essence of this Agreement with respect to each and every provision of this Agreement in which time is a factor.

C. Waiver. Any waiver granted by Company to Developer excusing, reducing or extending any obligation or restriction imposed under this Agreement shall be in writing and shall be effective upon delivery of such writing by Company to Developer or upon such other effective date as specified in the writing, and only to the extent specifically allowed in such writing. No waiver granted by Company, and no action taken by Company, with respect to any third party shall limit Company's right to take action of any kind, or not to take action, with respect to Developer. Any waiver granted by Company to Developer shall be without prejudice to any other rights Company may have. The rights and remedies granted to Company are cumulative. No delay on the part of Company in the exercise of any right or remedy shall operate as a waiver thereof, and no single or partial exercise by Company of any right or remedy shall preclude Company from fully exercising such right or remedy or any other right or remedy. Company's acceptance of any payment from Developer after a breach of this Agreement shall not be, nor be construed as, a waiver by Company of any breach by Developer of any term, covenant or condition of this Agreement.

D. Section Headings: Language. The Section headings used in this Agreement are inserted for convenience only and shall not be deemed to affect the meaning or construction of any of the terms, provisions, covenants or conditions of this Agreement. The language used in this Agreement shall be construed according to its fair meaning and not strictly for or against Company or Developer. Singular usage includes the plural, and masculine, feminine and neuter usages include one another. The term "Developer" as used herein may include one or more persons or business entities. If two or more persons are at any time the Developer hereunder, whether or not as partners or joint venturers, their obligations and liabilities to Company shall be joint and several. The words "include" and "including" mean in each case "without limitation." Nothing in this Agreement is intended, nor shall it be deemed, to confer any rights or remedies upon any person or business entity not a party hereto.

E. Binding on Successors. The covenants, agreements, terms and conditions contained in this Agreement shall be binding upon, and shall inure to the benefit of, the successors, permitted assigns, heirs and personal representatives of the parties to this Agreement.

F. Validity; Conformity with Applicable Law. Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be valid under applicable law, but if any provision of this Agreement shall be invalid or prohibited under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement. If this Agreement provides for periods of notice less than those required by applicable law, or provide for termination, cancellation, non-renewal or the like other than in accordance with applicable law, such provisions shall be deemed to be automatically amended to conform them to applicable law. If any provision of this Agreement is deemed unenforceable by virtue of its scope in terms of geographic area, business activity prohibited or length of time, but could be made enforceable by reducing any or all thereof, the provision may be modified by a mediator or court so that it may be enforced to the fullest extent permissible under the choice of law adopted by this Agreement or other applicable law.

G. Amendments. No amendment, change, modification or variance to or from the terms and conditions set forth in this Agreement shall be binding on any party unless it is set forth in writing and duly executed by Company and Developer.

H. Withholding of Consent; Company's Business Judgment.

1. Except where this Agreement expressly requires Company to exercise its reasonable business judgment in deciding to grant or deny approval of any action or request by Developer, Company has the absolute right to refuse any request by Developer or to withhold its approval of any action by Developer in Company's sole discretion. Further, whenever the prior consent or approval of Company is required by this Agreement, Company's consent or approval must be evidenced by a writing signed by Company's duly authorized representative unless this Agreement expressly states otherwise.

2. The parties recognize, and any mediator or judge is affirmatively advised, that certain provisions of this Agreement describe the right of Company to take (or refrain from taking) certain actions in its sole discretion and other actions in the exercise of its reasonable business judgment. Where this Agreement expressly requires that Company make a decision based upon Company's reasonable business judgment, Company must consider the best interest of all Gyms using the Shoot 360 System and Company's own business interests. If Company makes a decision reasonably based upon its business judgment, neither a mediator nor a judge shall substitute his or her judgment for the judgment so exercised by Company. The mere fact that one could reach a different decision than the one made by Company is not a basis for finding that Company made its decision without the exercise of reasonable business judgment. Company's duty to exercise reasonable business judgment in making certain decisions does not restrict or limit Company's right under this Agreement to make other decisions based entirely on Company's sole discretion as permitted by this Agreement. Company's sole discretion means that Company may consider any set of facts or circumstances that it deems relevant in rendering a decision.

I. Entire Agreement. This Agreement, including all Exhibits attached hereto, and all agreements or documents that are expressly incorporated herein or made a part hereof, sets

forth the entire agreement between the parties, superseding any and all prior agreements, understandings, and discussions between them pertaining to its subject matter. Nothing in this Agreement is intended to disclaim any representation made in Company's Franchise Disclosure Document.

J. Force Majeure.

1. Neither party is responsible for any failure to perform its obligations under this Agreement if and to the extent that its performance is prevented or delayed due to any of the following events not caused by Developer or its owners or agents (each an event of "**Force Majeure**"): (a) a fire, earthquake, natural disaster, or act of god; (b) any act of declared or undeclared war, terrorism, riot, or insurrection, or any nuclear, biological, chemical, or similar attack; (c) an epidemic, pandemic, or other public health or safety emergency; (d) material shortages or rationing; (e) failure or disturbance in transportation, communication, or similar vital infrastructure; (f) a strike, lockout or other labor dispute or action; (g) any action by a civil or military authority in response to any of the foregoing; or (h) any other similar cause that is not within the control of the party whose performance is required. [Notwithstanding anything set forth in this Agreement to the contrary, an event of Force Majeure shall not apply to any payment obligations of a party hereunder.](#)

2. The party whose performance is prevented or delayed shall use its reasonable efforts to mitigate the effect of the event of Force Majeure on its performance. Upon completion of the event of Force Majeure, the party whose performance was affected must resume the performance of its obligations under this Agreement as soon as reasonably practicable. An event of Force Majeure does not relieve a party from liability for an obligation that arose before the onset of the event of Force Majeure.

3. When an event of Force Majeure occurs before the expiration of the Development Term, Developer may apply to Company for a reasonable extension of time in which to perform its remaining duties under this Agreement. Company agrees to extend the Development Term and each of the then-remaining Development Deadlines for a reasonable period of time that is equivalent to the period of Force Majeure during which Developer has been prevented from performing its duties. Company shall notify Developer of the new expiration date of the Development Term and each remaining Development Deadline in writing and the writing shall operate as an amendment of this Agreement.

K. Consent of Spouse. If Developer is a business entity, the spouse of each Guarantor shall execute a Consent of Spouse in the form of **Exhibit D**. If Developer is an individual, Developer's spouse shall execute a Consent of Spouse in the form of **Exhibit D**.

L. Effectiveness. This Agreement shall become effective only upon execution by both Company and Developer.

M. Further Assurances. Each party agrees to execute and deliver such additional documents and instruments and to perform such additional acts as may be necessary or appropriate to effectuate, carry out and perform the terms, provisions and conditions of this Agreement.

N. Survival. All obligations in this Agreement that expressly, or by their nature, survive the expiration or termination of this Agreement shall continue in full force and effect after expiration or termination.

O. Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, but such counterparts together shall constitute one and the same instrument.

P. Electronic Signatures. The parties accept the use of an electronic signature in lieu of a manual signature and agree that an electronic signature will be binding on a party to the same extent as if the party signed this Agreement manually.

Q. Confidentiality and Public Announcements. In addition to the provisions in this Agreement and the Franchise Agreement regarding Confidential Information, the parties agree that no public announcement or any other disclosure regarding the existence or terms of this Agreement or the Franchise Agreement, the names or any other identifying information regarding the parties or any individual member or owner of a party, or the nature of the parties' negotiations shall be disclosed in any way or made public unless (1) the other party gives its prior written consent; or (2) disclosure is required by applicable law.

*[Signatures on following page]*

IN WITNESS WHEREOF, the parties have executed this Agreement as of its Effective Date.

Company:

SHOOT 360 NATION LLC

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

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

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

Developer:

\_\_\_\_\_

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

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

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

\_\_\_\_\_

**EXHIBIT A**

**DEVELOPMENT TERRITORY, DEVELOPMENT FEE,  
DEVELOPMENT QUOTA AND DEVELOPMENT DEADLINES**

1. DEVELOPMENT TERRITORY

The Development Territory consists of the geographic area described below and/or shown in the map attached to this **Exhibit A**:

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2. DEVELOPMENT FEE CALCULATION

Gym #	Initial Franchise Fee
1	\$60,000
2	\$60,000
3	\$60,000
4	\$60,000
5	\$40,000 (discounted)
6	\$40,000 (discounted)

Upfront Initial Franchise Fees	\$ _____
Deposit on Shoot 360 Package Price for Gym #1	+ \$250,000
<b>Development Fee</b>	\$ _____

3. DEVELOPMENT QUOTA AND DEVELOPMENT DEADLINES

By each Development Deadline in **Column A**, Developer shall (i) open the number of Shoot 360 Gyms in the Development Quota shown in **Column B**; and (ii) have in operation at least the number of Shoot 360 Gyms shown in **Column C**.

A.	B.	C.
Development Deadline	Development Quota	Minimum Number of Gyms Open and Operating

**EXHIBIT B**

**FRANCHISE AGREEMENT**

[ATTACH COPY OF CURRENT FRANCHISE AGREEMENT WITH ALL SCHEDULES]

## EXHIBIT C

### PERSONAL GUARANTY

This Personal Guaranty (“**Guaranty**”) is made as of \_\_\_\_\_, by \_\_\_\_\_, an individual (“**Guarantor**”) in favor of **Shoot 360 Nation LLC**, a Washington limited liability company (“**Company**”).

### RECITALS

A. \_\_\_\_\_ (“**Debtor**”) has applied to acquire the right to develop a number of Shoot 360 Gyms subject to the terms and conditions of a Development Agreement (“**Development Agreement**”) in the form attached to the Franchise Disclosure Document that Company has delivered to Debtor before Debtor’s execution of the Development Agreement.

B. Debtor is a \_\_\_\_\_ duly organized under the laws of the State of \_\_\_\_\_.

C. Company requires that each person owning ~~10% or more of the ownership interests~~ an interest in Debtor execute a copy of this Guaranty in favor of Company, agreeing to personally guarantee Debtor’s obligations under the Development Agreement and to be personally bound by all obligations of Debtor under the Development Agreement.

D. Guarantor owns ~~10% or more of the~~ an ownership ~~interests~~ interest in Debtor.

NOW, THEREFORE, to induce Company to enter into the Development Agreement with Debtor, Guarantor covenants and agrees as follows:

1. Definitions. Guarantor agrees that all capitalized terms in this Guaranty that are not defined in this Guaranty have the meaning given to them in the Development Agreement and agrees that those definitions are incorporated into this Guaranty by this reference. Guarantor represents that it is, or has had the opportunity to become, familiar with the definitions.

2. Personal Guaranty.

a. Guarantor hereby unconditionally and irrevocably guarantees to Company and Company’s Affiliates the full and punctual payment and performance of all present and future amounts, liabilities, duties and obligations of Debtor under the Development Agreement, and any other agreements executed in connection therewith, to Company, Company’s Affiliates, or to their respective successors (collectively, the “**Indebtedness**”).

b. Guarantor specifically agrees to be individually bound by all covenants, obligations, and commitments of Debtor contained in the Development Agreement and any other agreements executed in connection therewith to the same extent as if Guarantor had individually been named as Developer in the Development Agreement and any other agreements executed in connection therewith, and the Guarantor had individually executed the Development Agreement and all such other agreements, if any.

c. ~~b-~~ Debtor’s payments of any Indebtedness will not discharge or diminish Guarantor’s obligations and liability under this Guaranty ~~for any remaining or future Indebtedness.~~

d. ~~e.~~ Guarantor's obligations under this Guaranty are primary obligations of Guarantor.

e. ~~d.~~ If more than one person executes at this Guaranty or another personal guaranty in favor of Company that covers the ~~Indebtedness obligations hereunder~~ or any portion thereof, Guarantor's obligations under this Guaranty are joint and several with the other personal guarantors whether such guarantees are executed simultaneous with, prior to, or after the execution of this Guaranty.

f. ~~e.~~ If Debtor fails to pay or perform any of the Indebtedness, Company may proceed ~~first~~ and directly against Guarantor without first (i) proceeding against Debtor or any other personal guarantor; (ii) exhausting other remedies that Company may have under applicable law; or (iii) taking possession of any collateral pledged as security for the Indebtedness or this Guaranty. Guarantor's obligations to Company under this Guaranty are not subject to any counterclaim, recoupment, set-off, reduction, or defense based on any claim that Guarantor may have against Debtor.

g. ~~f.~~ If Debtor fails to pay the Indebtedness when due for any reason, Company may give written notice demanding payment and Guarantor shall have five days after receiving Company's written demand to pay the entire amount of the Indebtedness then due to Company in immediately available funds to Company at its address specified in the Development Agreement for giving notices to Company. Guarantor will breach this Guaranty if the amount demanded by Company is not received within five days following Guarantor's receipt of Company's written demand. Company's written demand to Guarantor shall not modify the terms of the Development Agreement.

h. ~~g.~~ This Guaranty shall not be affected, impaired, modified, waived or released due to (i) the invalidity or unenforceability of any provision of the Development Agreement; (ii) any bankruptcy, reorganization, dissolution, liquidation or similar proceedings affecting Debtor or its affiliates, or the performance by Debtor of all the provisions of the Development Agreement and any ancillary agreements, nor does the same release the undersigned from being individually bound to perform all covenants, obligations, and commitments of Debtor contained in the Development Agreement or any other agreement to the same extent as if each Guarantor had individually executed the Development Agreement and such other agreement, if any; or (iii) an Event of Transfer by Debtor or other sale or disposition of Debtor's assets. Additionally, none of the following actions will affect, impair, modify, waive, reduce or release Company's rights or Guarantor's obligations or liabilities under this Guaranty: if Company (i) renews, extends or otherwise changes the time or terms for Debtor's payment of the Indebtedness; (ii) extends or changes the time or terms for performance by Debtor; (iii) amends, compromises, releases, terminates, waives, surrenders, or otherwise modifies the Development Agreement; (iv) releases, terminates, exchanges, surrenders, sells or assigns any collateral that Company has accepted to secure Debtor's payment or performance of the Indebtedness; (v) accepts additional property or other security as collateral for any or all of the Indebtedness; (vi) fails or delays to enforce, assert or exercise any right, power, privilege or remedy conferred upon Company under the Development Agreement or applicable law; (vii) consents to Debtor taking certain action or does not object to Debtor taking certain action regarding the Indebtedness; or (viii) applies any payment received from Debtor, or from any other source other than Guarantor, to the Indebtedness in any order that Company elects, which Guarantor acknowledges Company may do under the Development Agreement.

i. ~~h.~~ Guarantor unconditionally waives, to the fullest extent permitted by applicable law, all notices that applicable law may require Company to give to Guarantor in order for Company to enforce its rights under this Guaranty. Guarantor shall not exercise any right to subrogation, reimbursement or contribution against Debtor.

j. ~~i.~~ If Guarantor lends money to Debtor, Guarantor's right to repayment is subordinate to Debtor's obligations to Company.

3. Duration. This Guaranty shall survive termination of the Development Agreement.

4. Financial Information. While the Development Agreement is in effect, Guarantor shall furnish Company with complete personal financial information, including personal tax returns, reasonably promptly following Company's request.

5. Notices. All notices required or permitted under this Guaranty shall be in writing. Notices to Company shall be given as required by the Development Agreement, and notices to Guarantor shall be directed to the address below Guarantor's signature. Notices shall be deemed duly given on the earliest of: (a) the date when delivered by hand; (b) one business day after delivery to a reputable national overnight delivery service; or (c) four business days after being sent by U.S. certified or registered mail, postage prepaid, return receipt requested. A party may change its address for receiving notice by written notice to the other.

6. Guarantor's Personal Contact Information: Guarantor shall notify Company immediately of any changes in its contact information shown below its signature so that Company has current contact information for Guarantor for as long as this Guaranty is in effect.

7. Dispute Resolution. Oregon law will govern the construction, interpretation, validity and enforcement of this Guaranty. Guarantor agrees to resolve any dispute with Company arising out of the interpretation or enforcement of this Guaranty exclusively in the federal or state courts located in Multnomah County, Oregon, and to submit to the jurisdiction of these courts. The prevailing party in a dispute shall be entitled to recover against the other its reasonable attorneys' fees and court costs, in addition to any other relief awarded by the court.

8. Miscellaneous. This Guaranty shall bind Guarantor's personal representatives, heirs and successors and shall inure to the benefit of Company and its successors and assigns. Any waiver granted by Company to Guarantor must be in writing and will be effective upon Company's delivery of the writing to Guarantor or upon the specific effective date specified in the writing, and only to the extent specifically allowed in such writing. No waiver granted by Company shall limit Company's right to take action of any kind, or not to take action with respect to Guarantor. Any waiver granted by Company to Guarantor is without prejudice to any other rights Company may have. No delay on Company's part in exercising any right or remedy shall constitute a waiver by Company, and no partial exercise by Company of any right or remedy shall preclude Company from fully exercising the same or any other right or remedy. This Guaranty may only be amended by a written agreement executed by Company and Guarantor. [This Guaranty shall be a continuing Guaranty and may not be revoked without the prior written consent of Company.](#) Upon request, Guarantor agrees to execute and deliver such additional documents and instruments and to perform such additional acts as may be necessary or appropriate to perform this Guaranty. [This Guaranty shall apply to all agreements referenced in this Guaranty, to the renewal of all such agreements, and to any successor agreements thereto.](#)

IN WITNESS WHEREOF, Guarantor has caused this Guaranty to be duly executed as of the date first written above.

**GUARANTOR:**

\_\_\_\_\_

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

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

\_\_\_\_\_

Telephone: \_\_\_\_\_

Email: \_\_\_\_\_

**EXHIBIT D**

**SPOUSAL CONSENT**

The undersigned represents the following in order to induce Shoot 360 Nation LLC (“**Company**”) to enter into the Development Agreement with Developer:

(1) The undersigned is married to the person identified in Row A below (“**Spouse**”).

(2) Spouse, either alone or with the undersigned, owns ~~10% or more of the ownership interests of~~ an interest in the business entity identified in Row B below (“**Developer**”).

(3) Developer has entered into a Development Agreement with Company on the date shown in Row C below.

(4) In accordance with the terms of the Development Agreement, Spouse has executed a Personal Guaranty of the obligations of Developer in favor of Company.

(5) The undersigned consents to Spouse’s execution of a Personal Guaranty in favor of Company as required by the Development Agreement, and agrees that the actions and the obligations undertaken by Spouse in the Personal Guaranty are binding on the marital community.

The undersigned declares that he or she: (a) has had the opportunity to read the Development Agreement that is the subject of the Personal Guaranty; (b) has had the opportunity to seek the advice of independent counsel before executing this Spousal Consent; and (c) executes this Spousal Consent freely with full understanding of its significance.

<b>Row A – Name of Spouse</b>
<b>Row B – Name of Developer and State of Incorporation or Organization</b>
<b>Row C – Effective Date of Development Agreement</b>

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

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

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

**EXHIBIT E**

**DEVELOPER'S OWNERS AS OF THE EFFECTIVE DATE**

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

Developer business entity name: \_\_\_\_\_

State of Incorporation: \_\_\_\_\_

Owner Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
Spouse Name: \_\_\_\_\_  
Nature of Interests: \_\_\_\_\_  
Nature of Units/Shares Held: \_\_\_\_\_  
Percentage Held: \_\_\_\_\_

Owner Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
Spouse Name: \_\_\_\_\_  
Nature of Interests: \_\_\_\_\_  
Nature of Units/Shares Held: \_\_\_\_\_  
Percentage Held: \_\_\_\_\_

Owner Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
Spouse Name: \_\_\_\_\_  
Nature of Interests: \_\_\_\_\_  
Nature of Units/Shares Held: \_\_\_\_\_  
Percentage Held: \_\_\_\_\_

Owner Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
Spouse Name: \_\_\_\_\_  
Nature of Interests: \_\_\_\_\_  
Nature of Units/Shares Held: \_\_\_\_\_  
Percentage Held: \_\_\_\_\_

Owner Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
Spouse Name: \_\_\_\_\_  
Nature of Interests: \_\_\_\_\_  
Nature of Units/Shares Held: \_\_\_\_\_  
Percentage Held: \_\_\_\_\_

Owner Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
Spouse Name: \_\_\_\_\_  
Nature of Interests: \_\_\_\_\_  
Nature of Units/Shares Held: \_\_\_\_\_  
Percentage Held: \_\_\_\_\_

Owner Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
Spouse Name: \_\_\_\_\_  
Nature of Interests: \_\_\_\_\_  
Nature of Units/Shares Held: \_\_\_\_\_  
Percentage Held: \_\_\_\_\_

Owner Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
Spouse Name: \_\_\_\_\_  
Nature of Interests: \_\_\_\_\_  
Nature of Units/Shares Held: \_\_\_\_\_  
Percentage Held: \_\_\_\_\_

[Add additional rows if needed]

[4895-8103-9289, v. 2](#)  
[4883-2886-7822, v. 2](#)

## EXHIBIT E

### CONFIDENTIALITY AND NON-COMPETITION AGREEMENT

## CONFIDENTIALITY AND NON-COMPETITION AGREEMENT (“AGREEMENT”)

Effective Date of this Agreement: \_\_\_\_\_

WHEREAS, the undersigned: [Complete and check appropriate boxes]

1.  is an employee, officer, director, member, manager, partner or owner of an interest in the equity or voting interests of \_\_\_\_\_, the Franchisee under one or more Franchise Agreements (each the “Franchise Agreement”) with SHOOT 360 NATION LLC (“Company”) granting Franchisee the right to own and operate a Shoot 360 Gym (“Franchised Gym”) on the terms and conditions in the Franchise Agreement.

2.  is not an employee, officer, director, member, manager, partner or owner of Franchisee, but is associated with Franchisee in the following capacity and, based on this association, is required by the Franchise Agreement to execute this Agreement: \_\_\_\_\_ [identify role].

WHEREAS, the undersigned acknowledges that based on the undersigned’s relationship to Franchisee, the Franchise Agreement requires that the undersigned execute this Agreement and the undersigned’s refusal to do so would result in Franchisee being in material breach of the Franchise Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt of which the undersigned acknowledges, the undersigned, having read this Agreement and understanding its terms, hereby agrees as follows:

### TERMS AND CONDITIONS

1. Definitions.

a. **“Competitive Business”** means a retail business featuring goods or services related to basketball training and coaching.

b. **“Confidential Information”** includes, without limitation, knowledge and information that Franchisee knows, or reasonably should know, that Company regards as confidential concerning (i) Athlete and customer identities, contact information, training histories, communications, and account information; (ii) the Shoot 360 Training Unit and the products and services offered by Shoot 360 Gyms; (iii) training and sales strategies; (iv) Company’s relationships with designated, recommended and approved suppliers; (v) pricing, sales, profit performance or other results of operations of a Shoot 360 Gym (including the Franchised Gym) or group of Shoot 360 Gyms or the entire chain; (vi) demographic data for determining Approved Locations; (vii) strategic growth and competitive strategies; (viii) the design and implementation of marketing initiatives and the results of customer surveys and marketing and promotional programs; (ix) information and decisions pertaining to goods and services that Company regards as proprietary, that are made to Company’s specifications, or that bear the Licensed Marks; (x) non-public information pertaining to the Shoot 360 Intellectual Property and any proprietary software applications that Company incorporates into the Computer System; and (xi) in general, business methods, ideas, trade secrets, specifications, customer and supplier data, plans, cost data, procedures, information systems and knowledge about the operation of Shoot 360 Gyms or the Shoot 360 System; whether the knowledge or

information is now known or exists or is acquired or created in the future, and whether or not patentable, included in the Manual, or expressly designated by Company as confidential. Confidential Information does not include (y) information that Franchisee can demonstrate came to its attention lawfully and independently of entering into this Agreement; or (z) information that Company agrees is, or has become, generally known in the public domain, other than through disclosure by Franchisee (whether deliberate or inadvertent).

c. **“Covered Person”** means (i) each officer, director, shareholder, member, manager, trustee or general partner of Franchisee; and (ii) the spouse, adult children, parents or siblings of the individuals included in (i). Covered Person shall mean any individual who falls within the identified categories at any time during the term of the Franchise Agreement.

d. **“Licensed Marks”** collectively means all of the trademarks, service marks, trade names, brand names, logos, trade dress and other proprietary indicia of goods and services, whether registered, unregistered or arising by Applicable Law, and all U.S. and foreign registrations and applications for registration of trademarks, including intent-to-use applications, and all issuances, extensions and renewals of registrations and applications that Company now or hereafter uses to identify, advertise or promote Shoot 360 Gyms generally or individual Shoot 360 Gyms and expressly authorizes or requires Franchisee to use as a condition of the Franchise Agreement.

e. **“Shoot 360 Gyms”** are basketball training facilities that operate under the “Shoot 360®” name and logos, using our basketball shooting, passing and ball handling training equipment and related software.

f. **“Shoot 360 System”** means, collectively, Company’s comprehensive business methods, techniques, standards, operating procedures, policies, requirements and specifications for the operation and promotion of basketball skills training facilities that include advanced technologies for basketball shooting, passing, and ball handling measurement and development, which may include: (i) the design, trade dress and build-out requirements for Shoot 360 Gyms, including space layout, security systems, furnishings, equipment, signage, appearance standards, and décor; (ii) specifications for Shoot 360 Training Units and other basketball training equipment and supplies; (iii) training and tracking protocols and other operational guidelines or requirements; (iv) requirements for using or selling specified goods and services; (v) standards for maintenance, cleaning and sanitation of Shoot 360 Gyms; (vi) designated, recommended and approved suppliers and vendors; (vii) use of the Computer System, including record keeping, financial and operational reporting requirements; (viii) customer service and merchandising standards; (ix) marketing programs and branding strategies; (x) initial and ongoing training programs; and (xi) requirements for using the Shoot 360 Intellectual Property; as Company may modify any of the foregoing during the Term of the Franchise Agreement.

## 2. Nondisclosure of Confidential Information.

a. The undersigned agrees not to disclose, duplicate, sell, reveal, divulge, publish, furnish or communicate, either directly or indirectly, any Confidential Information that the undersigned learns or discovers to any other person, firm or entity, unless authorized in writing by Company.

b. The undersigned agrees not to use any Confidential Information for his or her own personal gain or to further the purposes of others, whether or not the Confidential

Information has been conceived, originated, discovered or developed, in whole or in part, by the undersigned or represents the undersigned's work product. To the extent the undersigned has assisted in the preparation of anything Company considers Confidential Information or has prepared or created such information by himself or herself, the undersigned hereby assigns any rights that he or she may have in such information as creator to Company, including all ideas made or conceived by the undersigned.

c. The undersigned acknowledges that the use, publication or duplication of the Confidential Information for any purpose not authorized by this Agreement constitutes an unfair method of competition by the undersigned.

d. The provisions of this Section shall apply forever, surviving the expiration or termination of all contracts between Company and Franchisee.

e. The provisions concerning non-disclosure of Confidential Information shall not apply if disclosure of Confidential Information is legally compelled in a judicial or administrative proceeding; provided that the undersigned shall have used its best efforts, and shall have afforded Company the opportunity, to obtain an appropriate protective order or other assurance satisfactory to Company of confidential treatment for the information required to be disclosed.

3. Return of Materials. Upon expiration or termination of the Franchise Agreement, the undersigned shall surrender to Franchisee, or, if directed by Company, directly to Company, all materials in the possession of the undersigned relating or concerning any Confidential Information. The undersigned expressly acknowledges that such materials shall be and remain the sole property of Company.

4. Agreements Regarding Competition. The agreements in this Section 4 apply to the undersigned only if the undersigned is a Covered Person.

a. For as long as Franchisee is a party to any Franchise Agreement with Company, the undersigned agrees that he or she shall not, directly or indirectly, own, engage in or render services to, either as an investor, partner, lender, director, officer, manager, employee, consultant, representative or agent, a Competitive Business located anywhere in the world; provided, however, the restrictions stated in this section shall not continue to apply to the undersigned after two (2) years from the date the undersigned directly and indirectly in any capacity whatsoever has finally and completely ceased to occupy a position, perform functions or maintain a relationship that would cause the undersigned to be classified as a Covered Person.

b. For a period of two (2) years after the effective date of termination or expiration of the last Franchise Agreement between Franchisee and Company (if Franchisee and Company are, or become, parties to more than one Franchise Agreement), or after an Event of Transfer that results in Franchisee selling and assigning all of its contractual rights concerning all Franchised Gyms for which Franchisee owns a franchise, the undersigned as a Covered Person agrees that it shall not, directly or indirectly, own, engage in or render services to, either as an investor, partner, lender, director, officer, manager, employee, consultant, representative or agent, any Competitive Business that is located within 20 miles of the Approved Location or any other Shoot 360 Gym anywhere in the world that is open for business on or after the effective date of termination or expiration of the Franchise Agreement or the effective date of an Event of Transfer; provided, however, that the restrictions stated in this

Section shall not apply to the undersigned for longer than two (2) years from the date the undersigned, directly and indirectly in any capacity whatsoever, has ceased to be an officer, director, shareholder, member, manager, trustee, owner, general partner, employee or otherwise associated in any capacity with Franchisee.

c. The provisions of this Section shall apply forever, surviving the expiration or termination of all contracts between Company and Franchisee.

d. This Agreement does not prohibit the undersigned from owning 5% or less of the voting stock of a Competitive Business whose shares are publicly traded on a national or foreign stock exchange.

e. If any of this Section is void or unenforceable under Oregon law, but would be enforceable as written or as modified under the laws of any state having jurisdiction over the undersigned ("Local Law"), the parties agree that Local Law shall govern any dispute concerning or involving the construction, interpretation, validity or enforcement of the provisions of this Agreement regarding competition, but only with respect to the subjects covered in this Section 4.

f. The parties acknowledge that the undersigned may engage in any activities not expressly prohibited by this Agreement. However, in connection with permitted activities, the undersigned shall not (i) use the Confidential Information or any of the Licensed Marks or attributes of the System; (ii) engage in any conduct or activity which suggests or implies that Company endorses, or authorizes, the undersigned's activities; (iii) induce any person to engage in conduct prohibited by this Agreement; or (iv) divert customers away from any Shoot 360 Gym, whether owned and operated by Franchisee, Company, or another Shoot 360 franchisee.

5. Interference. The undersigned agrees not to, directly or indirectly, for itself or on behalf of any other person, divert or attempt to divert, any business or customer of the Franchised Gym or any other Shoot 360 Gym to any competitor by direct or indirect inducement or perform any act which directly or indirectly could, or may, injure or prejudice the goodwill and reputation of the Licensed Marks.

6. Irreparable Harm to Company. The undersigned acknowledges and agrees that Company will suffer irreparable injury not capable of precise measurement in monetary damages if it discloses or misuses any Confidential Information or if the undersigned breaches the other covenants set forth in this Agreement. Accordingly, in the event of a breach of this Agreement by the undersigned, the undersigned consents to entry of Provisional Remedies and any other equitable relief which the court deems necessary in order to prevent irreparable injury, all without the requirement that bond be posted. The undersigned agrees that the award of equitable remedies to Company in the event of such breach is reasonable and necessary for the protection of the business and goodwill of Company.

7. Survival. The agreements made by the undersigned shall apply forever, surviving the expiration or termination of all contracts between Company and Franchisee.

8. Choice of Law; Conformity with Applicable Law. Oregon law will govern the construction, interpretation, validity and enforcement of this Agreement. Wherever possible, each provision of this Agreement shall be interpreted so as to be valid under applicable law, but if any provision of this Agreement shall be invalid or prohibited, the provision shall be ineffective only to the extent of the prohibition or invalidity without invalidating the remainder of this Agreement.

9. Dispute Resolution.

a. The parties agree that all disputes arising out of or relating to this Agreement shall be brought exclusively in the state or federal court located closest to Company's headquarters. As of the date of this Agreement, the parties acknowledge that the Baker County Circuit Court and the United States District Court of the District of Oregon are, respectively, the state and federal courts that are located closest to Company's headquarters; however, the parties further acknowledge that Company may relocate its headquarters in its sole discretion at any time without notice to the undersigned party. The parties agree that any litigation initiated or brought relating to this Agreement will be conducted on an individual, not on a class-wide, basis.

b. In any action or proceeding brought to enforce any provision of this Agreement or arising out of or in connection with the relationship of the parties hereunder, the prevailing party shall be entitled to recover against the other its reasonable attorneys' fees and court costs in addition to any other relief awarded by the court. As used in this Agreement, the "prevailing party" is the party who recovers greater relief in the action.

10. Miscellaneous.

a. Any waiver granted to the undersigned by Company excusing or reducing any obligation or restriction imposed under this Agreement shall be evidenced by a writing executed by Company in order to be effective and shall only be effective to the extent specifically allowed in such writing. No waiver granted by Company shall constitute a continuing waiver. Any waiver granted by Company shall be without prejudice to any other rights Company may have. The rights and remedies granted to Company are cumulative. No delay on the part of Company in exercising any right or remedy shall preclude Company from fully exercising such right or remedy or any other right or remedy.

b. This Agreement sets forth the entire agreement made by the undersigned pertaining to the subject matter hereof, fully superseding any and all prior agreements or

understandings that may exist between the undersigned and Company or Franchisee pertaining to such subject matter.

c. No amendment, change, modification or variance to or from the terms and conditions set forth in this Agreement shall be binding on the undersigned unless it is set forth in writing and duly executed by the undersigned and Company.

d. This Agreement shall be binding on the undersigned's heirs, executors, successors and assigns as though originally executed by such persons.

11. Further Assurances. Each party agrees to execute and deliver such additional documents and instruments and to perform such additional acts as may be necessary or appropriate to effectuate, carry out and perform the terms, provisions and conditions of this Agreement.

IN WITNESS WHEREOF, the undersigned has entered into this Agreement as of the date shown above.

CONTACT INFORMATION

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

Telephone: \_\_\_\_\_ Print Name: \_\_\_\_\_

**EXHIBIT F**  
**GENERAL RELEASE**

## GENERAL RELEASE

This General Release ("Release") is made as of \_\_\_\_\_, \_\_\_\_\_ ("Effective Date") by the undersigned party identified as "**Releasor**" with reference to the following facts:

A. Releasor is either: [COMPLETE AND CHECK APPROPRIATE BOX OR BOXES]

\_\_\_\_\_ ("**Franchisee**"), which has executed one or more Franchise Agreements (each a "**Franchise Agreement**") with SHOOT 360 NATION LLC, a Washington limited liability company ("**Company**") on or before the Effective Date, pursuant to which Company has awarded Franchisee a license to operate a Shoot 360 Gym under the Licensed Marks on specific terms and conditions.

\_\_\_\_\_ is an employee, officer, director, member, manager, partner or owner of an interest in the equity or voting interests of Franchisee.

B. Releasor executes this Release pursuant to the requirements of the Franchise Agreement.

NOW, THEREFORE, RELEASOR AGREES AS FOLLOWS:

1. Definitions. Releasor agrees that all capitalized terms not defined in this Release have the same meaning assigned to them in the Franchise Agreement and hereby incorporates these definitions into this Release by this reference.

2. General release. Releasor, for itself/himself/herself, Releasor's Affiliates, and their respective officers, directors, shareholders, members, agents, employees, representatives, heirs, successors, assigns, and all other persons acting on their behalf or claiming under them (collectively the "**Releasing Parties**"), hereby releases and forever discharges Company, Company's Affiliates, and their respective past and present officers, directors, shareholders, members, agents, employees, attorneys, insurers, representatives, predecessors, successors, and assigns, and each of them (collectively the "**Released Parties**"), from any and all claims, demands, obligations, liabilities, rights, debts, agreements, costs, expenses, suits, actions, and causes of action, of whatever nature, known or unknown, suspected or unsuspected, vested or contingent (collectively, "**Claims**") that the Releasing Parties ever had, now have, or may in the future have, arising out of or related to the award of franchise rights, the Franchise Agreement, the parties' business relationship, and any other agreement, tort, statutory violation, representation, disclosure or nondisclosure, act, omission or other matter occurring on or before the Effective Date.

3. Risk of changed facts. Releasor acknowledges and understands that there is a risk that, subsequent to the execution of this Release, Releasor may discover facts or claims that were unknown or unanticipated at the time of the execution of this Release and which, if known on the date of the execution of this Release, might have materially affected Releasor's decision to enter into and execute this Release. Releasor hereby accepts and assumes that risk and agrees that the Release shall nevertheless be effective in all respects and not subject to termination or rescission by virtue of any such difference in facts.

4. Intent to waive unknown claims. Releasor intends for this Release to be a full and unconditional general release and final accord and satisfaction extending to all Claims.

Releasor, for the Releasing Parties, hereby expressly, voluntarily and knowingly waives, relinquishes and abandons any right, protection and benefit to which any of the Releasing Parties would be entitled, now or at any time hereafter, under any applicable federal, state or local law voiding, limiting or restricting releases of claims unknown to the releasing party at the time of the release, including Section 1542 of the California Civil Code, which provides as follows:

A general release does not extend to claims which the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.

5. Maryland Franchise Registration and Disclosure Law. If Releasor is executing this Release as a condition of Franchisee's exercise of a renewal option or obtaining Company's consent to an Event of Transfer under the Franchise Agreement, this Release shall not apply to any Claim arising under the Maryland Franchise Registration and Disclosure Law.

6. Washington Law. A release or waiver of rights executed by a franchisee who is a resident of Washington, or who is a nonresident of Washington but operates a franchise in Washington, shall not include rights that arise under the Washington Franchise Investment Protection Act, chapter 19.100 RCW, or the rules adopted thereunder in accordance with RCW 19.100.220; except when the release or waiver is executed pursuant to a negotiated settlement agreement, provided each party is represented by independent counsel in the settlement negotiations.

7. No prior assignment. Releasor represents and warrants that Releasor is the sole owner of all Claims released above, and that Releasor has not assigned or transferred, or purported to assign or transfer, to any person or entity, any such Claim.

8. Complete defense. Releasor: (i) acknowledges that this Release shall be a complete defense to any Claim released above; and (ii) consents to the entry of a temporary or permanent injunction to prevent or end the assertion of any such Claim.

9. Choice of law; dispute resolution. This Release shall be governed by and construed in accordance with Oregon law. For any dispute arising out of this Release, Releasor agrees to be bound by the dispute resolution provisions in the Franchise Agreement, hereby incorporated into this Release by reference. Releasor acknowledges that the Franchise Agreement requires that all disputes be brought only in the state or federal court located closest to Company's headquarters, and Releasor hereby consents to the jurisdiction of those courts.

10. Authority. Releasor hereby warrants and represents that Releasor is duly authorized to execute this Release on behalf of each of the Releasing Parties.

11. Further Assurances. Releasor agrees to perform any further acts and execute and deliver any other documents that Company believes may be necessary or advisable to carry out the purpose of this Release.

IN WITNESS WHEREOF, Releasor has executed this Release as of the Effective Date.

FRANCHISEE

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

Name: \_\_\_\_\_,  
individually

**EXHIBIT G**  
**STATE-REQUIRED ADDENDA**

## STATE-REQUIRED ADDENDA TO FDD AND STATE-REQUIRED ADDENDA TO FRANCHISE AGREEMENT

Certain states require a franchisor to register with a state agency in order to offer or sell franchises to residents of the state or for locations in the state. We list these states below.

As a condition of registration in these states, a franchisor must disclose additional information required by the state. In some states, you must sign an amendment to the Franchise Agreement. This exhibit includes all of the additional state-specific disclosures and Addendum to Franchise Agreement that you must sign at the same time that you sign the Franchise Agreement. Please refer to the separate state addendum pages in this Exhibit for the additional disclosures that may apply to you.

CALIFORNIA

HAWAII

ILLINOIS

INDIANA

MARYLAND

~~MICHIGAN (the same disclosures are located immediately before the FDD Table of Contents)~~

MINNESOTA

NEW YORK

NORTH DAKOTA

RHODE ISLAND

SOUTH DAKOTA

VIRGINIA

WASHINGTON

WISCONSIN

~~The following statement applies only to prospective franchisees who are residents of, or are entering a franchise agreement for a location in, the above-listed states (except that this statement shall not apply in California):~~

~~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.~~

## CALIFORNIA ADDENDUM TO FDD

[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 CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED WITH THE FRANCHISE DISCLOSURE DOCUMENT AT LEAST 14 DAYS PRIOR TO EXECUTION OF A FRANCHISE CONTRACT.

1. In addition to the information disclosed in Item 3:

Neither Company nor any person identified in Item 2 of this Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. §78a *et seq.*, suspending or expelling such persons from membership in such association or exchange.

2. In addition to the information disclosed in Item 17:

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

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

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

D. You must sign a general release if you renew or transfer your franchise. California Corporations Code § 31512 voids a prospective waiver of your rights under the franchise investment law (California Corporations Code §§ 31000 - 31516). Business and Professions Code § 20010 voids a prospective waiver of your rights under the California Franchise Relations Act (Business and Professions Code §§ 20000 - 20043).

E. Section 31125 of the California 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.

3. California law requires us to make the following additional disclosures:

A. OUR WEBSITE IS WWW.SHOOT360.COM. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION, ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT WWW.DFPI.CA.GOV.

B. The Franchise Agreement requires that we first submit any disputes (with limited exceptions) arising under the Franchise Agreement to non-binding mediation, which will be conducted at our headquarters. If mediation does not result in a resolution of the dispute, the Franchise Agreement requires that you file an action in the Multnomah County Circuit Court or the federal court located closest to our headquarters, which at this time is the U.S. District Court for the District of Oregon.

C. ~~The Franchise Agreement provides that any payment not received by us when due will bear interest at ten percent (10%) per annum or at the highest rate allowed by applicable law on the date when payment is due, whichever is less. Article 15 of the California Constitution limits the maximum rate of interest that may be imposed on a loan or forbearance of money subject to California law. We will not collect interest at a rate that exceeds California law. The fact that we impose these charges is not a waiver of our right to timely payment.~~highest interest rate allowed by law in California is 10% annually.

D. The franchise agreement requires application of the laws of Oregon. This provision may not be enforceable under California law.

E. ~~Per~~Pursuant to Corporations Code §31512.1, any provision of ~~the Franchise Contracts, this Disclosure Document~~a franchise, franchise disclosure document, acknowledgment, questionnaire, or other writing, including any exhibit thereto, disclaiming or denying any of the following shall be deemed contrary to public policy and shall be void and unenforceable:

- i) Representations made by us or our personnel or agents to a prospective franchisee.
- ii) Reliance by a franchisee on any representations made by us or our personnel or agents.
- iii) Reliance by a franchisee on ~~this Disclosure Document~~a franchise disclosure document, including any exhibit thereto.
- iv) Violations of any provision of this division.

E. ~~Some terms of Items 1, 6, 8, 11, 15, 16, and 17 of this Disclosure Document have been negotiated with other franchisees. A copy of all Negotiated Sales Notices filed in California in the last twelve months is attached to this Exhibit G.~~

## ADDENDUM TO FRANCHISE CONTRACTS FOR THE STATE OF CALIFORNIA

This **ADDENDUM TO FRANCHISE CONTRACTS** (“Addendum”) is made as of \_\_\_\_\_, 20\_\_\_\_ by and between SHOOT 360 NATION LLC, a Washington limited liability company (“**Company**”, “**we**”, “**our**” or “**us**”) and \_\_\_\_\_ (“**you**” or “**your**”), subject to the following recitals:

### RECITALS

A. Franchisee is a resident of the State of California or a non-resident who is acquiring area development or franchise rights to establish and operate one or more Shoot 360 Gyms in a location or territory in the State of California.

B. The “**Franchise Contracts**” covered by this Addendum include the Franchise Agreement, Area Development Agreement (if applicable), and related agreements, copies of which are attached as exhibits to Company’s Franchise Disclosure Document. ~~The purpose of this Addendum is to amend the Franchise Contracts in order to comply with the requirements of California law.~~

C. All capitalized terms in this Addendum shall have the same meaning assigned to them in the Franchise Contracts.

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

1. The above recitals are incorporated and made a part of this Addendum.

- A. ~~2. With respect~~ California Business and Professions Code §§ 20000 - 20043 provide rights to any provision contained in (a) the Franchise Contracts; (b) an amendment thereto; the franchisee concerning termination, transfer or (c) a related document required to be signed by Franchisee to obtain the nonrenewal of a franchise, if and to. If the extent that the Franchise Agreement contains a provision constitutes a representation by you that is inconsistent with the requirements of the California Franchise Investment Law state law, state law will control.
- B. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. §101 et seq.).
- C. The Franchise Agreement contains a covenant not to compete that extends beyond the termination of the franchise. This provision may not be enforceable under California law.
- D. You must sign a general release if you renew or transfer your franchise. California Corporations Code § 31512 voids a prospective waiver of your rights under the franchise investment law (California Corporations Code Sections §§ 31000 through 31516), the provision will be deleted and will be of no force or effect. Business and Professions Code § 20010 voids a prospective waiver of your rights under the California Franchise Relations Act (Business and Professions Code §§ 20000 - 20043).

E. ~~3.~~ Upon the termination or non-renewal of the Franchise Agreement, if we are required by Section 20022 of the California Business and Professions Code to purchase inventory, supplies, equipment, fixtures, and furnishings from you, we may offset any amounts you then owe us against the amount owed by us to you in connection with that purchase, provided that you agree to the amount you owe to us or we have obtained a final adjudication of the amount you owe to us.

F. The Franchise Agreement requires that we first submit any disputes (with limited exceptions) arising under the Franchise Agreement to non-binding mediation, which will be conducted at our headquarters. If mediation does not result in a resolution of the dispute, the Franchise Agreement requires that you file an action in the Multnomah County Circuit Court or the federal court located closest to our headquarters, which at this time is the U.S. District Court for the District of Oregon.

G. The highest interest rate allowed by law in California is 10% annually.

H. The franchise agreement requires application of the laws of Oregon. This provision may not be enforceable under California law.

I. Pursuant to Corporations Code §31512.1, any provision of a franchise, franchise disclosure document, acknowledgment, questionnaire, or other writing, including any exhibit thereto, disclaiming or denying any of the following shall be deemed contrary to public policy and shall be void and unenforceable:

i. Representations made by us or our personnel or agents to a prospective franchisee.

ii. Reliance by a franchisee on any representations made by us or our personnel or agents.

iii. Reliance by a franchisee on a franchise disclosure document, including any exhibit thereto.

iv. Violations of any provision of this division.

2. ~~4.~~ This Addendum shall be effective only to the extent that the jurisdictional requirements of the relevant California statutes are met independently of and without reference to this Addendum. This Addendum shall have no effect if the jurisdictional requirements of the relevant California statutes are not met.

~~5. The Franchise Contracts shall be given full force and effect as amended by this Addendum.~~

IN WITNESS WHEREOF the parties have executed this Addendum on the date first above written.

Company:  
**SHOOT 360 NATION LLC**

Franchisee:  
**[NAME]**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

F.

## HAWAII ADDENDUM TO FDD

1. The Shoot 360 Nation Franchise Disclosure Document is currently registered in the states of: California, Hawaii, Illinois, Indiana, Maryland, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

2. The states in which the Shoot 360 Nation Franchise Disclosure Document is or will be shortly on file: California, Hawaii, Illinois, Indiana, Maryland, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

3. No state has refused, by order or otherwise, to register the Shoot 360 franchise.

4. No state has revoked or suspended the right to offer Shoot 360 franchises.

5. Shoot 360 Nation LLC has not withdrawn the proposed registration of the Shoot 360 Franchise Disclosure Document in any state.

6. The state cover page of the Shoot 360 Franchise Disclosure Document is amended to include the following:

**OUR FRANCHISE DISCLOSURE DOCUMENT HAS BEEN FILED ~~WITH THE HAWAII DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS~~ UNDER THE HAWAII FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF ~~THE DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS~~ REGULATORY AGENCIES OR A FINDING BY THE DIRECTOR OF ~~THE DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS~~ REGULATORY AGENCIES THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.**

**THE HAWAII FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISEE, AT LEAST SEVEN (7) DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE, OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN (7) DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE OR SUBFRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THE FRANCHISE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.**

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

~~1. Section 482E (3) of Hawaii Revised Statutes provides that you may be entitled to certain compensation upon termination or refusal to renew the Franchise Agreement. If this Section applies to you, you shall have an interest in the franchise upon termination or refusal to renew as specified therein.~~

7. 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.

8. The franchisor's registered agent in the state authorized to receive service of process is:

~~2. No release language set forth in the Franchise Agreement shall relieve us or any other person, directly or indirectly, from liability imposed by the laws concerning franchising in the State of Hawaii.~~ Commissioner of Securities Department of Commerce & Consumer Affairs Business Registration Division 335 Merchant Street, Suite 205 Honolulu, Hawaii 96813

## ILLINOIS ADDENDUM TO FDD

1. ~~The terms and conditions under which~~ Illinois law governs the Franchise Agreement ~~may be terminated and your~~.

2. By reading this disclosure document, you are not agreeing to, acknowledging, or making any representations whatsoever to the Company and its affiliates.

3. Franchisees' rights upon non-renewal may be affected by Sections Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act ~~(815 ILCS Sections 705/19 and 705/20).~~

4. ~~2. The~~ In conformance with Section 4 of the Illinois Franchise Disclosure Act, ~~(815 ILCS Section 705/4) provides that~~ "any provision in a franchise agreement that designates jurisdiction ~~or~~ and venue in a forum outside of ~~this~~ the State ~~[of Illinois]~~ is void ~~provided that~~. However, a franchise agreement may provide for arbitration ~~in a forum~~ to take place outside of ~~this State [Illinois].~~ ~~However, to eliminate any confusion regarding this disclosure, the Franchise Agreement requires mediation and, if mediation does not result in the parties' resolution of a dispute, litigation as the dispute resolution method and does not permit arbitration.~~

~~3. Illinois residents and non-residents who own a franchise located in the State of Illinois will enter into the Illinois Addendum to Franchise Contracts in the form attached to this Exhibit.~~

~~4. The provisions of the Illinois Franchise Disclosure Act of 1987 shall supersede any provision of the Franchise Agreement that conflicts with the Illinois Franchise Disclosure Act. As a result, Illinois law shall be applied to, and govern, any claim between the parties that alleges violation of the Act. In Item 17, the summary accompanying provision (w) with regard to the Franchise Agreement is supplemented by the addition of the following language at the end of the summary: "Notwithstanding anything to the contrary contained above, Illinois law, including the Illinois Franchise Disclosure Act of 1987 (815 ILCS Section 705/1 et seq.), will apply to Illinois franchisees."~~

5. In conformance with Section 41 of the Illinois Franchise Disclosure Act ~~(815 ILCS Section 705/41)~~, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the ~~Act~~ Illinois Franchise Disclosure Act or any other law of Illinois is void.

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

## ADDENDUM TO FRANCHISE CONTRACTS FOR THE STATE OF ILLINOIS

This ADDENDUM TO FRANCHISE CONTRACTS (“Addendum”) is made and entered into on \_\_\_\_\_, \_\_\_\_\_ by and between Shoot 360 Nation LLC, a Washington limited liability company (“Company”) and \_\_\_\_\_ (“Franchisee”), subject to the following recitals:

### RECITALS

~~A. Franchisee is a resident of the State of Illinois or a non-resident who is acquiring area development or franchise rights to establish and operate one or more Shoot 360 Gyms in a location or territory in the State of Illinois.~~

1. ~~B.~~ The “**Franchise Contracts**” covered by this Addendum include the Franchise Agreement, Area Development Agreement (if applicable), and related agreements, copies of which are attached as exhibits to Company’s Franchise Disclosure Document. ~~The purpose of this Addendum is to amend the Franchise Contracts, in order to conform the Franchise Contracts to the requirements of the Illinois Franchise Disclosure Act (the “Act”).~~

~~C. All capitalized terms in this Addendum shall have the same meaning assigned to them in the Franchise Contracts.~~

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

~~1. The above recitals are incorporated and made a part of this Addendum.~~

2. Illinois law governs the Franchise Agreement.

3. Franchisees’ rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

4. ~~2.~~ In conformance with Section 4 of the Illinois Franchise Disclosure Act declares that, any provision in a franchise agreement that designates jurisdiction ~~or~~ and venue in a forum outside of the State of Illinois is void, ~~except that . However,~~ a franchise agreement may provide for ~~arbitration in a forum outside of the State of Illinois. To the extent that the Franchise Contracts are inconsistent with the Act, the provisions of the Act shall control. However, to avoid confusion regarding this provision, the parties acknowledge and agree that the Franchise Contracts do not permit arbitration.~~ 3. to take place outside of Illinois law shall be applied to, and govern, any claim between the parties that alleges violation of the Act.

5. ~~4. Among other things, we acknowledge~~ In conformance with Section 41 of the Illinois Franchise Disclosure Act, which provides: “Any any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with ~~any provision of this the Illinois Franchise Disclosure Act or any other law of this State~~ Illinois is void. ~~This Section shall not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of this Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.”~~

~~5. With respect to any provision contained in (a) the Franchise Contracts; (b) an amendment thereto; or (c) a related document required to be signed by Franchisee to obtain~~

~~the franchise, if and to the extent that the provision constitutes a representation by Franchisee that is inconsistent with the requirements of the Act, the provision will be deleted and will be of no force or effect.~~

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

~~7. This Addendum shall be effective only to the extent that the jurisdictional requirements of the Act are met independently of and without reference to this Addendum. This Addendum shall have no effect if the jurisdictional requirements of the Act are not met.~~

~~8. The Franchise Contracts shall be given full force and effect as amended by this Addendum.~~

IN WITNESS WHEREOF, the ~~parties have executed this Addendum on the date first above written.~~

Company:

**SHOOT 360 NATION LLC**

Franchisee:

**{NAME}**

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

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

Its: \_\_\_\_\_

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

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

Its: \_\_\_\_\_

## INDIANA ADDENDUM TO FDD

~~1. Indiana has a statute, the Indiana Deceptive Practices Act (the "Act"), which makes it unlawful for a franchise agreement with an Indiana resident or nonresident who will operate a franchise in Indiana to contain any of the following provisions:~~

~~A. Requiring goods, supplies, inventories, or services to be purchased exclusively from the franchisor or sources designated by the franchisor where the goods, supplies, inventories, or services of comparable quality are available from sources other than those designated by the franchisor. However, the publication by the franchisor of a list of approved suppliers of goods, supplies, inventories, or service or the requirement that such goods, supplies, inventories, or services comply with specifications and standards prescribed by the franchisor does not constitute the improper designation of a source nor does a reasonable right of the franchisor to disapprove a supplier constitute an improper designation. This paragraph does not apply to goods, supplies, inventories, or services that are manufactured or trademarked by or for the franchisor.~~

~~B. Allowing the franchisor to establish a franchisor-owned business that is substantially identical to that of the franchisee within the exclusive territory granted the franchisee by the franchise agreement, or, if no exclusive territory is designated, permitting the franchisor to compete unfairly with the franchisee within a reasonable area.~~

~~C. Allowing substantial modification of the franchise agreement by the franchisor without the consent in writing of the franchisee.~~

~~D. Allowing the franchisor to obtain money, goods, services, or any other benefit from any other person with whom the franchisee does business, on account of, or in relation to, the transaction between the franchisee and the other person, other than for compensation for services rendered by the franchisor, unless the benefit is promptly accounted for and transmitted to the franchisee.~~

~~E. Requiring the franchisee to prospectively assent to a release, assignment, novation, waiver, or estoppel which purports to relieve any person from liability to be imposed by Indiana law or requiring any controversy between the franchisee and the franchisor to be referred to any person, if referral would be binding on the franchisee. This paragraph does not apply to arbitration before an independent arbitrator.~~

~~F. Allowing for an increase in prices of goods provided by the franchisor which the franchisee had ordered for private retail consumers prior to the franchisee's receipt of an official price increase notification. A sales contract signed by a private retail consumer shall constitute evidence of each order. Price changes applicable to new models of a product at the time of introduction of such new models shall not be considered a price increase. Price increases caused by conformity to state or federal law, or the revaluation of the United States dollar in the case of foreign-made goods, are not subject to this paragraph.~~

~~G. Permitting unilateral termination of the franchise if such termination is without good cause or in bad faith. Good cause within the meaning of this paragraph includes any material violation of the franchise agreement.~~

~~H. Permitting the franchisor to fail to renew a franchise without good cause or in bad faith. This paragraph shall not prohibit a franchise agreement from providing that the agreement is not renewable meets certain conditions specified in the agreement.~~

~~I. — Requiring a franchisee to covenant not to compete with the franchisor for a period longer than three (3) years or in an area greater than the exclusive area granted by the franchise agreement or, in the absence of an exclusive area provision in the agreement, an area of reasonable size, upon termination of or failure to renew the franchise.~~

~~J. — Limiting litigation brought for breach of the agreement in any manner whatsoever.~~

~~K. — Requiring the franchisee to participate in any:~~

~~(i) — Advertising campaign or contest;~~

~~(ii) — Promotional campaigns;~~

~~(iii) — Promotional materials; or~~

~~(iv) — Display decorations or materials; at any expense to the franchisee that is indeterminate, determined by a third party, or determined by a formula, unless the franchise agreement specifies the maximum percentage of gross monthly sales or the maximum absolute sum that the franchisee may be required to pay.~~

~~L. — Requiring a franchisee to enter into an agreement providing the franchisor with any indemnification for liability caused by the franchisee's proper reliance on or use of procedures or materials provided by the franchisor or by the franchisor's negligence.~~

~~M. — Requiring a franchisee to enter into an agreement reserving the right to injunctive relief and any specific damages to the franchisor, limiting the remedies available to either party without benefit of appropriate process or recognizing the adequacy or inadequacy of any remedy under the agreement.~~

~~2. — It is unlawful for any franchisor who has entered into any franchise agreement with a franchisee who is either a resident of Indiana or a nonresident operating a franchise in Indiana to engage in any of the following acts and practices in relation to the agreement:~~

~~A. — Coercing the franchisee to:~~

~~(i) — Order or accept delivery of any goods, supplies, inventories, or services which are neither necessary to the operation of the franchise, required by the franchise agreement, required by law, nor voluntarily ordered by the franchisee.~~

~~(ii) — Order or accept delivery of any goods offered for sale by the franchisee which includes modifications or accessories which are not included in the base price of those goods as publicly advertised by the franchisor.~~

~~(iii) — Participate in an advertising campaign or contest, any promotional campaign, promotional materials, display decorations, or materials at an expense to the franchisee over and above the maximum percentage of gross monthly sales or the maximum absolute sum required to be spent by the franchisee provided for in the franchise agreement; and absent a maximum expenditure provision in the franchise agreement, no such participation may be required; or~~

~~(iv) — Enter into any agreement with the franchisor or any designee of the franchisor, or do any other act prejudicial to the franchisee, by threatening to cancel or fail~~

~~to renew any agreement between the franchisee and the franchisor. Notice in good faith to any franchisee of the franchisee's violation of the terms or provisions of a franchise or agreement does not constitute a violation of this paragraph.~~

~~B. Refusing or failing to deliver in reasonable quantities and within a reasonable time after receipt of an order from a franchisee for any goods, supplies, inventories, or services which the franchisor has agreed to supply to the franchisee, unless the failure is caused by acts or caused beyond the control of the franchisor.~~

~~C. Denying the surviving spouse, heirs, or estate of a deceased franchisee the opportunity to participate in the ownership of the franchise under a valid franchise agreement for a reasonable time after the death of the franchisee, provided that the surviving spouse, heirs, or estate maintains all standards and obligations of the franchise.~~

~~D. Establishing a franchisor-owned business that is substantially identical to that of the franchisee within the exclusive territory granted the franchisee by the franchise agreement, or if no exclusive territory is designated, competing unfairly with the franchisee within a reasonable area. However, a franchisor shall not be considered to be competing when operating a business either temporarily for a reasonable period of time, or in a bona fide retail operation which is for sale to any qualified independent person at a fair and reasonable price, or in a bona fide relationship in which an independent person has made a significant investment subject to loss in the business operation and can reasonably expect to acquire full ownership of such business on reasonable terms and conditions.~~

~~E. Discriminating unfairly among its franchisees or unreasonably failing or refusing to comply with any terms of a franchise agreement.~~

~~F. Obtaining money, goods, services, or any other benefit from any other person with whom the franchisee does business, on account of, or in relation to, the transaction between the franchisee and the other person, other than compensation for services rendered by the franchisor, unless the benefit is promptly accounted for and transmitted to the franchisee.~~

~~G. Increasing prices of goods provided by the franchisor which the franchisee had ordered for retail consumers prior to the franchisee's receipt of a written official price increase notification. Price increases caused by conformity to a state or federal law, the revaluation of the United States dollar in the case of foreign-made goods or pursuant to the franchise agreement are not subject to this paragraph.~~

~~H. Using deceptive advertising or engaging in deceptive acts in connection with the franchise or the franchisor's business.~~

~~3. The franchisee does not waive any right under Indiana statutes with regard to prior representations made in the Franchise Disclosure Document.~~

~~4. The Franchise Agreement is amended to provide that it will be governed and construed in accordance with the laws of the State of Indiana.~~

~~5. Any provision in the Franchise Agreement that designates venue in a forum outside of Indiana for claims arising under the Act is unenforceable. Venue for claims arising under the Act shall be in Indiana.~~

~~6. Each provision of the Franchise Agreement which is unlawful pursuant to the Act is deemed to be amended by the parties to conform with the Act.~~

~~**ADDENDUM TO FRANCHISE CONTRACTS  
FOR THE STATE OF INDIANA**~~

~~This ADDENDUM TO FRANCHISE CONTRACTS (“Addendum”) is made and entered into on \_\_\_\_\_, \_\_\_\_\_ by and between Shoot 360 Nation LLC, a Washington limited liability company (“Company”) and \_\_\_\_\_ (“Franchisee”), subject to the following recitals:~~

~~**RECITALS**~~

~~A. Franchisee is a resident of the State of Indiana or a non-resident who is acquiring area development or franchise rights to establish and operate one or more SHOOT 360 GYM franchise for a location or territory in the State of Indiana.~~

~~B. The “**Franchise Contracts**” covered by this Addendum include the Franchise Agreement, Area Development Agreement (if applicable), and related agreements, copies of which are attached as exhibits to Company’s Franchise Disclosure Document. The purpose of this Addendum is to amend the Franchise Contracts in order to conform the Franchise Contracts to the requirements of the Indiana Deceptive Franchise Practices Law, Indiana Code §23-2-2.7-1 to -7 (the “Law”).~~

~~C. All capitalized terms in this Addendum shall have the same meaning assigned to them in the Franchise Contracts.~~

~~NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged by the parties, the parties agree as follows:~~

- ~~1. The above recitals are incorporated and made a part of this Addendum.~~
- ~~2. The parties expressly agree that to the extent the Franchise Contracts conflict with the Law, the parties hereby amend the Franchise Contracts to the extent necessary to cause the Franchise Contracts to conform with the Law.~~
- ~~3. Without limiting the scope of Paragraph 2, the parties expressly agree that (i) no general release given by Franchisee shall operate to release, assign, waive or extinguish any liability arising under the Law; (ii) no provision in the Franchise Contracts shall limit Franchisee’s right to sue in court for violations of the Law; (iii) no provision in the Franchise Contracts that is intended to prevent Franchisee from relying on any statement or representation made to Franchisee before Franchisee signs the Franchise Contracts shall be applied, or extend, to statements contained in the Franchise Disclosure Document delivered to Franchisee prior to Franchisee’s execution of the Franchise Contracts; (iv) the choice of Oregon law as the Franchise Contracts’ governing law shall not prevent the Law from applying to any claims arising under the Law; and (v) the venue provisions in the Franchise Contracts shall not apply to claims arising under the Law to the extent the venue provisions are inconsistent with the Law.~~
- ~~4. Notwithstanding anything to the contrary contained in the Franchise Contracts, Franchisee shall have no duty to indemnify Company for any liability that Company may sustain as a result of Franchisee’s proper reliance on or use of any of the procedures or materials furnished by Company or for liability solely attributable to Company’s negligence.~~
- ~~5. With respect to any provision contained in (a) the Franchise Contracts; (b) an amendment thereto; or (c) a related document required to be signed by Franchisee to obtain~~

~~the franchise, if and to the extent that the provision constitutes a representation by Franchisee that is inconsistent with the requirements of the Law, the provision will be deleted and will be of no force or effect.~~

~~6. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.~~

~~7. This Addendum shall be effective only to the extent that the jurisdictional requirements of the Law are met independently of and without reference to this Addendum. This Addendum shall have no effect if the jurisdictional requirements of the Act are not met.~~

~~8. The Franchise Contracts shall be given full force and effect as amended by this Addendum.~~

~~IN WITNESS WHEREOF, the~~ parties have executed this Addendum on the date first above written.

Company:  
**SHOOT 360 NATION LLC**

Franchisee:  
**[NAME]**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

## MARYLAND ADDENDUM TO FDD

~~1. The following provisions amend anything to the contrary in Item 17 of the Disclosure Document:~~

~~1. a. As indicated in Item 17,~~ is amended to provided that under Maryland law (COMAR 02.02.08.16L) ~~provides that~~ a general release required as a condition of renewal or assignment of the franchise shall not operate to extinguish claims arising under the Maryland Franchise Registration and Disclosure Law (the "Maryland Law").

~~2. b.~~ The Maryland Law Section 14-226 prohibits a franchisor from requiring a franchisee to agree to a release, estoppel or waiver of liability as a condition of purchasing a franchise. None of the representations that you must make in purchasing the franchise are intended, or shall be construed, as a release, estoppel or waiver of claims arising under the Maryland Law.

~~3. c.~~ The Maryland Law Section 14-216(c)(25) requires us to file an irrevocable consent to be sued in the State of Maryland. If any provision in any of the contracts that you enter into with us requires venue to be in a state other than Maryland, the Maryland Law supersedes such provision.

~~4. d.~~ Any claim arising under the Maryland Law must be brought within three years after the grant of the franchise.

~~5. Item 17 of this Disclosure Document is amended to provide that provisions allowing termination on bankruptcy may not be enforceable under federal bankruptcy law (11U.S.C. 101 et seq.).~~

~~6. 2.~~ 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 and the outlet is opened. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens~~ we secured a surety bond in the amount of \$1,036,500 from Platte River Insurance Company. A copy of the bond is on file at the Maryland Office of the Attorney General, Securities Division, 200 St. Paul Place, Baltimore, Maryland 21202. We are not offering or selling an area development franchise in Maryland and the bond applies only to a single unit franchise.

~~3. Item 11 of the Disclosure Document is amended to add the following disclosure: We do not have any obligation to assist you in establishing prices.~~

~~Maryland residents and non-residents who own a franchise located in the State of Maryland will enter into the Addendum to Franchise Contracts in the form attached to this Exhibit~~

~~7. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.~~

## ADDENDUM TO FRANCHISE CONTRACTS FOR THE STATE OF MARYLAND

This ADDENDUM TO FRANCHISE CONTRACTS ("Addendum") is made and entered into on \_\_\_\_\_, \_\_\_\_\_ by and between Shoot 360 Nation LLC, a Washington limited liability company ("Company") and \_\_\_\_\_ ("Franchisee"), subject to the following recitals:

### RECITALS

A. Franchisee is a resident of the State of Maryland or a non-resident who is acquiring area development or franchise rights to establish and operate one or more Shoot 360 Gyms in a location or territory in the State of Maryland.

B. The "**Franchise Contracts**" covered by this Addendum include the Franchise Agreement, Area Development Agreement (if applicable), and related agreements, copies of which are attached as exhibits to Company's Franchise Disclosure Document. ~~The purpose of this Addendum is to amend the Franchise Contracts in order to conform the Franchise Contracts to the requirements of the Maryland Franchise Registration and Disclosure Law (the "Law").~~

C. All capitalized terms in this Addendum shall have the same meaning assigned to them in the Franchise Contracts.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged by the parties, the parties agree as follows:

1. The above recitals are incorporated and made a part of this Addendum.
2. Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, ~~all initial fees and payments owed by Franchisee will be deferred until Company completes its pre-opening obligations under the Franchise Agreement and~~ we secured a surety bond in the amount of \$1,036,500 from [Platte River Insurance Company](#). ~~A copy of the~~ [Shoot 360 Gymbond](#) is opened. ~~In addition, all on file at the Maryland Office of the Attorney General, Securities Division, 200 St. Paul Place, Baltimore, Maryland 21202. Franchisor is not offering or selling an area development fees and initial payments by Franchisee under any Area Development Agreement shall be deferred until the first Shoot 360 Gym in the Development Quota opens~~ [franchise in Maryland and the bond applies only to a single unit franchise.](#)

3. The parties acknowledge that the Law prohibits a franchisor from requiring a franchisee to agree to any release, estoppel or waiver of liability or claims arising under the Law as a condition of purchasing, selling, renewing or assigning a franchise that is subject to the Law. The parties agree that no provision in the Franchise Contracts is intended to be, nor shall any provision act as, a release, estoppel or waiver of any liability or claims under the Law. ~~The parties amend the Franchise Contracts to the extent necessary to conform the Franchise Contracts to the requirements of the Law.~~ The parties agree that any release given by Franchisee as a condition of renewal, sale or assignment of the franchise shall not constitute a release, estoppel or waiver of liability or claims under the Law. No representation made by Franchisee in the Franchise Contracts is intended to, nor shall it act as, a release, estoppel or waiver of any liability incurred under the Law.

4. The provisions in the Franchise Contracts that provide for termination upon Franchisee's bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

5. The parties amend the Franchise Contracts to clarify that claims arising under the Law must be brought within three years from the Effective Date of the Franchise Contracts. Therefore, any provision in the Franchise Contracts that limits the time period for the parties to bringing a claim shall not act to reduce the period of time that the Law affords to a franchisee to bring a claim for violation of the Law.

6. Each provision in the Franchise Contracts establishing venue for litigation outside of Maryland is void with respect to a cause of action that is otherwise enforceable in Maryland. As to causes of action enforceable in Maryland, venue shall be in Maryland.

7. Sections XXI.A. through XXI.~~CD~~ of the Franchise Agreement and Sections X.A through X.C of the Area Development Agreement (if any) are deleted.

~~8. With respect to any provision contained in (a) the Franchise Contracts; (b) an amendment thereto; or (c) a related document required to be signed by Franchisee to obtain the franchise, if and to the extent that the provision constitutes a representation by Franchisee that is inconsistent with the requirements of the Law, the provision will be deleted and will be of no force or effect.~~

8. ~~9.~~ 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.

9. ~~10.~~ This Addendum shall be effective only to the extent that the jurisdictional requirements of the Law are met independently of and without reference to this Addendum. This Addendum shall have no effect if the jurisdictional requirements of the Law are not met.

~~11. The Franchise Contracts shall be given full force and effect as amended by this Addendum.~~

IN WITNESS WHEREOF, the parties have executed this Addendum on the date first above written.

Company:  
**SHOOT 360 NATION LLC**

Franchisee:  
**[NAME]**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_



## ~~MICHIGAN ADDENDUM TO FDD~~

~~The following provisions apply to franchises in 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:~~

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

- ~~1. A prohibition on the right of a franchisee to join an association of franchisees.~~
- ~~2. A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided by Michigan law. This shall not preclude a franchise, after entering into a franchise agreement, from settling any and all claims.~~
- ~~3. 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.~~
- ~~4. A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than five years, and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of the franchisor's intent not to renew the franchise.~~
- ~~5. 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.~~
- ~~6. 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.~~
- ~~7. 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:
  - ~~A. The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.~~~~

~~B. The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.~~

~~C. The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.~~

~~D. 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.~~

~~8. 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).~~

~~9. 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 MICHIGAN ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.~~

~~Any questions regarding this notice should be directed to:~~

~~State of Michigan  
Department of Attorney General  
Consumer Protection Division  
G. Mennen Williams Building, 6th Floor  
Lansing, Michigan 48933~~ MINNESOTA ADDENDUM TO FDD

For Minnesota residents and nonresidents acquiring a SHOOT 360 GYM franchise for a location or territory or territory in Minnesota, the applicable sections of the Franchise Disclosure Document are amended to reflect the following wherever appropriate:

~~1. We will not refuse to renew the Franchise Agreement in order to convert your Franchise Business to an operation that will be owned by us or one of our affiliates.~~

1. ~~2.~~ Minn. Stat. Sec. 80C.21 declares void any condition, stipulation or provision purporting to bind a person to waive compliance with the Minnesota franchise law (Minn. Stat. sections 80C.01 to 80C.22) and the rules promulgated thereunder ("the Minnesota Act"). To the extent that any of the contracts that you sign with us contain a general release, or require you to sign a general release at a later date, in favor of us, the general release will not operate to extinguish claims arising under, or relieve any person from liability imposed by, the Minnesota Act.

~~3. The Minnesota Act protects your right to require that the venue of any dispute be in Minnesota and that Minnesota law govern all contracts with us. It furthermore protects your right to a jury trial. To the extent any contract that you sign with us is inconsistent with the Minnesota Act, the contract shall be modified to conform with the Minnesota Act.~~

~~4. If any contract that you sign with us contains procedures for terminating the contract that are inconsistent with the Minnesota Act, the contract shall be modified to add the following:~~

~~Provided, however, with~~

2. Minnesota Statutes, Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce any of franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

3. With respect to franchises governed by Minnesota law, Franchisor agrees to comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which, as of the date of this Agreement, require, except in certain specified cases enumerated in the referenced statute, that Franchisor give Franchisee a minimum of 90 days' notice of termination (with a minimum of 60 days to cure) and a minimum of 180 days' notice for non-renewal of the franchise agreement.

4. ~~5.~~ If any contract that you sign with us requires you to consent to our obtaining injunctive relief, the contract shall be amended to provide that, pursuant to Minn. Rule 2860.4400J, Franchisee cannot give such consent; provided, however, nothing shall prevent us from applying to a forum for injunctive relief.

5. ~~6.~~ If any contract that you sign with us contains a limitations period for bringing claims against us that is shorter than the limitations period provided under the Minnesota Act, the contract shall be modified to conform to the Minnesota Act.

6. ~~7.~~ ~~The~~ To the extent required by the Minnesota Franchise Act requires us to, we will protect your rights to use the trademarks, service marks, trade names, logo types or other commercial symbols related to the trademarks or indemnify you from any loss, costs or expenses ~~that you might incur arising out of a third-party challenge to your authorized use of our service marks~~ any claim, suit or demand regarding the use of the trademarks, provided you are using the names and marks in accordance with the Franchise Agreement.

~~Minnesota residents and nonresidents owning a franchise to be operated in Minnesota will enter into the Minnesota Addendum to Franchise Contracts in the form attached to this Exhibit~~

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

## ADDENDUM TO FRANCHISE CONTRACTS FOR THE STATE OF MINNESOTA

This ADDENDUM TO FRANCHISE CONTRACTS (“Addendum”) is made and entered into on \_\_\_\_\_, \_\_\_\_\_ by and between Shoot 360 Nation LLC, a Washington limited liability company (“Company”) and \_\_\_\_\_ (“Franchisee”), subject to the following recitals:

### R E C I T A L S

A. Franchisee is a resident of the State of Minnesota or a non-resident who is acquiring area development or franchise rights to establish and operate one or more Shoot 360 Gyms in a location or territory in the State of Minnesota.

B. The “**Franchise Contracts**” covered by this Addendum include the Franchise Agreement, Area Development Agreement (if applicable), and related agreements, copies of which are attached as exhibits to Company’s Franchise Disclosure Document. ~~The purpose of this Addendum is to amend the Franchise Contracts in order to conform the Franchise Contracts to the requirements of the Minnesota Franchise Act (Minn. Stat. Sections 80C.01 to 80C.22) and the rules promulgated thereunder (“the Minnesota Act”).~~

C. All capitalized terms in this Addendum shall have the same meaning assigned to them in the Franchise Contracts.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged by the parties, the parties agree as follows:

1. The above recitals are incorporated and made part of this Addendum.
2. The parties agree that any provision in the Franchise Contracts that requires Franchisee to provide Company with a general release in violation of Minnesota law is illegal and of no force or effect.
3. The parties agree that if any provision in the Franchise Contracts requires venue for litigation to be in a state other than Minnesota, declares that the laws of a state other than Minnesota shall govern the Franchise Contracts, or requires Franchisee to waive its right to a jury trial, the applicable provision shall be amended to add the following:

Minn. Stat. Sec. 80C.21 and Minn. Rule Part 2860.4400J, prohibit Company from requiring litigation to be conducted outside of Minnesota. In addition, nothing in this Agreement shall in any way abrogate or reduce any rights of Franchisee under Minnesota Statutes, Chapter 80C, or require Franchisee to waive his or her right to a jury trial, or require Franchisee to waive any other rights to any procedure, forum or remedies provided for by Minnesota law.

4. The parties agree that if any provision in the Franchise Contracts contains procedures for terminating the Franchise Contracts that are inconsistent with the Minnesota Act, the applicable provision shall be amended to add the following:

Provided, however, with respect to franchises governed by Minnesota law, Company agrees to comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which, as of the date of this Agreement, requires, except in certain specified cases, that Company give Franchisee a minimum of 90 days’ notice of

termination (with a minimum of 60 days to cure) and a minimum of 180 days' notice for non-renewal of the franchise agreement.

5. The parties agree that any provision of the Franchise Contracts that requires Franchisee to consent to Company's obtaining injunctive relief is hereby modified to provide that, pursuant to Minn. Rule 2860.4400J, Franchisee cannot give such consent; provided, however, nothing herein shall prevent Company from applying to a forum for injunctive relief.

6. If any provision in the Franchise Contracts contains a limitations period for bringing claims against Company that is shorter than the limitations period provided under the Minnesota Act, the applicable provision is amended to conform to the Minnesota Act.

7. To the extent required by the Minnesota Franchise Act, ~~Company shall~~ we will protect your rights to use the trademarks, service marks, trade names, logo types or other commercial symbols related to the trademarks or indemnify ~~Franchisee~~ you from any loss, costs or expenses ~~that Franchisee might incur~~ arising out of ~~a third-party challenge to Franchisee's authorized use of the Service Marks~~ any claim, suit or demand regarding the use of the trademarks, provided you are using the names and marks in accordance with the Franchise Agreement.

~~8. This Addendum does not act as a release or waiver by the Franchisee of any provision of the Minnesota Act that is omitted, misstated, or whose effect is misconstrued herein.~~

~~9. With respect to any provision contained in (a) the Franchise Contracts; (b) an amendment thereto; or (c) a related document required to be signed by Franchisee to obtain the franchise, if and to the extent that the provision constitutes a representation by Franchisee that is inconsistent with the requirements of the Minnesota Act, the provision will be deleted and will be of no force or effect.~~

8. ~~10.~~ 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.

9. ~~11.~~ This Addendum shall be effective only to the extent that the jurisdictional requirements of the Minnesota Act are met independently of and without reference to this Addendum. This Addendum shall have no effect if the jurisdictional requirements of the Minnesota Act are not met.

~~12. The Franchise Contracts shall be given full force and effect as amended by this Addendum.~~

IN WITNESS WHEREOF, the parties have executed this Addendum on the date first above written.

Company:

**SHOOT 360 NATION LLC**

Franchisee:

**[NAME]**

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

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

Its: \_\_\_\_\_

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

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

Its: \_\_\_\_\_

## NEW YORK ADDENDUM TO FDD

The following information is required by New York's General Business Law (NY Gen. Bus. § 680 et seq.) (Consol. 2001) ("New York Franchise Law") and supplements the information in this Disclosure Document:

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

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR 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 ~~New York State Department of Law, by administrative rule, requires us to advise you of the disclosure question answered by our response in~~ following is added to Item 3:

Neither we, any predecessor, any person identified in Item 2, nor any affiliate offering franchises under our principal trademark:

A. 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. ~~In addition, include~~

B. Has pending actions, other than routine litigation incidental to the business, ~~which are that is~~ significant in the context of the number of franchisees and the size, nature, or financial condition of the franchise system or its business operations. ~~If so, disclose the names of the parties, the forum, nature, and current status of the pending action. The franchisor may include a summary opinion of counsel concerning the action if the attorney's consent to the use of the summary opinion of counsel concerning the action if the attorney's consent to the use of the summary opinion is included as part of this Franchise Disclosure Document.~~

C. ~~B.~~ Has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten-year period years 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. ~~If so, disclose the names of the parties, the forum and date of conviction or date judgment was entered; penalty or damages assessed; and/or terms of settlement.~~

D. ~~C.~~ 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. ~~If so, disclose the name of the person; the public agency, association, or exchange; the court, or other forum; a summary of the allegations or facts found by the agency, association, exchange or court; and the date, nature, terms and conditions of the order or decree.~~

~~3. The New York State Department of Law, by administrative rule, requires us to advise you of the disclosure question answered by our response in Item 4:~~

~~State whether the franchisor, its affiliate, its predecessor, officers, or general partner during the ten-year period immediately before the date of the Franchise Disclosure Document: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtain a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within one year after the officer or general partner of the franchisor held this position in the company or partnership. If so, disclose the name of the person and/or company that was the debtor under the Bankruptcy Code, the Date of the action and the materials facts.~~

~~4. In addition to the information disclosed in Item 5:~~

~~We use the Initial Franchise Fee to pay general administrative expenses we incur in satisfying federal and state franchise sales rules, locating and evaluating prospective franchisees, and servicing franchisees pursuant to the Franchise Agreement.~~

~~5. In addition to the information disclosed in Item 17:~~

3. The following is added to the end of the "Summary" sections of Item 17(C) (Requirements for a franchisee to renew or extend) and 17(M) (Conditions for franchisor approval of transfer):

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

~~B. The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. There may be court decisions in the State of New York limiting our ability to restrict your activities after the franchise agreement has ended.~~

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

4. The following language replaces the “Summary” section of Item 17(D) (Termination by franchisee):

~~D. You may terminate the Franchise Agreement upon~~agreement on any grounds available by law.

5. The following is added to the end of the “Summary” sections of Item 17(V) (Choice of Forum) and Item 17(W) (Choice of Law):

~~E. The fact that the Franchise Agreement and other contracts that you will sign select Oregon law as the governing~~foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or the franchisee by ~~the~~Article 33 of the General Business Law of the State of New York ~~Franchise Law.~~

~~F. The Franchise Agreement does not restrict our right to assign the Franchise Agreement. However, no assignment will be made except to an assignee who in the good faith judgment of the franchisor is willing and financially able to assume our obligations under the Franchise Agreement.~~

6. ~~Revisions that we make to the Manual as we are permitted to do under the Franchise Agreement will not unreasonably increase your obligations or place an excessive economic burden on your operations.~~No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

7. ~~The New York Franchise Law makes it unlawful for a franchisor to require a franchisee to assent to a release, assignment, novation, waiver or estoppel that would relieve a person from any duty or liability imposed by the New York Franchise Law.~~Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earliest of (a) the first personal meeting between the franchisor or its agent and the prospective franchisee; (b) at least ten (10) business days before the execution of the franchise or other agreement; and (c) at least 10 days before the payment of any consideration that relates to the franchise relationship.



## **NORTH DAKOTA ADDENDUM TO FDD**

North Dakota residents and non-residents acquiring a SHOOT 360 GYM franchise in the State of North Dakota will enter into the North Dakota Addendum to Franchise Contracts in the form attached to this Exhibit.

## ADDENDUM TO FRANCHISE CONTRACTS FOR THE STATE OF NORTH DAKOTA

This FIRST ADDENDUM TO FRANCHISE CONTRACTS (“Addendum”) is made and entered into on \_\_\_\_\_, \_\_\_\_\_ by and between Shoot 360 Nation LLC, a Washington limited liability company (“Company”) and \_\_\_\_\_ (“Franchisee”), subject to the following recitals:

### R E C I T A L S

A. Franchisee is a resident of the State of North Dakota or a non-resident who is acquiring area development or franchise rights to establish and operate one or more Shoot 360 Gyms in a location or territory in the State of North Dakota.

B. The “**Franchise Contracts**” covered by this Addendum include the Franchise Agreement, Area Development Agreement (if applicable), and related agreements, copies of which are attached as exhibits to Company’s Franchise Disclosure Document. ~~The purpose of this Addendum is to amend the Franchise Contracts in order to conform the Franchise Contracts to the requirements of the North Dakota Franchise Investment Law (the “Law”).~~

C. All capitalized terms in this Addendum shall have the same meaning assigned to them in the Franchise Contracts.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged by the parties, the parties agree as follows:

1. The above recitals are incorporated and made part of this Addendum.

2. The North Dakota Franchise Investment Law (the “**Law**”) identifies certain practices as being unfair, unjust, or inequitable to franchisees. The parties hereby amend the Franchise Contracts in the following respects in order to comply with the requirements of the Law:

(i) To the extent that the covenants in the Franchise Contracts pertaining to a Competitive Business restrict competition in a manner contrary to the North Dakota Century Code Section 9-08-06, they may not be enforceable. A covenant not to compete that applies after the Franchise Contracts ends for any reason may be unenforceable in the State of North Dakota.

(ii) Any provision in the Franchise Contracts that requires Franchisee to mediate a dispute with Company at a location outside of North Dakota is not enforceable. Any mediation proceeding must be conducted at a mutually acceptable location in North Dakota.

(iii) Any provision in the Franchise Contracts that requires Franchisee to consent to the jurisdiction of courts outside of North Dakota is not enforceable. The parties each agree to file an action arising out of the Franchise Contracts in the courts located in North Dakota with the understanding, however, that either party may apply to any court with jurisdiction for equitable or interim relief.

(iv) The Franchise Contracts shall be governed by and construed in accordance with the laws of the State of North Dakota to the extent required by the Law.

(v) Any provision in the Franchise Contracts that requires Franchisee to waive the right to a jury trial or the right to collect exemplary or punitive damages is not enforceable under the Law.

(vi) Any provision in the Franchise Contracts that requires Franchisee to pay all of Company's costs and expenses to enforce the Franchise Contracts is not enforceable. However, the provision in the Franchise Contracts that awards attorney's fees to the prevailing party is enforceable.

(vii) Any provision in the Franchise Contracts that requires Franchisee to consent to a limitations period for bringing claims against Company is not enforceable and the statute of limitations under the Law shall apply to claims arising under the Franchise Contracts.

(viii) Any provision in the Franchise Contracts that requires Franchisee to execute a general release in violation of the Law is not enforceable. However, you acknowledge that Company may, in its sole discretion, modify this requirement and require that Franchisee and Company execute a mutual general release of claims.

(ix) Any provision in the Franchise Contracts that requires Franchisee to consent to exemplary, punitive, or liquidated damages or termination penalties is not enforceable.

~~3. With respect to any provision contained in (a) the Franchise Contracts; (b) an amendment thereto; or (c) a related document required to be signed by Franchisee to obtain the franchise, if and to the extent that the provision constitutes a representation by Franchisee that is inconsistent with the requirements of the Law, the provision will be deleted and will be of no force or effect.~~

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

4. ~~5.~~ This Addendum shall be effective only to the extent that the jurisdictional requirements of the Law are met independently of and without reference to this Addendum. This Addendum shall have no effect if the jurisdictional requirements of Law are not met.

~~6. The Franchise Contracts shall be given full force and effect as amended by this Addendum.~~

IN WITNESS WHEREOF, the parties have executed this Addendum on the date first above written.

Company:  
**SHOOT 360 NATION LLC**

Franchisee:  
**[NAME]**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

## **RHODE ISLAND ADDENDUM TO FDD**

The Rhode Island Franchise Investment Act (the “Act”) at Section 19-28.1-14 provides that “a provision in a franchise agreement restricting jurisdiction or venue to a forum outside of this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

Rhode Island residents and non-residents acquiring a SHOOT 360 GYM franchise in the State of Rhode Island will enter into the Rhode Island Addendum to Franchise Contracts in the form attached to this Exhibit.

**ADDENDUM TO FRANCHISE CONTRACTS  
FOR THE STATE OF RHODE ISLAND**

This ADDENDUM TO FRANCHISE CONTRACTS (“Addendum”) is made and entered into on \_\_\_\_\_, \_\_\_\_\_ by and between Shoot 360 Nation LLC, a Washington limited liability company (“Company”) and \_\_\_\_\_ (“Franchisee”), subject to the following recitals:

**RECITALS**

A. Franchisee is a resident of the State of Rhode Island or a non-resident who is acquiring area development or franchise rights to establish and operate one or more Shoot 360 Gyms in a location or territory in the State of Rhode Island.

B. The “**Franchise Contracts**” covered by this Addendum include the Franchise Agreement, Area Development Agreement (if applicable), and related agreements, copies of which are attached as exhibits to Company’s Franchise Disclosure Document. ~~The purpose of this Addendum is to amend the Franchise Contracts in order to conform the Franchise Contracts to the requirements of the Rhode Island Franchise Investment Act (the “Act”).~~

C. All capitalized terms in this Addendum shall have the same meaning assigned to them in the Franchise Contracts.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged by the parties, the parties agree as follows:

1. The above recitals are incorporated and made a part of this Addendum.

2. The Act at Section 19-28.1-14 provides that “a provision in a franchise agreement restricting jurisdiction or venue for litigation to a forum outside of this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.” To the extent that any provision in the Franchise Contracts is inconsistent with the Act, the provisions of the Act shall control. This provision shall not modify the parties’ agreement to mediate disputes at Company’s headquarters at the time that a party initiates the mediation.

~~3. Rhode Island law shall be applied to, and govern, any claim that alleges violation of the Act.~~

~~4. With respect to any provision contained in (a) the Franchise Contracts; (b) an amendment thereto; or (c) a related document required to be signed by Franchisee to obtain the franchise, if and to the extent that the provision constitutes a representation by Franchisee that is inconsistent with the requirements of the Act, the provision will be deleted and will be of no force or effect.~~

3. ~~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.

4. ~~6.~~ This Addendum shall be effective only to the extent that the jurisdictional requirements of the Act are met independently of and without reference to this Addendum. This Addendum shall have no effect if the jurisdictional requirements of the Act are not met.

~~7. The Franchise Contracts shall be given full force and effect as amended by this Addendum.~~

IN WITNESS WHEREOF, the parties have executed this Addendum on the date first above written.

Company:  
**SHOOT 360 NATION LLC**

Franchisee:  
**[NAME]**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

## **SOUTH DAKOTA ADDENDUM TO FDD**

The following information is required by South Dakota's Franchises for Brand-Name Goods and Services Law (S.D. Codified Laws §37-5B (2008)) ("South Dakota Law") and supplements the information in this Disclosure Document:

1. Item 17 is supplemented by the addition of the following language immediately after the table:

Despite anything to the contrary in the table, the law regarding franchise registration, employment, covenants not to compete, and other matters of local concern will be governed by the laws of the State of South Dakota. Any non-binding mediation will be conducted at a mutually agreed upon site. You are not required to submit to venue or a forum outside the State of South Dakota for any claims you may have under the South Dakota Franchises for Brand-Name Goods and Services Law (S.D. Codified Laws §37-5B (2008)).

2. This Addendum is effective only to the extent that the jurisdictional requirements of the South Dakota Law are met independent of and without reference to this Addendum. This Addendum will have no effect if the jurisdictional requirements of the South Dakota Law are not met.

## ADDENDUM TO FRANCHISE CONTRACTS FOR THE STATE OF SOUTH DAKOTA

This ADDENDUM TO FRANCHISE CONTRACTS ("Addendum") is made and entered into on \_\_\_\_\_, \_\_\_\_\_ by and between Shoot 360 Nation LLC, a Washington limited liability company ("Company") and \_\_\_\_\_ ("Franchisee"), subject to the following recitals:

### R E C I T A L S

A. Franchisee is a resident of the State of South Dakota or a non-resident who is acquiring area development or franchise rights to establish and operate one or more Shoot 360 Gyms in a location or territory in the State of South Dakota.

B. The "**Franchise Contracts**" covered by this Addendum include the Franchise Agreement, Area Development Agreement (if applicable), and related agreements, copies of which are attached as exhibits to Company's Franchise Disclosure Document. ~~The purpose of this Addendum is to amend the Franchise Contracts in order to conform the Franchise Contracts to the requirements of South Dakota's Franchises for Brand-Name Goods and Services Law (S.D. Codified Laws §37-5B (2008)) ("South Dakota Law").~~

C. All capitalized terms in this Addendum shall have the same meaning assigned to them in the Franchise Contracts.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged by the parties, the parties agree as follows:

1. The above recitals are incorporated and made a part of this Addendum.
2. The parties acknowledge and agree that:

a. Notwithstanding anything to the contrary in the Franchise Contracts, the law regarding franchise registration, employment, covenants not to compete, and other matters of local concern shall be governed by the laws of the State of South Dakota.

b. You are not ~~be~~ required to submit to a venue or forum outside of the State of South Dakota for any claims that you may have against us under the South Dakota Law.

~~3. With respect to any provision contained in (a) the Franchise Contracts; (b) an amendment thereto; or (c) a related document required to be signed by Franchisee to obtain the franchise, if and to the extent that the provision constitutes a representation by Franchisee that is inconsistent with the requirements of the South Dakota Act, the provision will be deleted and will be of no force or effect.~~

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

4. ~~5.~~ This Addendum is effective only to the extent that the jurisdictional requirements of the South Dakota Law are met independent of and without reference to this Addendum. This Addendum will have no effect if the jurisdictional requirements of the South Dakota Law are not met.

~~6. The Franchise Contracts shall be given full force and effect as amended by this Addendum.~~

IN WITNESS WHEREOF, the parties have executed this Addendum on the date first above written.

Company:  
**SHOOT 360 NATION LLC**

Franchisee:  
**[NAME]**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

## VIRGINIA ADDENDUM TO FDD

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

Additional Disclosures. The following statements are added to the information that we disclose in Item 17:

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

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

3. 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.

## WASHINGTON ADDENDUM TO FDD

1. A surety bond in the amount of \$100,000 has been obtained by the Franchisor. The Washington Securities Division has made the issuance of the Franchisor's permit contingent upon the Franchisor maintaining surety bond coverage acceptable to the Administrator until (a) all Washington Franchisees have (i) received all initial training that they are entitled to under the franchise agreement or offering circular, and (ii) are open for business; or (b) the Administrator issues written authorization to the contrary.

2. The State of Washington has a statute (RCW 19.100.180) that may supersede the provisions of the Franchise Agreement that you enter into with us pertaining to, among other subjects, the areas of termination and renewal of your franchise. There may also be decisions rendered by the state courts of Washington that may supersede the provisions of the contracts that you enter into with us.

3. To the extent that the applicable governing law stipulated in any of the contracts that you sign with us conflicts with the Washington Franchise Investment Protection Act, Chapter 19.100 RCW (the "Act"), the Act shall prevail.

4. A release or waiver of rights executed by a franchisee who is a resident of Washington or who is a nonresident of Washington but operates a franchise in Washington shall not include rights that arise under the Act or any rule or order under the Act, except when the release or waiver of rights is executed pursuant to a negotiated settlement agreement after the Franchise Contracts are in effect and where each party is represented by independent counsel. Provisions such as those that unreasonably restrict or limit the statute of limitations period for claims arising under the Act or that reduce or limit your rights or remedies under the Act, such as the right to a jury trial, may not be enforceable under the Act.

5. Under the Act, transfer fees are collectible to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

6. The Franchise Agreement requires that all disputes (with limited exceptions) be resolved first by non-binding mediation, and if that process does not result in resolution, by court proceeding (litigation). Mediation will be taking place either in a mutually agreed upon place in the state of Washington, or, if no mutual agreement, as determined by the mediator at the time of mediation. The Franchise Agreement does not permit arbitration. Litigation must be brought in the federal or state courts located closest to our headquarters at the time of the action is filed, except that any action or proceeding arising out of or in connection with the sale of a franchise or alleging a violation of the Washington Investment Protection Act may be brought in the federal or state courts in Washington.

7. Pursuant to Washington law (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.

8. Washington law (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.

9. The Franchise Agreement and the Confidentiality and Non-Competition Agreement each include a restriction that applies to Franchisee and each Covered Person for a period of two (2) years after (i) expiration or termination of the Franchise Agreement (or if Franchisee and Company are parties to more than one Franchise Agreement, after the last Franchise Agreement); and (ii) 2 years from the date that a Covered Person ceases to be an officer, director, shareholder, member, manager, trustee, owner, general partner, employee, or otherwise associated in any capacity with Franchisee. The parties amend this restriction to reduce the duration of the period from 2 years to 18 months.

10. Washington residents and non-residents who own a franchise located in the State of Washington will enter into the Washington Addendum to Franchise Contracts in the form attached to this Exhibit for purposes of amending the Franchise Contracts to comply with the provisions of the Act.

11. Use of Franchise Brokers. The franchisor uses the services of franchise brokers to assist it in selling franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. Do not rely only on the information provided by a franchise broker about a franchise. Do your own investigation by contacting the franchisor's current and former franchisees to ask them about their experience with the franchisor.

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

## ADDENDUM TO FRANCHISE CONTRACTS FOR THE STATE OF WASHINGTON

This ADDENDUM TO FRANCHISE CONTRACTS ("Addendum") is made and entered into on \_\_\_\_\_, \_\_\_\_\_ by and between SHOOT 360 NATION LLC, a Washington limited liability company ("Company") and \_\_\_\_\_ ("Franchisee"), subject to the following recitals:

### R E C I T A L S

A. Franchisee is a resident of the State of Washington or a non-resident acquiring area development or franchise rights to establish and operate one or more Shoot 360 Gyms in a location or territory in the State of Washington.

B. The "**Franchise Contracts**" covered by this Addendum include the Franchise Agreement, Area Development Agreement (if applicable), and related agreements, copies of which are attached as exhibits to Company's Franchise Disclosure Document. ~~The purpose of this Addendum is to amend the Franchise Contracts in order to conform the Franchise Contracts to the requirements of the Washington Franchise Investment Protection Act (the "Act").~~

C. A surety bond in the amount of \$100,000 has been obtained by the Company. The Washington Securities Division has made the issuance of the Company's permit contingent upon the Company maintaining surety bond coverage acceptable to the state administrator until (a) all Washington Franchisees have (i) received all initial training that they are entitled to under the franchise agreement or offering circular, and (ii) are open for business; or (b) the state administrator issues written authorization to the contrary.

D. All capitalized terms in this Addendum shall have the same meaning assigned to them in the Franchise Contracts.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged by the parties, the parties agree as follows:

1. The above recitals are incorporated and made a part of this Addendum.
2. To the extent that any provision in the Franchise Contracts is inconsistent with the Act, the provisions of the Act shall control. To the extent that the governing law provided for in the Franchise Contracts is inconsistent with the Act, the provisions of the Act shall prevail.
3. A release or waiver of rights executed by Franchisee shall not include a release or waiver of rights arising under the Act or any rule or order under the Act, except when the release or waiver of rights is executed pursuant to a negotiated settlement agreement after the Franchise Contracts are in effect and where each party is represented by independent counsel.
4. To the extent that any provision in the Franchise Contracts unreasonably restricts or limits the statute of limitations period for claims arising under the Act, or reduces or limits Franchisee's rights or remedies under the Act, such as the right to a jury trial, the specific provision in the Franchise Contracts may not be enforceable under the Act.
5. Transfer fees payable in connection with an Event of Transfer under the Franchise Contracts shall be limited to Company's reasonable estimated or actual costs in approving and processing the Event of Transfer.

6. The Franchise Contracts require that all disputes (with limited exceptions) be resolved first by non-binding mediation, and if that process does not result in resolution, by court proceeding (litigation). Mediation will be taking place either in the State of Washington, in a place mutually agreed upon at the time of the mediation, or, if there is no mutual agreement, as determined by the mediator at the time of mediation. Litigation must be brought in the federal or state courts located closest to Company's headquarters at the time of the action is filed, except that any action or proceeding arising out of or in connection with the sale of a franchise or alleging a violation of the Washington Investment Protection Act may be brought in the federal or state courts in Washington.

7. Pursuant to Washington law (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 Washington law (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 Contracts or elsewhere that conflict with these limitations are void and unenforceable in Washington.

8. The Franchise Agreement and the Confidentiality and Non-Competition Agreement each include a restriction that applies to Franchisee and each Covered Person for a period of 2 years after (i) expiration or termination of the Franchise Agreement (or if Franchisee and Company are parties to more than one Franchise Agreement, after the last Franchise Agreement); and (ii) 2 years from the date that a Covered Person ceases to be an officer, director, shareholder, member, manager, trustee, owner, general partner, employee, or otherwise associated in any capacity with Franchisee. The parties amend this restriction to reduce the duration of the period from 2 years to 18 months.

9. Washington law (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 Contracts or elsewhere are void and unenforceable in Washington.

10. Sections XXI.A. through XXI.~~CD~~ of the Franchise Agreement and Sections X.A through X.C of the Area Development Agreement (if any) are deleted.

~~11. With respect to any provision contained in (a) the Franchise Contracts; (b) an amendment thereto; or (c) a related document required to be signed by Franchisee to obtain the franchise, if and to the extent that the provision constitutes a representation by Franchisee that is inconsistent with the requirements of the Act, the provision will be deleted and will be of no force or effect.~~

11. ~~12.~~ 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.

12. ~~13.~~ This Addendum shall be effective only to the extent that the jurisdictional requirements of the Act are met independently of and without reference to this Addendum. This Addendum shall have no effect if the jurisdictional requirements of the Act are not met.

~~14. The Franchise Contracts shall be given full force and effect as amended by this Addendum.~~

IN WITNESS WHEREOF, the parties have executed this Addendum on the date first above written.

Company:  
**SHOOT 360 NATION LLC**

Franchisee:  
**[NAME]**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

## **WISCONSIN ADDENDUM TO FDD**

The Wisconsin Fair Dealership Law (“Wisconsin Law”) applies to most, if not all franchise agreements and prohibits the termination, cancellation, nonrenewal or substantial change of the competitive circumstances of a dealership agreement without good cause. The Wisconsin Law further provides that at least 90 days prior written notice of the proposed termination, cancellation, nonrenewal or substantial change must be given to the “dealer” as that term is defined by the Wisconsin Law. The Wisconsin Law gives the dealer 60 days to cure the deficiency and if the deficiency is timely cured, the notice is void. The Wisconsin Law may supersede and control the terms of your relationship with us with respect to these subject matters. To the extent that any provision of the Franchise Contracts is inconsistent with the Wisconsin Law, the Wisconsin Law will control.

Wisconsin residents and non-residents acquiring a SHOOT 360 GYM franchise for allocation in the State of Wisconsin will enter into the Wisconsin Addendum to Franchise Contracts in the form attached to this Exhibit.

## ADDENDUM TO FRANCHISE CONTRACTS FOR THE STATE OF WISCONSIN

This FIRST ADDENDUM TO FRANCHISE CONTRACTS ("Addendum") is made and entered into on \_\_\_\_\_, \_\_\_\_\_ by and between Shoot 360 Nation LLC, a Washington limited liability company ("Company") and \_\_\_\_\_ ("Franchisee"), subject to the following recitals:

### R E C I T A L S

A. Franchisee is a resident of the State of Wisconsin or a non-resident who is acquiring area development or franchise rights to establish and operate one or more Shoot 360 Gyms in a location or territory in the State of Wisconsin.

B. The "**Franchise Contracts**" covered by this Addendum include the Franchise Agreement, Area Development Agreement (if applicable), and related agreements, copies of which are attached as exhibits to Company's Franchise Disclosure Document. ~~The purpose of this Addendum is to amend the Franchise Contracts in order to conform the Franchise Contracts to the requirements of the Wisconsin Fair Dealership Law, Wis. Stats. Ch. 135, Sec. 32.06 et seq. (the "Law").~~

C. All capitalized terms in this Addendum shall have the same meaning assigned to them in the Franchise Contracts.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged by the parties, the parties agree as follows:

1. The above recitals are incorporated and made a part of this Addendum.

2. The Law provides certain rights to franchisees, which extend to Franchisee. In particular, and without limitation, the Law prohibits the termination, cancellation, nonrenewal or substantial change of competitive circumstances (as defined by the Law and by case law) of a dealership or franchise agreement without good cause. The Law further provides that 90 days prior written notice of the proposed termination, cancellation, nonrenewal or substantial change of competitive circumstances must be given to the "dealer" as that term is defined by the Law. The Law allows the dealer 60 days to cure the deficiency and if the deficiency is cured, the notice is void. To the extent that the Law conflicts with any provision of the Franchise Contracts, the provisions of the Law shall control.

~~3. With respect to any provision contained in (a) the Franchise Contracts; (b) an amendment thereto; or (c) a related document required to be signed by Franchisee to obtain the franchise, if and to the extent that the provision constitutes a representation by Franchisee that is inconsistent with the requirements of the Law, the provision will be deleted and will be of no force or effect.~~

~~4. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.~~

~~5. The Franchise Contracts shall be given full force and effect as amended by this Addendum.~~

IN WITNESS WHEREOF, the parties have executed this Addendum on the date first above written.

Company:  
**SHOOT 360 NATION LLC**

Franchisee:  
**[NAME]**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

**EXHIBIT H**  
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  - Player Experience Coach
  - First Impressions Coach
  - Customer Care Coach
- Employee Orientation
- Training Employees
- Developing Personnel Policies
- Coaching Your Staff Time
- Tracking Procedures

**Operating Procedures (70 pages)**

- Suggested Hours of Operation
- Daily Procedures
  - Opening the Facility
  - Daily Cash Drawer Procedures
  - Facility Reset
  - Facility Manager Priorities
  - Manager Checklist
  - Shift Tasks
  - Bank Deposit Procedures
  - Closing the Facility
- Customer Service
  - Athlete Interaction
  - Maintaining a Positive Facility Environment
  - Answering the Phone
  - Handling Complaints
  - Handling Refund Requests
  - Terminating a Customer
  - Obtaining Feedback
- Front Desk Procedures
- Court Scheduling
  - Scheduling Guidelines
  - Member Court Reservations
  - Scheduling Complimentary "New Shooter" Evaluations
  - Scheduling Personal Training
  - Scheduling Clinics
  - Scheduling Classes
  - Scheduling Walk-ins
  - Court Rental Reservations
- Memberships
  - New Memberships
  - Membership Support
  - Changes to Membership
  - Membership Suspensions
  - Membership Cancellations
  - Cancellation and Suspension Requests

- Billing and Transaction Procedures
  - Membership Payments
  - Accepting Payment
  - Credit Card Security
  - Cash and Check Handling and Security Gift Cards
  - Collection Procedures

- Recommended Cleaning and Maintenance

- Managing the Shoot 360 Retail Area

- Managing Staff

- Operational and Financial Reporting

  - The Dashboard

  - Financial Statements

  - Basic Principles of Accounting

  - Training Unit Fee Payment

  - Electronic Funds Transfer

- Inventory Management

- Safety and Security

  - Accident Reporting and Investigation

  - Building Safety

  - Fire Safety

  - Robbery

  - Burglary

### **Coaching and Education (18 pages)**

- The Shoot 360 Experience

- Product Knowledge

- Floor Coaching

- Personal Training

- Programs

  - Classes

  - Class List

  - Team Clinics

  - Shooting Leagues

  - King of the Cage

  - Summer Camps

### **Sales and Marketing (27 pages)**

- The Shoot 360 Sales Philosophy

- Lead Generation Procedures

  - Foundational Lead Generation

  - Second Tier Lead Generation

  - Third and Fourth Tier Lead Generation

- Lead Follow-up

- Handling Inquiries

- Marketing Tools

- Your Marketing Plan

- Guidelines for Using Shoot 360 Marks

- Signage and Logo Specifications

- Email and Text Guidelines

- Social Media Best Practices

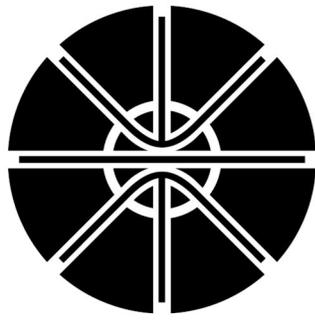
- Public Relations

### **Additional Resource (20 pages)**

- Shoot-A-Way Service Manual

### **Forms and Documents (50 pages)**

**EXHIBIT I**  
**FINANCIAL STATEMENTS**



SHOOT  
360

SHOOT 360 NATION LLC

FINANCIAL STATEMENTS

WITH INDEPENDENT AUDITOR'S REPORT

OCTOBER 31, 2024, 2023, AND 2022



# SHOOT 360 NATION LLC

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Statements of cash flows .....	8
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## *Independent Auditor's Report*

To the Member  
Shoot 360 Nation LLC  
Vancouver, Washington

### ***Opinion***

We have audited the accompanying financial statements of Shoot 360 Nation LLC, which comprise the balance sheets as of October 31, 2024, 2023, and 2022, and the related statements of operations, member's equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Shoot 360 Nation LLC as of October 31, 2024, 2023, and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

***Restrictions on Use***

The use of this report is restricted to inclusion within the Company's Franchise Disclosure Document (FDD) and is not intended to be, and should not be, used or relied upon by anyone for any other use.

Kezas & Dunlay

St. George, Utah  
January 7, 2025

**SHOOT 360 NATION LLC**  
**BALANCE SHEETS**  
As of October 31, 2024, 2023, and 2022

	<b>2024</b>	<b>2023</b>	<b>2022</b>
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 279,414	\$ 20,828	\$ 210,225
Accounts receivable, net	2,550,907	4,835,799	1,156,455
Prepaid expenses	5,000	5,000	-
Deferred contract costs, related party	4,196,858	4,256,881	2,788,154
Total current assets	7,032,179	9,118,508	4,154,834
Total assets	\$ 7,032,179	\$ 9,118,508	\$ 4,154,834
<b>Liabilities and member's equity</b>			
Current liabilities			
Accounts payable	\$ 66,296	\$ 1,042	\$ 1,756
Accrued expenses	402,143	290,263	198,411
Deferred revenue	4,663,175	7,002,470	3,097,949
Total current liabilities	5,131,614	7,293,775	3,298,116
Total liabilities	5,131,614	7,293,775	3,298,116
Member's equity	1,900,565	1,824,733	856,718
Total liabilities and member's equity	\$ 7,032,179	\$ 9,118,508	\$ 4,154,834

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

**SHOOT 360 NATION LLC**  
**STATEMENT OF OPERATIONS**  
For the years ended October 31, 2024, 2023, and 2022

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Operating revenue			
Equipment sales	\$ 6,316,722	\$ 4,657,164	\$ 4,614,566
Royalty and technology fees	3,058,089	2,238,195	1,677,144
Initial franchise fees	527,000	422,100	230,000
Total operating revenue	<u>9,901,811</u>	<u>7,317,459</u>	<u>6,521,710</u>
Cost of revenues	<u>5,662,739</u>	<u>4,085,342</u>	<u>3,904,783</u>
Gross profit	<u>4,239,072</u>	<u>3,232,117</u>	<u>2,616,927</u>
Operating expenses			
Management fees	2,752,730	2,013,925	1,509,430
Professional fees	212,005	77,249	52,339
Bad debt expense	575,381	170,767	-
General and administrative	5,069	2,161	4,239
Total operating expenses	<u>3,545,185</u>	<u>2,264,102</u>	<u>1,566,008</u>
Operating income	<u>693,887</u>	<u>968,015</u>	<u>1,050,919</u>
Non-operating income (expense)			
Interest expense	-	-	(10)
Other income	-	-	10,012
Total non-operating income (expense)	<u>-</u>	<u>-</u>	<u>10,002</u>
Net income	<u>\$ 693,887</u>	<u>\$ 968,015</u>	<u>\$ 1,060,921</u>

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

**SHOOT 360 NATION LLC**  
**STATEMENTS OF CHANGES IN MEMBER'S EQUITY**  
For the years ended October 31, 2024, 2023, and 2022

Balance as of November 1, 2021	\$	552,288
Member distributions		(756,491)
Net income		1,060,921
Balance as of October 31, 2022		<u>856,718</u>
Net income		968,015
Balance as of October 31, 2023		<u>1,824,733</u>
Member distributions		(618,055)
Net income		693,887
Balance as of October 31, 2024	\$	<u><u>1,900,565</u></u>

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

**SHOOT 360 NATION LLC**  
**STATEMENTS OF CASH FLOWS**  
For the years ended October 31, 2024, 2023, and 2022

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Cash flow from operating activities:			
Net income	\$ 693,887	\$ 968,015	\$ 1,060,921
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Bad debt expense	575,381	170,767	-
Changes in operating assets and liabilities:			
Accounts receivable	1,709,511	(3,850,111)	(851,019)
Prepaid expenses	-	(5,000)	-
Deferred contract costs, related party	60,023	(1,468,727)	(1,050,627)
Accounts payable	65,254	(714)	(5,029)
Credit card payable	-	-	(10,012)
Accrued expenses	111,880	91,852	189,067
Deferred revenue	(2,339,295)	3,904,521	1,203,939
Net cash provided by (used in) operating activities	<u>876,641</u>	<u>(189,397)</u>	<u>537,240</u>
Cash flows from investing activities:	-	-	-
Cash flows from financing activities:			
Member distributions	(618,055)	-	(756,491)
Total cash used in financing activities	<u>(618,055)</u>	<u>-</u>	<u>(756,491)</u>
Net change in cash	258,586	(189,397)	(219,251)
Cash at the beginning of the year	<u>20,828</u>	<u>210,225</u>	<u>429,476</u>
Cash at the end of the year	<u>\$ 279,414</u>	<u>\$ 20,828</u>	<u>\$ 210,225</u>
Supplementary disclosures of cash flows			
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10</u>

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

**SHOOT 360 NATION LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**OCTOBER 31, 2024, 2023, AND 2022**

(1) Nature of Business and Summary of Significant Accounting Policies

*(a) Nature of Business*

Shoot 360 Nation LLC (the “Company”) was incorporated on August 14, 2019 in the state of Washington and is headquartered in Vancouver, Washington. The Company franchises a unique basketball training facility.

The Company uses the accrual basis of accounting, and their accounting period is the 12-month period ending October 31 of each year.

*(b) Accounting Standards Codification*

The Financial Accounting Standards Board (“FASB”) has issued the FASB Accounting Standards Codification (“ASC”) that became the single official source of authoritative U.S. generally accepted accounting principles (“GAAP”), other than guidance issued by the Securities and Exchange Commission (“SEC”), superseding existing FASB, American Institute of Certified Public Accountants, emerging Issues Task Force and related literature. All other literature is not considered authoritative. The ASC does not change GAAP; it introduces a new structure that is organized in an accessible online research system.

*(c) Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

*(d) Financial Instruments*

For certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable, and accounts payable the carrying amounts approximate fair value due to their short maturities.

*(e) Concentration of Risk*

The Company maintains its cash in bank deposit accounts that at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risks on cash or cash equivalents.

*(f) Cash and Cash Equivalents*

Cash equivalents include all highly liquid investments with maturities of three months or less at the date of purchase. As of October 31, 2024, 2023, and 2022, the Company had cash and cash equivalents of \$279,414, \$20,828, and \$210,225, respectively.

*(g) Accounts Receivable*

Accounts receivable are recorded for amounts due based on the terms of executed franchise agreements for equipment, initial franchise fees, and royalty fees. These receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of outstanding amounts. When determining the allowance for doubtful receivable, the Company has adopted ASC 326, *Financial Instruments—Credit Losses*. This standard requires that management utilize the Current Expected Credit Losses (“CECL”) model to recognize the appropriate allowance for doubtful receivables. This model requires entities to estimate and recognize expected credit losses over the life of the financial instrument. For trade receivables, management has elected to apply a simplified approach, based on historical loss experience and adjustments for current and forecasted economic conditions. Management regularly evaluates individual customer receivables, considering their financial condition,

**SHOOT 360 NATION LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**OCTOBER 31, 2024, 2023, AND 2022**

credit history and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as income when received.

As of October 31, 2024, the Company had an allowance for doubtful accounts of \$575,381. As of October 31, 2023 and 2022, the Company had no allowance for uncollectible accounts. As of October 31, 2024, 2023, and 2022, the Company had net receivables of \$2,550,907, \$4,835,799, and \$1,156,455, respectively.

*(h) Revenue Recognition*

The Company has adopted ASC 606, *Revenue from Contracts with Customers*. ASC 606 provides that revenues are to be recognized when control of promised goods or services is transferred to a customer in an amount that reflects the considerations expected to be received for those goods or services. In implementing ASC 606, the Company evaluated all revenue sources using the five-step approach: identify the contract, identify the performance obligations, determine the transaction price, allocate the transaction price, and recognize revenue. For each franchised location, the Company enters into a formal franchise agreement that clearly outlines the various components of the transaction price and the Company's performance obligations.

The Company's revenues consist of initial franchise fees, royalties and marketing fees based on a percentage of gross revenues, and equipment sales.

*Royalty fees*

Upon evaluation of the five-step process, the Company has determined that royalty fees are to be recognized in the same period as the underlying sales.

*Equipment Sales*

Equipment sales are recognized upon transfer of the product to the franchisee.

*Initial franchise fees*

The Company is required to allocate the transaction price associated with initial franchise fees between the franchise license and associated performance obligations. In identifying the associated performance obligations, the Company has elected to adopt the practical expedient for private company franchisors outlined in ASC 952-606, *Franchisors—Revenue from Contracts with Customers*. In addition, the practical expedient allows franchisors to account for pre-opening services as a single distinct performance obligation, which the Company has elected to adopt. These pre-opening services include the following:

- Evaluation and approval of proposed sites
- Project management assistance with the development, construction, and pre-opening process
- Providing an initial training program for the franchise owner, franchisee managers, and staff in the operations of a Shoot 360 basketball training facility
- Assistance with marketing and grand opening plans

The Company has determined that the fair value of pre-opening services exceeds the initial fees received; as such, the initial fees are allocated to the pre-opening services, which are recognized as revenue upon provision of the pre-opening services, which is generally the commencement of operations.

*(i) Income Taxes*

The entity is structured as a limited liability company ("LLC") under the laws of the State of Washington. A limited liability company is classified as a partnership for federal and state income tax purposes and, accordingly, the income or loss of the Company will be included in the income tax returns of the member. Therefore, there is no provision for federal and state income taxes.

**SHOOT 360 NATION LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**OCTOBER 31, 2024, 2023, AND 2022**

The Company follows the guidance under ASC 740, *Accounting for Uncertainty in Income Taxes*. ASC 740 prescribes a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in the tax return. If taxing authorities were to disallow any tax positions taken by the Company, the additional income taxes, if any, would be imposed on the member rather than the Company. Accordingly, there would be no effect on the Company's financial statements.

The Company's income tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed. As of October 31, 2024, the 2023, 2022, and 2021 tax years were subject to examination.

(2) Related Party Transactions

*(a) Cost of Goods Sold and Management Fees*

The Company's sole member manufactures all equipment sold to franchisees and charges a commission for each new franchisee, which is based on the initial franchise fee collected by the Company. During the years ended October 31, 2024, 2023, and 2022, the Company recorded cost of goods sold for commissions and equipment purchased from the parent of \$5,662,739, \$4,085,342, and \$3,904,783, respectively.

The Company's sole member provides management services to the Company for the use of shared office space, employees, and other services. The fee is based on ongoing royalties collected by the Company from franchisees. During the years ended October 31, 2024, 2023, and 2022, the Company recorded management fees of \$2,752,730, \$2,013,925, and \$1,509,430, respectively.

*(b) Deferred Contract Costs, Related Party*

The Company remits funds to its sole member in advance for both equipment and commissions. This results in deferred contract costs for the future production of equipment. As of October 31, 2024, 2023, and 2022, the amount of deferred contract costs was \$4,814,913, \$4,256,881, and \$2,788,154, respectively.

(3) Accrued Expenses

As of October 31, 2024, 2023, and 2022, the Company's accrued expenses consist of accrued sales taxes payable of \$402,143, \$290,263, and \$198,411, respectively.

(4) Franchise Agreements

The Company's franchise agreements generally provide for payment of initial fees and equipment packages as well as continuing royalties. Under the franchise agreement, franchisees are granted the right to operate a location using the Shoot 360 for a period of ten years. Under the Company's revenue recognition policy, initial franchise fees and equipment sales are recognized when the franchisee begins operations. For any franchisees that have not yet begun operations as of year-end, the Company defers the revenues. All locations that are expected to begin operations within the following year are categorized as current, while all others are classified as non-current. As of October 31, 2024, 2023, and 2022, the Company expects all of its franchisees to begin operations during the following 12-month period and has recorded all deferred revenue as current. As of October 31, 2024, 2023, and 2022, the Company had deferred revenue of \$4,663,175, \$7,002,470, and \$3,097,949, respectively.

(5) Commitments and Contingencies

The Company may be subject to various claims, legal actions and complaints arising in the ordinary course of business. In accounting for legal matters and other contingencies, the Company follows the guidance in ASC 450, *Contingencies*, under which loss contingencies are accounted for based upon the likelihood of inurrence of a liability. If a loss contingency is "probable" and the amount of loss can be reasonably estimated, it is accrued. If a loss contingency is "probable" but the amount of loss cannot be reasonably estimated, disclosure is made. If a loss contingency is "reasonably possible," disclosure is made, including the potential range of loss, if determinable. Loss contingencies that are "remote" are neither accounted for nor disclosed.

**SHOOT 360 NATION LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**OCTOBER 31, 2024, 2023, AND 2022**

In the opinion of management, all matters are of such kind, or involving such amounts of unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

(6) Subsequent Events

Management has reviewed and evaluated subsequent events through January 7, 2025, the date on which the financial statements were issued.

EXHIBIT J

SHOOT 360 GYM LOCATIONS

FRANCHISED SHOOT 360 GYM LOCATIONS  
OPEN AND OPERATING AS OF OCTOBER 31, ~~2023~~2024

Franchisee	Office Number	Street Address	City	State	ZIP	Office Number
Sulphur Creek Farms, LLC	<del>256-777-8793</del>	115 Field View Lane	Madison	AL	35756	<del>256-777-8793</del>
<a href="#">C3 Birmingham, LLC</a>		<a href="#">2301 Old Columbiana Rd.</a>	<a href="#">Vestavia Hills</a>	<a href="#">AL</a>	<a href="#">35216</a>	<a href="#">256-7</a>
<del>Ultimate Sports Association</del>	<del>925-979-8843</del>	<del>2675 Mitchell Drive</del>				<del>Walnut Creek</del>
<del>California Basketball Group LLC</del>	<del>424-292-3157</del>	<del>2076 Artesia Blvd</del>				<del>Torrance</del>
<del>Golden State Warriors, LLC</del>	<del>619-922-1862</del>	<del>1011 Broadway</del>				<del>Oakland</del>
The Backcourt, LLC	<del>916-220-8667</del>	4650 Golden Foothill Parkway, Unit 130	El Dorado Hills	CA	95762	<del>916-220-8667</del>
<del>California Basketball Group LLC</del>		<del>424-292-3157</del>	<del>60 Post, Suite A</del>			<del>Irvine</del>
California Basketball Group LLC	<del>424-292-3157</del>	12552 Western Avenue	Garden Grove	CA	92841	<del>424-292-3157</del>
<a href="#">California Basketball Group LLC</a>		<a href="#">60 Post, Suite A</a>	<a href="#">Irvine</a>	<a href="#">CA</a>	<a href="#">92618</a>	<a href="#">424-2</a>
<a href="#">Golden State Warriors, LLC</a>		<a href="#">1011 Broadway</a>	<a href="#">Oakland</a>	<a href="#">CA</a>	<a href="#">94607</a>	<a href="#">619-9</a>
California Family Health, LLC	<del>916-987-2147</del>	2511 Warren Drive	Rocklin	CA	95677	<del>916-987-2147</del>
<a href="#">California Basketball Group - Torrance</a>		<a href="#">2076 Artesia Blvd</a>	<a href="#">Torrance</a>	<a href="#">CA</a>	<a href="#">90504</a>	<a href="#">424-2</a>

Franchisee	Office Number	Street Address	City	State	ZIP	Office Number
<a href="#">LLC</a>						
<a href="#">Ultimate Sports Association</a>		<a href="#">2675 Mitchell Drive</a>	<a href="#">Walnut Creek</a>	<a href="#">CA</a>	<a href="#">94598</a>	<a href="#">925-9</a>
ARC Enterprises LLC	<del>817-312-1179</del>	14200 E Alameda Avenue	Aurora	CO	80012	<a href="#">817-312-1179</a>
<a href="#">VB Hoops LLC</a>		<a href="#">5265 45th Street Building #10</a>	<a href="#">Vero Beach</a>	<a href="#">FL</a>	<a href="#">32968</a>	<a href="#">617-4</a>
Jump <del>For</del> Joy Basketball LLC	<del>310-600-4247</del>	11415 Old Roswell Rd, #200	Alpharetta	GA	30009	<a href="#">310-600-4247</a>
KCC, LLC	<del>319-265-8359</del>	1790 Robins Rd.	Hiawatha	IA	52233	<a href="#">319-265-8359</a>
LTG 2012 Corporate Drive LLC	<del>503-887-1302</del>	2012 Corporate Drive, Suite 140	Naperville	IL	60563	<del>503-887-1302</del>
LTG 16289 Boden Road LLC	<del>503-887-1302</del>	16289 Boden Road	Noblesville	IN	46060	<del>503-887-1302</del>
Team Siva, LLC	<del>502-303-3445</del>	5909 Old Cedar Court	Prospect	KY	40059	<del>502-303-3445</del>
<a href="#">Louisiana Hoops SBR, LLC</a>		<a href="#">2640 Youree Dr Bldg 2</a>	<a href="#">Shreveport</a>	<a href="#">LA</a>	<a href="#">71104</a>	<a href="#">318-2</a>
<del>Oakland Fieldhouse</del> <a href="#">OFH Shoot 360, LLC</a>	<del>248-961-9330</del>	2139 Austin Avenue	Rochester Hills	MI	48309	<a href="#">248-961-9330</a>
<a href="#">TGBD Enterprises LLC</a>		<a href="#">11160 Hudson Blvd Suite 215-220</a>	<a href="#">Lake Elmo</a>	<a href="#">MN</a>	<a href="#">55042</a>	<a href="#">715-3</a>
<a href="#">L and R Group Corp</a>		<a href="#">2045 Hitzert Court.</a>	<a href="#">Fenton</a>	<a href="#">MO</a>	<a href="#">63026</a>	<a href="#">314-4</a>
<a href="#">Hope Court Hoops, LLC</a>		<a href="#">2600 S. 48th Street, Suite 13</a>	<a href="#">Lincoln</a>	<a href="#">NE</a>	<a href="#">68506</a>	<a href="#">402-7</a>
Aerik Williams, LLC			Charlotte	NC		

Franchisee	Office Number	Street Address	City	State	ZIP	Office Number	Area Development	Open Date	
	614-506-4374	9800 Twin Lakes Parkway Suite D			28269	614-506-4374		6/30/2022	
Dakota Prep Athletics, LLC-dba Fargo Basketball Academy	701-388-5838	5409 53rd Avenue S	Fargo	ND	58104	701-388-5838		10/14/2024	
<a href="#">Shoot 360 Grand Forks, LLC</a>		<a href="#">1155 40th Avenue South</a>	<a href="#">Grand Forks</a>	<a href="#">ND</a>	<a href="#">58201</a>	<a href="#">701-388-5838</a>			
<a href="#">True Game LLC</a>		<a href="#">3895 Pebble &amp; El Camino</a>	<a href="#">Las Vegas</a>	<a href="#">NV</a>	<a href="#">89139</a>	<a href="#">435-313-6700</a>	*	=	
<a href="#">Hope Court Hoops, LLC</a>		<a href="#">402-730-1876</a>	<a href="#">2600 S. 48<sup>th</sup> Street, Suite 13</a>			<a href="#">Lincoln</a>	<a href="#">NE</a>	<a href="#">68506</a>	<a href="#">10/31/2023</a>
HoopTech LLC	216-744-5336	7717 Victory Lane	North Ridgeville	OH	44039	216-744-5336		8/1/2020	
East Coast Basketball Technology, LLC	724-624-0707	3001 Cool Springs Drive, Unit 6	Pittsburgh	PA	15234	724-624-0707		4/21/2021	
Memphis Training & Fitness, LLC	901-292-0559	85 Market Center Drive	Collierville	TN	38017	901-292-0559		12/31/2024	
<a href="#">Memphis Training &amp; Fitness, LLC</a>		<a href="#">1375 Big Orange Road</a>	<a href="#">Cordova</a>	<a href="#">TN</a>	<a href="#">38018</a>	<a href="#">901-292-0559</a>			
<a href="#">ARC Enterprises, LLC</a>		<a href="#">6155 Sports Village Road Ste #1100</a>	<a href="#">Frisco</a>	<a href="#">TX</a>	<a href="#">75033</a>	<a href="#">817-312-1179</a>			
<a href="#">Kelly Basketball LLC</a>		<a href="#">936-648-4857</a>	<a href="#">13018 Brittmoore Park Drive</a>			<a href="#">Houston</a>	<a href="#">TX</a>	<a href="#">77014</a>	<a href="#">12/12/2020</a>
ARC Enterprises, LLC	817-312-1179	3000 Grapevine Mills Pkwy, Suite Unit 329	Grapevine	TX	76051	817-312-1179		9/30/2022	
<a href="#">Kelly Basketball LLC</a>		<a href="#">13018 Brittmoore Park Drive</a>	<a href="#">Houston</a>	<a href="#">TX</a>	<a href="#">77014</a>	<a href="#">936-648-4857</a>			
Liberty Gin, LLC	210-347-0859	8227 Broadway	San Antonio	TX	78209	210-347-0859		11/30/2022	

Franchisee	Office Number	Street Address	City	State	ZIP	Office Number	Area Development	Open Date
<del>ARC Enterprises, LLC</del>	<del>817-312-1179</del>	<del>6155 Sports Village Road</del>	<del>Frisco</del>	<del>TX</del>	<del>75033</del>	<del>7/31/23</del>		
California Basketball Group - <u>Lehi, LLC</u>	<del>424-292-3157</del>	333 S. Millpond Drive, <u>Suite Ste</u> 400	Lehi	UT	84043	<u>424-292-3157</u>		<del>11/30/2022</del>
<u>California Basketball Group, LLC</u>	<u>571 Deseret Drive #600</u>	<u>Kaysville</u>	<u>UT</u>	<u>84037</u>	<u>424-292-3157</u>			
Innovative Sports LLC	<del>210-669-9813</del>	14550 Lee Road	Chantilly	VA	20151	<del>2/21/2021</del> <u>38</u> <u>6-547-9305</u>		
The Landing Spot II, LLC	<del>253-709-4244</del>	10842 117th Place NE	Kirkland	WA	98033	<u>253-709-4241</u>		<del>12/21/2019</del>
<del>DH Sports, LLC</del>	<del>360-281-0909</del>	<del>3700 E. Francis Avenue, Suite 1</del>	<del>Spokane</del>	<del>WA</del>	<del>99217</del>	<del>11/30/2021</del>		
Burck Basketball, LLC	<del>509-793-8493</del>	2541 Logan Street	Richland	WA	99354	<u>509-793-8493</u>		<del>6/30/2023</del>
<u>DH Sports, LLC</u>	<u>3700 E. Francis Avenue Ste 1</u>	<u>Spokane</u>	<u>WA</u>	<u>99217</u>	<u>360-281-0909</u>			
<u>Hoop Solutions, LLC</u>	<u>3860 John Wall Drive</u>	<u>Madison</u>	<u>WI</u>	<u>53704</u>	<u>701-740-1562</u>	<u>*</u>		

\* These franchise locations were developed pursuant to an Area Development Agreement.

**AFFILIATE-OWNED SHOOT 360 GYM LOCATIONS  
AS OF OCTOBER 31, ~~2023~~2024**

Location	Address	Telephone	Opening Date
<del>Beaverton<sup>a</sup></del> <u>Beaverton*</u>	5657 <del>SW Arctic DriveDr.</del> , Beaverton, OR <del>97005</del> <u>97008</u>	<del>503-718-7445</del> <u>503-810-1647</u>	<del>April-2012</del>
Vancouver	12001 NE 60th Way, Vancouver, WA 98682	360-896-5000	<del>June-2013</del>

<sup>a</sup>This

\* This location is owned by ~~senior executives of the Franchisor and is operated~~ an entity owned by two of our ~~Operating Affiliate~~ executive officers.

**FRANCHISED LOCATIONS CLOSED NOVEMBER 1, 2022 – OCTOBER 31, 2023**

Location	Address	Telephone	Closing Date
Lewisville	<del>1501 Fairway Drive, Suite 200, Lewisville, TX 75057</del>	<del>817-312-1179</del>	<del>June-2023</del>

**LOCATIONS FOR WHICH A FRANCHISE AGREEMENT HAS BEEN SIGNED  
BUT IS NOT YET OPEN AS OF OCTOBER 31, ~~2023~~2024**

Franchisee	City	State	Office Number	<u>Area Development</u>
<del>Knock Down Hoops PA, LLC</del>	<del>Wayne</del>	<del>PA</del>	<del>570-401-7319</del>	
<del>Louisiana Hoops SBR LLC</del>	<del>Shreveport</del>	<del>LA</del>	<del>318-286-1667</del>	
<del>Shoot 360 Grand Forks, LLC</del>	<del>Grand Forks</del>	<del>ND</del>	<del>701-388-5838</del>	
<del>BB 360, LLC</del>	<del>Omaha</del>	<del>NE</del>	<del>701-388-5838</del>	
JJ's Sports Academy, LLC	Fayetteville	AR	512-968-3971	
<u>Stone Fox Properties, LLC</u>	<u>Phoenix</u>	<u>AZ</u>	<u>907-229-1325</u>	
<u>Onward Hoops, LLC</u>	<u>Orlando</u>	<u>FL</u>	<u>317-626-0710</u>	
<u>KCC DSM, LLC</u>	<u>Des Moines</u>	<u>IA</u>	<u>319-239-4339</u>	
<u>Mambas Basketball Academy, LLC</u>	<u>Kansas City</u>	<u>KS</u>	<u>785-550-0610</u>	
<u>J &amp; D Sports and Entertainment LLC</u>	<u>Frederick</u>	<u>MD</u>	<u>301-922-8287</u>	
<u>ACV Elite LLC</u>	<u>Arden Hills</u>	<u>MN</u>	<u>608-220-2771</u>	
<u>Three Point Ventures, LLC</u>	<u>Raleigh</u>	<u>NC</u>	<u>614-506-4374</u>	
<u>Shoot 360 Bismarck, LLC</u>	<u>Bismarck</u>	<u>ND</u>	<u>701-388-5838</u>	
<u>Hope Court Hoops, LLC</u>	<u>La Vista</u>	<u>NE</u>	<u>402-730-1876</u>	
<u>Coach Golden LLC</u>	<u>Reno</u>	<u>NV</u>	<u>775-971-8691</u>	
<del>ARC Enterprises LLC</del>	<del>Las Vegas</del>	<del>NV</del>	<del>817-312-1179</del>	
<del>5</del> <u>TwentyFive</u> <u>AGS Hoops, LLC</u>	Cincinnati	OH	<u>502-387-6238</u>	<del>216-214-1475</del> *
<u>Keich Holdings, LLC</u>	<u>Lehigh Valley</u>	<u>PA</u>	<u>610-751-7097</u>	
<u>East Coast Basketball Technology, LLC</u>	<u>Pittsburgh</u>	<u>PA</u>	<u>724-624-0707</u>	
<u>Knock Down Hoops PA, LLC</u>	<u>Wayne</u>	<u>PA</u>	<u>570-401-7319</u>	

Shoot 360 Sioux Falls, LLC	Sioux Falls	SD	701-388-5838	
Durandal LLC	<del>Leander</del> <a href="#">Austin</a>	TX	626-993-0347	*
<del>Basketball</del> Innovation-Basketball, LLC	Houston	TX	936-648-4857	
<del>Shoot 360 Bismarck, LLC</del>	<del>Bismarck</del>	<del>ND</del>	<del>701-388-5838</del>	
<del>Land R Group Corp</del>	<del>Fenton</del>	<del>MO</del>	<del>314-409-9417</del>	
Jump Shots LLC	Richmond	VA	804-661-0233	
<a href="#">Perseverance Academy, LLC</a>	<a href="#">Seattle</a>	<a href="#">WA</a>	<a href="#">425-269-0033</a>	
<del>G3 Birmingham, LLC</del>	<del>Birmingham</del>	<del>AL</del>	<del>256-777-8793</del>	
<del>VB Hoops, LLC</del>	<del>Vero Beach</del>	<del>FL</del>	<del>617-417-6410</del>	
<del>Onward Hoops, LLC</del>	<del>Orlando</del>	<del>FL</del>	<del>317-626-0710</del>	
<del>TGBD Enterprises, LLC</del>	<del>Greenville</del>	<del>SC</del>	<del>715-338-2163</del>	
<del>East Coast Basketball Technology, LLC</del>	<del>Pittsburgh</del>	<del>PA</del>	<del>724-624-0707</del>	

\* These franchise locations are being developed pursuant to an Area Development Agreement.

**FRANCHISEES WHO HAD A LOCATION TERMINATED, CANCELLED, NOT RENEWED, OR WHO OTHERWISE LEFT THE SYSTEM FROM NOVEMBER 1, 2023 TO OCTOBER 31, 2024**

<u>Franchisee</u>	<u>City</u>	<u>State</u>	<u>Telephone</u>	<u>Reason</u>
<u>Mike Samuels</u>	<u>Walnut Creek</u>	<u>CA</u>	<u>925-979-8843</u>	<u>Transfer</u>
<u>BB 360, LLC*</u>	<u>Omaha</u>	<u>NE</u>	<u>701-388-5838</u>	<u>Terminated</u>
<u>ARC Enterprises, LLC*</u>	<u>Las Vegas</u>	<u>NV</u>	<u>817-312-1179</u>	<u>Terminated</u>
<u>5 TwentyFive LLC</u>	<u>Cincinnati</u>	<u>OH</u>	<u>216-214-1475</u>	<u>Transfer</u>
<u>Michelle and Walter Webb</u>	<u>Chantilly</u>	<u>VA</u>	<u>210-669-9813</u>	<u>Transfer</u>

\*These locations were terminated prior to opening.

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

## STATE EFFECTIVE DATES

The following states have franchise laws that require that this Disclosure Document be registered or filed with the states, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This Disclosure Document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	<del>January 4, 2024</del> <a href="#">Pending</a>
Hawaii	<del>January 2, 2024</del> <a href="#">Pending</a>
Illinois	<del>December 26, 2023</del> <a href="#">Pending</a>
Indiana	<del>February 16, 2024</del> <a href="#">Pending</a>
Maryland	<del>February 13, 2024</del> <a href="#">Pending</a>
Michigan	January <del>25</del> <a href="#">16</a> , 2024 <a href="#">2025</a>
Minnesota	<del>February 12, 2024</del> <a href="#">Pending</a>
New York	Pending
North Dakota	<del>January 9, 2024</del> <a href="#">Pending</a>
Rhode Island	<del>December 29, 2023</del> <a href="#">Pending</a>
South Dakota	<del>January 11, 2024</del> <a href="#">Pending</a>
Virginia	<del>February 12, 2024</del> <a href="#">Pending</a>
Washington	<del>February 15, 2024</del> <a href="#">Pending</a>
Wisconsin	<del>December 22, 2023</del> <a href="#">January 16, 2025</a>

~~OTHER STATES MAY REQUIRE REGISTRATION, FILING, OR EXEMPTION OF A FRANCHISE UNDER OTHER LAWS, SUCH AS THOSE THAT REGULATE THE OFFER AND SALE OF BUSINESS OPPORTUNITIES OR SELLER-ASSISTED MARKETING PLANS.~~

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

**EXHIBIT K**

**RECEIPT [YOUR COPY]**

This Disclosure Document summarizes provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Shoot 360 Nation LLC offers you a franchise, it must provide this Disclosure Document to you fourteen (14) calendar days before you sign a binding agreement with, or make a payment to, it or its affiliate in connection with the proposed franchise sale, or sooner if required by applicable state law. New York law requires us to provide this Disclosure Document at the earlier of (i) the first personal meeting; and (ii) 10 business days before you sign the franchise or other agreement or make any payment to us that relates to the franchise relationship.

If Shoot 360 Nation LLC does not timely deliver this Disclosure Document or if this Disclosure Document contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agencies listed in Exhibit A. We authorize the state agencies listed in Exhibit B to receive service of process for us in the respective states.

<b>Company:</b> Shoot 360 Nation LLC 12403 NE 60 <sup>th</sup> Way, #D-1, Vancouver, Washington 98682 360-433-9841	<b>Franchise Seller(s):</b> Craig Moody            Terry Michaelson Brad Butterworth <del>Bernie</del> <a href="#">Bernard</a> Doering Brad Barbarick            Joshua Hall <del>Rachel Lowenthal</del>
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[Issuance Date: January 16, 2025](#)

I received, on the date indicated, a Shoot 360 Franchise Disclosure Document with an Issuance Date of ~~December 22~~[January 16, 2023](#)[2025](#), which included the following Exhibits:

- |   |   |                      |   |
|---|---|----------------------|---|
| EXHIBIT A                                       | List of State Administrators                      | EXHIBIT D            | Area Development Agreement                                    |
| EXHIBIT B                                       | Agents for Service of Process                     | Exhibit A            | Development Territory, Fee, Quota and Deadlines               |
| EXHIBIT C                                       | Franchise Agreement                               | Exhibit B            | Franchise Agreement   |
| Schedule 1                                      | Approved Location, Protected Area, Notice Address | Exhibit C            | Personal Guaranty   |
| Schedule 2                                      | Current Pricing and Terms                         | Exhibit D            | Spousal Consent   |
| Schedule 3                                      | Franchisee's Owners                               | Exhibit E            | Developer's Owners  |
| Schedule 4                                      | Personal Guaranty                                 | EXHIBIT E            | Confidentiality, Non-Disclosure and Non-Competition Agreement |
| Schedule 5                                      | Spousal Consent                                   | EXHIBIT F            | General Release   |
| Schedule 6                                      | <del>Right of First Offer Addendum</del>          | EXHIBIT G            | State-Required Addenda  |
| <del>Schedule 7</del>                           | Electronic Debit Authorization Form               | EXHIBIT H            | BPM Table of Contents   |
| Schedule <del>8</del> <u><a href="#">7</a></u>  | Collateral Assignment                             | EXHIBIT I            | Financial Statements  |
| Schedule <del>9</del> <u><a href="#">8</a></u>  | <del>SBA Addendum</del>                           | EXHIBIT J            | Operating Shoot 360 Gym Locations                             |
| <del>Schedule 10</del> <u><a href="#">8</a></u> | Addendum to Lease                                 | <del>EXHIBIT K</del> | <del>Receipts (2 copies)</del>                                |

Date FDD Received: \_\_\_\_\_

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

Date Receipt Signed: \_\_\_\_\_

Keep this copy for your records.

**EXHIBIT K**

**RECEIPT [OUR COPY]**

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If Shoot 360 Nation LLC does not timely deliver this Disclosure Document or if this Disclosure Document contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agencies listed in Exhibit A. We authorize the state agencies listed in Exhibit B to receive service of process for us in the respective states.

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| Schedule 9  | <del>SBA Addendum</del>                           | EXHIBIT J | Operating Shoot 360 Gym Locations                             |
| Schedule 10 | <u>8</u> Addendum to Lease                        | EXHIBIT K | <del>Receipts (2 copies)</del>                                |

Date FDD Received: \_\_\_\_\_

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

Date Receipt Signed: \_\_\_\_\_

Return this copy to us -- you may sign through DocuSign<sub>®</sub> or email a pdf of the signed copy to [franchise@shoot360.com](mailto:franchise@shoot360.com) [franchise@shoot360.com](mailto:franchise@shoot360.com).  
4936-8694-0930, v. 1

[4872-2478-0526, v. 4](#)