FRANCHISE DISCLOSURE DOCUMENT

HobbyTown®

Hobby Town Unlimited, Inc.
A Nebraska Corporation
1133 Libra Drive
Lincoln, NE 68512
(402) 434-5065
sales@hobbytown.com
www.hobbytownfranchise.com

The franchisee will engage in the retail sales of hobby, toy, entertainment, educational, collectible and gift merchandise to the public.

The total investment necessary to begin operation of a HobbyTown® franchise is $340,000 to $610,000. This includes approximately $281,100 to $492,500 per store that must be paid to the franchisor or 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 Robert Wilke, President of Hobby Town Unlimited, Inc. at 1133 Libra Drive, Lincoln, Nebraska 68512 and (402) 434-5065 or sales@hobbytown.com.

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

Buying a franchise is a complex investment. The information in this Disclosure Document can help You make up Your mind. More information on franchising, such as "*A Consumer's Guide to Buying a Franchise*," which can help You understand how to use this Disclosure Document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov 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.

Issued: April 24, 2024

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit G.
How much will I need to invest?	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.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit C includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only HobbyTown business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a HobbyTown franchisee?	Item 20 or Exhibit G list current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by litigation only in Nebraska. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to litigate with the franchisor in Nebraska than in your own state.

2. **Brokers and Referral Sources**. We use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise. A franchise broker or referral source represents us, not you. We pay this person a fee for selling our franchise or referring you to us. You should be sure to do your own investigation of the franchise.

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.

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

The Franchisor's name is Hobby Town Unlimited, Inc. To simplify the language of this Disclosure Document, "Company" means Hobby Town Unlimited, Inc. "You" means the person or legal entity who buys the franchise, which also includes the franchisee's owner(s) if the franchisee is an entity. The Company does business as HobbyTown® and HobbyTown USA®. Some existing franchised locations operate as HobbyTown USA® but all new locations are opening as HobbyTown®.

Most HobbyTown® stores range in size from 3,000 to 6,000 square feet. You will be involved in the retail sales of hobby, toy, entertainment, educational, collectible and gift merchandise. The types of merchandise which You may sell within these categories consist of model railroading, radio-controlled items, tools and paints, models, games, model rockets, science, seasonal activity kits, art supplies, educational toys and other recreational toys. The Company's goal is to provide for the current and future hobby, toy, educational, entertainment, collectible, gift and recreational needs of the public. The market for the merchandise You will sell is primarily hobbyists between the ages of 12 and 55.

Your competitors include other hobby merchandise stores. The Company is unaware of any special regulations governing the retail sales of hobby merchandise in Your state.

The Company's first HobbyTown USA® store was opened in 1980 in Lincoln, Nebraska by Merlin P. Hayes and Thomas A. Walla (referred to as "the Partnership"). In 1981, the Partnership opened a second HobbyTown USA® store in Lincoln, Nebraska. These two Lincoln, Nebraska stores were subsequently consolidated and merged into the Company's corporate framework and the Partnership was dissolved. No franchises were offered by the Partnership.

In November of 1993, the Company opened an additional retail location in Lincoln, Nebraska which was subsequently consolidated into the pre-existing company-owned retail store. In April, 2003, the Company opened another store in Lincoln, Nebraska which it sold to a HobbyTown USA® franchisee in March, 2006. In January of 2009, the Company closed its remaining Lincoln, Nebraska store. This store previously operated at two locations during the months of October 2006 through January 2007. The second location was opened for the holiday season only and ceased operating on January 31, 2007. The Company no longer owns or operates HobbyTown® or HobbyTown USA® corporate stores.

The Company is a Nebraska corporation formed in 1985 by Merlin P. Hayes and Thomas A. Walla. Mr. Hayes and Mr. Walla owned 100% of the Company from 1985 to 1998. In February 1998, Mr. Hayes and Mr. Walla sold approximately 45% of the Company to eight employees, and since then, additional employees have purchased stock. The Company's principal place of business is 1133 Libra Drive, Lincoln, Nebraska 68512. The Company's agents for service of process are listed on Exhibit D.

The Company was formed for the purpose of selling franchises and began offering franchises in September 1985. The trade names, service marks and trademarks described in this Disclosure Document have not been otherwise used except that the Partnership had previously operated under the name "Hobby Town" and subsequently licensed the use of the name to the Company.

Other than the business ventures described in this Item, neither the Company nor its affiliated companies have offered for sale or currently intend to offer for sale franchises in any other line of business; except that the Company formerly owned a controlling interest in nūVibe Unlimited, LLC, a Nebraska limited liability company that sold one franchise for a specialty juice and coffee concept. In addition, the Company formerly had an agreement with Amain.com, Inc. of Chico, California ("AMain") for the Company to offer franchises, under a separate franchise agreement and franchise disclosure document, for the operation of AMain Performance Hobbies locations. The Company no longer offers AMain franchises and sold no AMain franchises.

In October 2023, the Company closed a transaction in which the Company merged with a wholly owned subsidiary of AMain. The Company was the surviving corporation in this merger and now operates as a wholly owned subsidiary of AMain.

ITEM 2. BUSINESS EXPERIENCE

President: Robert Wilke

Since November 2015, Robert Wilke has been President of Hobby Town Unlimited, Inc., which is located at 1133 Libra Drive, in Lincoln, Nebraska.

Senior Vice President: Timothy Van Ert

Since November 2015, Timothy Van Ert has been Senior Vice President of Hobby Town Unlimited, Inc., which is located at 1133 Libra Drive, in Lincoln, Nebraska.

Vice President of Operations: David Gaines

From August 2006 until April 2022, David Gaines served as the Vice President of Franchise Services of Hobby Town Unlimited, Inc., located at 1133 Libra Drive, in Lincoln, Nebraska. In April 2022, he was appointed Vice President of Operations of Hobby Town Unlimited, Inc.

Vice President of Marketing: Celeste Vanderlip

From March 2015 to April 2019, Celeste Vanderlip worked as a self-employed merchandiser in Fairfield, Connecticut. From May 2019 to May 2022, she served as Director of Marketing of Hobby Town Unlimited, Inc., located at 1133 Libra Drive, in Lincoln, Nebraska. In June 2022, Ms. Vanderlip was appointed Vice President of Marketing for Hobby Town Unlimited, Inc.

Director: Kendall Bennett

In 2004, Kendall Bennett founded Amain.com, Inc., and has served as both CEO and CTO since its inception. Amain.com, Inc. is located at 2860 Fair Street in Chico, California. In October 2023, Mr. Bennett was appointed to the Board of Directors for Hobby Town Unlimited, Inc., which is located at 1133 Libra Drive, in Lincoln, Nebraska.

Director: Kevin Kiser

In 2010, Kevin Kiser joined AMain.com, Inc. as its Controller, and continued in that role until January 2013, when he became its CFO. Amain.com, Inc. is located at 2860 Fair Street in Chico, California. In October 2023, Mr. Kiser was appointed to the Board of Directors for Hobby Town Unlimited, Inc., which is located at 1133 Libra Drive, in Lincoln, Nebraska.

ITEM 3. LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4. BANKRUPTCY

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

ITEM 5. INITIAL FEES

You must pay $49,500 to the Company as a lump sum franchise fee for a single store. The franchise fee is due upon the signing of the Franchise Agreement and is non-refundable. If You convert Your existing independently owned hobby store into a HobbyTown® store, You must also pay the Company a $49,500 lump sum, non-refundable franchise fee. As an alternative to purchasing a single franchised store, a new franchisee may elect to purchase, upon approval by the Company in its sole discretion, multiple franchised stores, in which case the following non-refundable franchise fees are offered:

Franchise Store	Initial Franchise Fee
First Store	$49,500
Second Store	$42,000
Third Store	$38,000
Fourth Store	$36,000
Fifth Store	$34,000
Sixth Store	$32,000
Seventh through Tenth Store	$30,000

If You elect to purchase multiple stores, You must sign separate Franchise Agreements for all stores at the same time and You must pay all initial franchise fees for all stores upon signing the Franchise Agreements. All franchise fees are non-refundable.

If You purchase a single franchised store, You must open the store within one year from the date of the Franchise Agreement. If You purchase multiple stores at the same time, You must open the first store within one year from the date of the Franchise Agreement for the first store, and thereafter open at least one store per year until all the additional stores are opened in accordance with the schedule set forth in each respective Franchise Agreement. If You fail to open Your single store within the one-year period described above or if You fail to open any of the multiple stores in accordance with the opening schedules set forth in the Franchise Agreements, the Company can terminate the Franchise Agreement[s] for any unopened store[s], in the Company's sole discretion, in which case the Company will retain the non-refundable initial franchise fee for the terminated Franchise Agreement[s].

You or the seller are required to pay a non-refundable lump sum transfer fee of $49,500 at the signing of a new Franchise Agreement if You purchase an existing franchisee's store. If You are an existing HobbyTown® franchisee who purchases the store of an existing franchisee the non-refundable lump sum transfer fee will be $5,000. You or the buyer must pay this transfer fee if You sell Your franchised location to an approved buyer. The Company will waive this transfer fee if the transfer is to a qualified and approved heir, relative, or co-owner or if You assign Your franchise to an entity that You own and control.

The fees and terms of the Franchise Agreement have changed over time and may change in the future. For example, the Company has offered a discount rate of the initial franchise fee, such as for military personnel, existing franchisees and their relatives, or employees of the Company. The discount for military personnel is $10,000, for an initial non-refundable fee of $39,500. This military discount on the franchise fee applies only to newly developed stores, and not to a transfer or the conversion of an independently owned location into a HobbyTown® store. Thus, the provisions of former Franchise Agreements may vary substantially from those contained in the current Franchise Agreement and a franchisee's obligations under it may therefore differ substantially from those of other HobbyTown® or HobbyTown USA® franchisees.

The following non-refundable fees and payments for services or goods, including the initial franchise fee described above, are due directly to the Company or its affiliate, or collected by the Company or its affiliate on behalf of a third party, before Your first store opens (further details about these fees are contained in Items 6 and 7):

Expenditure	**Amount**
Initial Fee	$49,500
Inventory	$150,000-$300,000
Retail Fixtures	$40,000-$80,000
Activity Area Material	$2,200-$4,500
Shipping	$3,000-$8,000

Point of Sale Computer Hardware	$6,000-$9,000
Exterior Sign(s)	$6,000-$15,000
Initial Advertising	$20,000
Supplies	$4,400-$6,500
ESTIMATED TOTAL:	**$281,100- $492,500**

ITEM 6. OTHER FEES

Name of Fee	Amount	Due Date	Remarks
Royalty Fee	4.75% of gross sales	Monthly	Transmitted electronically by the 10th day of the following month. See Footnotes (1), and (2).
Minimum Advertising	2% of gross sales	Monthly	Transmitted electronically by the 10th day of the following month. See Footnotes (1) and (3).
Additional Assistance	Variable per day fee	30 days after billing	See Footnotes (1) and (4).
Transfer Fee	$49,500	Before transfer	See Footnotes (1) and (5).
Audit	Cost of audit plus interest on underpayment	Immediately	See Footnotes (1) and (6).
Warehouse Shipments Handling Fee	Average 2%-20% of merchandise sales price	30 days after billing	See Footnotes (1) and (7).
Security Software	$150-$250	Annually	Amount due is dependent upon the number of computers at Your store. See Footnote (1).
Physical Inventory Count	$275 per day	Immediately upon ordering.	Amount subject to change. See Footnote (1). Not payable in the conversion of an independently owned location.

Moving and Store Resets Administrative Expenses	$275 per day	Upon relocation.	See Footnote (1).

FOOTNOTES:

(1) All of the fees in Item 6 are imposed and collected by the Company. None of these fees are refundable. The fees and expenses described in this Item 6 are uniformly imposed and collected, except for the Royalty Fee, as described in footnote (2) below, and the Additional Assistance described in footnote (4) below.

(2) Upon the opening of the store, You pay a Royalty Fee based on a percentage of gross sales. Gross sales includes all revenue from the store or from any other site including the location of any booth, mobile unit, seminar, fair or other event of any kind, including track and race fees in which You participate, but does not include sales taxes, use taxes or returns. You will pay a Royalty Fee of 4.75% of gross sales. The Company may agree in its sole discretion to reduce the Royalty Fee to encourage the development of additional stores.

(3) In satisfaction of the minimum advertising requirement, You will pay 2% of Your gross monthly sales to the Company, which will be held in reserve to draw from as You incur local advertising expenses. You must use the Company's Media Placement Service for local advertising and marketing execution. You cannot advertise in any other manner, including email marketing, in-store promotions, and other online or print media, without obtaining prior approval from the Company. The Company has a National Marketing Program, which provides national marketing utilizing a strategic marketing plan that includes creative development and campaign implementation and management. Franchisees are required to participate in the National Marketing Program and comply with the terms of the program as described in the Operations Manual or as otherwise described in writing. The Company currently does not charge a fee to new or renewing franchisees for participation in the National Marketing Program but reserves the right to implement a National Marketing Program fee during the term of the Franchise Agreement. See Items 8 and 11.

(4) The per day fee for additional ongoing assistance will vary depending upon the location of Your store and amount of travel required by the Company, and the type of assistance required. The Company provides opening assistance at no additional cost.

(5) Payable by the buyer or seller only if You sell Your franchise or if You purchase an existing HobbyTown® or HobbyTown USA® store. No charge if You transfer Your franchise to an entity which You own and control.

(6) Payable only if audit shows an understatement of at least 5% of gross sales for any month.

(7) Payable if You order products of the Company or products from third-party vendors that the Company stores in and ships from its warehouse.

ITEM 7. ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Initial Franchise Fee (or a transfer fee of $49,500 for a transferred location)[1]	$49,500	Lump sum	At signing	The Company
Travel and Living Expenses While Training	$1,650-$4,000	As incurred	During training	Airlines, Hotels, Meals, Car Rentals
Inventory[2]	$150,000-$300,000	Installments	Before opening	The Company[3]
Retail Fixtures	$40,000-$80,000	Installments	Before opening	The Company[4]
Activity Area Material	$2,200-$4,500	As incurred	Before Opening	Suppliers
Flooring, painting, and improvements	$17,000-$32,000	Lump sum	Before opening	Suppliers[5]
Shipping[6]	$3,000-$8,000	Installments	Before opening	The Company
Point of Sale Computer Hardware[7]	$6,000-$9,000	Installments	Before opening	The Company[8]
Exterior Sign(s)	$6,000-$15,000	Lump sum	Before opening	Suppliers or the Company[9]
Low Voltage Network for computer information system, security system and credit card machines	$2,750-$3,500	Lump sum	Before Opening	Suppliers
Other Equipment[10]	$3,000-$10,000	Lump sum	Before opening	Suppliers

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Real Property and miscellaneous including rent, security deposit, utilities, insurance and phone[11]	$7,500-$15,000	Lump sum	Upon lease execution and store set-up	Lessor & Suppliers
Initial Advertising	$20,000	Installments	Before opening	The Company[12]
Supplies[13]	$4,400-$6,500	Installments	Before opening	The Company[14]
Other Labor for Store Set-up[15]	$4,000-$8,000	As incurred	Before opening	Employees or Employment Agency
Loan Fees/Interest[16]	$0-$5,000	Lump sum	Before opening	Lender
Additional Funds for First Three Months[17]	$23,000-$40,000	As incurred	As incurred	Miscellaneous
ESTIMATED TOTAL:[18]	**$340,000-$610,000**			

NOTES:

(1) All payments made to the Company are non-refundable. This includes payments made to the Company for the franchise fee or transfer fee, inventory, retail fixtures, activity area material, shipping, point of sale computer hardware, exterior sign(s), initial advertising, and supplies. Payments made to third parties are subject to each respective third party's refund policy. This includes payments made to third parties for travel and living expenses while training; flooring, painting, and improvements; a low voltage network for Your computer information system, security system, and credit card machines; other equipment; real property expenses including rent, security deposit, utilities, insurance, and phone; labor for store setup; loan fees; interest fees; and additional expenses that occur during the first three months of operation.

(2) Expenditures due in installments are typically made in three payments with the first 25% of the total amount due at the time the order is placed, another 25% of the total amount due four weeks before shipment, and a final payment of the remaining balance due two weeks before shipment. These terms apply to those designated expenditures where the Company fills Your initial

order and payment is made directly to the Company, the terms of which are subject to change at any time. Any items You obtain directly from a third-party supplier would be subject to the supplier's payment terms.

FOOTNOTES:

(1) Franchise Fee. The franchise fee is non-refundable. The Company does not finance any fee. If at the time You execute the Franchise Agreement for Your first store, you also purchase and execute Franchise Agreements for additional stores, reduced franchise fees are available for the additional stores. See Item 5.

(2) Inventory. You must purchase a minimum of $150,000 of inventory for a Protected Territory before Your Store opens. The required inventory amount is based on the wholesale prices You pay for this inventory. After Your Store opens You must continuously maintain a minimum inventory of $150,000 for Your Store to retain Your Protected Territory, and Your failure to maintain this minimum inventory will be a default of the Franchise Agreement. There is no maximum limit of inventory value that You may maintain. The Protected Territory will be defined by using a minimum of a five (5) mile radius around the store.

The value of the inventory, in determining whether You have the required minimum inventory, will only include items which are in such satisfactory condition as to be useable and saleable in the ordinary course of Your business, all of which meet the Company's specifications for such inventory. The inventory value will not include any obsolete or slow-moving inventory, defined as inventory You purchased more than 12 months before the date on which the Company is determining the value of the inventory.

Your store must be a full-line hobby store and continuously maintain a minimum inventory as that prescribed by the Company based upon the opening order. The Company believes that in order to be profitable in the hobby business, Your store must maintain the prescribed minimum inventory levels at all times and the Company has the right at any time to require You to verify Your inventory levels. Further, the Company believes that Your store must be diversified into as many of the Company's 7 inventory categories as possible in order to be a full line hobby store. You must carry a minimum of 5 major categories, the minimums of each to be authorized by the Company in writing. The 7 categories are: Railroad, Games, R/C Land, Paint/Tool, Models, R/C Air, and Toys/Specialty. This diversification is mandatory in order to help protect You from a downturn in any one or more categories that might occur during an economic recession. The width and depth of Your diversification is directly proportionate to its protection and, in turn, decreases the likelihood that You will have to rely on one category of products or on one segmented customer base. The Company may change the inventory requirements periodically.

(3) Inventory (Payment). The Company will order and price Your initial inventory order. You will pay the Company directly for Your opening inventory, and the Company will ship the inventory directly to You from its headquarters in Lincoln, Nebraska. Of this inventory amount, approximately 35% to 45% will be used to purchase inventory from the Company and the remaining 55% to 65% will be used by the Company to purchase inventory from third parties for

You. The Company will sell this opening inventory to You at its cost for inventory obtained from third-party vendors, plus an average 2% to 20% handling fee to the Company for any inventory supplied from the Company's warehouse. The Company will not mark up the wholesale price or charge a handling fee on the inventory from certain third-party vendors ordered by the Company specifically for Your location and shipped to You by the Company with other items required for the opening of Your location. The Company does not make any profit from providing this service. You may make future purchases of inventory directly from third parties who are recommended suppliers in the HobbyTown®/HobbyTown USA® system and from the Company for third party and other items shipped by the Company from its warehouse.

(4) Retail Fixtures (Payment). The Company will typically order Your initial retail fixtures and ship the order directly to You. You will pay the Company directly for this initial order and the Company will in turn pay the third party.

(5) Flooring and Improvements (Payment). You will order Your flooring, painting, and other improvements directly from a recommended supplier.

(6) Shipping. Your fixtures and products will be shipped by a third-party supplier from the Company's headquarters to Your store. You will pay the Company directly for shipping fixtures and products, and the Company will in turn pay the third party.

(7) Point of Sale Computer Hardware. The computer system generally consists of one to three PC-compatible computer systems, depending upon the size of store. Each system includes a CPU, color monitor, keyboard, mouse, and printer. At least one computer will need a modem and communication software. All computers require installation of security software. The system must run off a Company approved network system.

(8) Point of Sale Computer Software. The Company will fill Your initial order of its approved POS software, which You must license from the Company and sign a Software License Agreement. The Company will upload and install Your POS software by remote internet connection. Presently, the Company generally provides reasonable POS software updates, but is not obligated to do so. The Company reserves the right to charge a fee for such software updates. The Company may require You to pay reasonable licensing fees or other additional costs in the future. See Items 8 and 11.

(9) Exterior Sign(s) (Payment). The Company will assist You in locally obtaining Your initial order of HobbyTown® signs. If the signs cannot be obtained locally, the Company will fill the order. You will pay the Company directly for this initial order and the Company will in turn pay the third party. The Company will have the third party ship the order directly to You. The Company does not mark up the third party's price for these signs and the Company does not make any profit from providing this service to You. You may make future purchases directly from third parties who are recommended suppliers in the HobbyTown® system.

(10) Other Equipment. This equipment consists of a security system, camera system, and a minimum of one television, and one credit card terminal and one gift card terminal for each POS station.

(11) Real Property and Miscellaneous. The Company does not require the purchase of real property, and these estimates do not include the costs to purchase real estate. Most HobbyTown® stores range in size from 3,000 to 6,000 square feet. Some stores have moved to locations from as small as 1,250-2,000 square feet to as large as 30,200 square feet. They are not intended to be free-standing units, but are intended to occupy leased space in established shopping malls and strip malls. The Company estimates that the average yearly rental of space ranges from $10 to $25 per square foot. Thus, if a store is 4,000 square feet, the yearly rental would be approximately $40,000 to $100,000. The rental rate depends on the size, location and other factors. You must select the site and negotiate the lease or purchase subject to Company approval. You may do this on Your own or opt to use the Company's site adviser, details of which are set out in Item 11. You must construct or remodel the site based on plans approved by the Company. The Company will consult with You regarding location of the store; however, the Company makes no representation that the location will make the store successful. Also included in this figure are estimated expenses for rent, security deposit, utilities, insurance, and phone service which You initially incur. These and other expenses will be recurring. Security deposits on leased premises will vary according to the terms of the lease. If You lease, You may expect an amount equal to one month's rent to be required as a deposit in addition to Your first month's rent payment.

You must carry enough insurance to adequately cover inventory replacement, commercial public liability and coverage for damage to the store and surrounding premises on account of fire, lightning, and other perils. We recommend that You have a life insurance policy to insure that Your family has some protection from debts of the business left by You. The insurance policy or policies must be written by an insurance company satisfactory to the Company in accordance with standards and specifications set forth in the Operations Manuals or otherwise in writing, and must include the following minimum amounts of coverage:

Commercial general liability insurance, including products liability, property damage, owned and non-owned automobile coverage and personal injury coverage with a combined single limit of at least $2,000,000;

Workers' compensation and other insurance as statutes or rules of the state in which You operate Your HobbyTown® franchise may require;

Fire, vandalism, theft, burglary and extended coverage insurance with primary and excess limits of at least 80% replacement value of the store (if there are no separate requirements under a real estate lease) and its inventory, fixtures and equipment; and

Business interruption insurance for a minimum period of 6 months.

(12) Initial Advertising (Payment). The Company will make arrangements for the placement of Your initial advertising. You will pay the Company directly for the initial advertising. See Item 8.

(13) Supplies. Supplies are in the nature of office supplies including bags, peg hooks, barcode labels, receipt paper, business cards, window and interior signs, etc.

(14) Supplies (Payment). The Company will fill Your initial supply order. You will pay the Company directly for Your opening supplies, and the Company will ship the supplies directly to You from its headquarters in Lincoln, Nebraska. The Company will sell these supplies to You at cost plus a handling fee of 10% - 20% to offset administrative and overhead expenses. See Item 8.

(15) Other Labor. The labor contemplated by this item is that supplied by temporary or part-time employees for help in unloading trucks, assembling the fixtures, stocking, clean-up and other related tasks before opening.

(16) Loan Fees/Interest. The amounts described in this table are an estimate of loan fees and interest You may incur before the opening of Your Store.

(17) Additional Funds. This level of working capital is required for incidental expenses that occur during the first three months of operation. The Company relied on over 35 years of experience in the retail and franchising industry to compile these estimates. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

(18) Estimated Total. The Company does not offer direct or indirect financing to You for any items. You should review these figures carefully with a business advisor before purchasing the franchise.

ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Required Purchases and Suppliers

In order to uphold high standards and to ensure uniformity and compliance within the HobbyTown®/HobbyTown USA® system, You must purchase or lease certain designated products and services from the Company (or an exclusive third-party supplier) as set forth below, unless or until changed by the Company:

(1) **POS Software.** The Company has custom-designed its own POS software, which You must license directly from the Company. This software is the proprietary property of the Company. The Company generally provides reasonable POS software updates but is not required to do so. The Company may require You to pay other reasonable licensing fees or other additional costs in the future.

(2) **Accounting Software.** You must license accounting software from the Company, or a third party designated by the Company, in accordance with standards and specifications set

forth in the Operations Manuals or otherwise in writing. The accounting software is the proprietary property of the third-party supplier.

(3) **Supplies.** You must also order Your initial supplies including bags, peg hooks, barcode labels, receipt paper, business cards, window and interior signs, pricing equipment, etc., from the Company.

(4) **Media Placement Service.** The Company will make Your initial placement of advertising with third-party media placement services selected by the Company. You must make future placements of advertising with the Company's Media Placement Service.

(5) **Warehouse.** The Company stores at its warehouse for the benefit of all franchisees certain inventory items obtained from third parties. These items have been approved by the Company for the HobbyTown®/HobbyTown USA® system. The Company assesses a handling fee on the sales price of the third-party merchandise shipped from the Company's warehouse to offset administrative and overhead expenses in distributing shipments. This handling fee averages 2%-20% of the sales price.

(6) **Exclusive Distribution Products.** You may be required to purchase certain products to which the Company has obtained some form of exclusive distribution rights. If the Company acquires other exclusive distribution rights, You may be obligated to purchase and carry the new items in Your store. You must use Your best efforts to keep all exclusive distribution products in stock at all times, to prominently display and merchandise these products, and to encourage Your sales staff to promote these products whenever appropriate.

(7) **Fixtures.** You must order Your initial building fixtures from the Company. Ongoing fixture purchases must be made directly through the Company's designated third-party supplier.

(8) **Gift Cards.** You must purchase HobbyTown®/HobbyTown USA® gift cards only from the Company, which are proprietary gift cards purchased by the Company from a third party. All new stores must participate in the Company's centralized settlement process, which involves pooling gift card funds into a single account. You may only acquire gift cards from third parties approved by the Company, and You may not participate in any gift card programs with any other vendors, except for such gift card programs as are approved by the Company.

(9) **Inventory and Sales Management Programs.** You agree to participate in each inventory and sales management program identified by the Company as mandatory. These programs may include, but are not limited to, initial stocking orders for newly released products, automated stocking orders and/or virtual inventory product placement programs. A Franchisee must maintain a minimum of $150,000 of inventory for a Protected Territory.

Except as expressly stated in this disclosure document, neither the Company nor any affiliate of the Company is currently an approved supplier or the only approved supplier of any required products and/or services.

Preferred Suppliers

The Company will provide You with a list of suppliers, either oral or written, from whom the Company recommends that (but does not require) You purchase or lease all other goods, services, supplies, future flooring, equipment, inventory or real estate necessary to establish and operate Your franchise. The Company encourages You to purchase these items from local vendors whenever possible.

The Company amends the list of recommended suppliers based on the needs and growth of the HobbyTown®/HobbyTown USA® system and information the Company receives regarding such suppliers. The Company maintains no written criteria regarding the selection process, or the addition or deletion of a supplier from the list of recommended suppliers. The officers of the Company do not own an interest in any required supplier company.

Approval of Alternative Suppliers

For items that must be purchased from required suppliers, there are no alternative permitted sources of such items. You may purchase items on the recommended list of suppliers from alternative sources without obtaining approval from the Company, provided such items meet the specifications (if any) set forth by the Company.

Revenue from Franchisee Purchases

The Company's total revenues for fiscal year 2023 were $14,831,343. The Company may derive revenue from the sale and/or lease of the above-described required purchases for certain goods and services that may be purchased only from the Company in connection with the opening of Your business. These goods and services are Your initial inventory, building fixtures, activity area material, point of sale computer hardware, exterior signs, initial advertising, supplies and shipping related to certain of these items. The Company only requires franchisees to purchase these goods and services from the Company in connection with opening a HobbyTown® location. In 2023, no locations opened. As such, the Company did not earn any revenues from required purchases during fiscal year 2023. No affiliate of the Company earns rebates or any other material consideration based on the above-described required purchases or leases.

In fiscal year 2023, the Company received no payments from designated suppliers based on franchisee purchases. In years when the Company receives such payments, they are based on a percentage of purchases made by franchisees, and the Company uses these payments to help fund cooperative advertising programs.

The cost of required purchases made in accordance with the Company's specifications will represent 60% to 75% of Your total purchases in establishing the business and 60% to 75% of Your total purchases during operation of the business.

Cooperatives

Except to the extent that the above-described purchases by the Company of merchandise maintained at its warehouse for shipment to franchisees may be a purchasing or distribution cooperative, the Company does not have any other purchasing or distribution cooperatives.

Negotiated Prices and Material Benefits

The Company or persons affiliated with the Company may, periodically, offer certain goods, services, supplies, fixtures, equipment, or inventory to You if and when the Company can do so at a price which is better than You can find elsewhere, and the Company may derive profits. The Company also negotiates purchase arrangements with certain suppliers (including price terms) for the benefit of franchisees. You will not receive any material benefits, such as renewal or granting of additional franchises, based on Your use of a required or preferred supplier.

ITEM 9. FRANCHISEE'S OBLIGATIONS

This table lists Your principal obligations under the franchise and other agreements. It will help You find more detailed information about Your obligations in these agreements and in other items of this Disclosure Document.

For purposes of this table, "FA" means Franchise Agreement and "SLA" means Software License Agreement.

Obligations	Section in Agreements	Item in Disclosure Document
a. Site selection and acquisition/lease	Articles III(F), IV of FA Sections 2.1, 9.1 of SLA	Items 7, 11
b. Pre-opening purchases/leases	Article VIII of FA Not Applicable–SLA	Items 5, 7, 11
c. Site development and other pre-opening requirements	Article IV of FA Not Applicable–SLA	Items 5, 7, 11
d. Initial and ongoing training	Article V of FA Section 3.2 of SLA	Item 6, 11
e. Opening	Article IV(B) of FA Not Applicable–SLA	Item 11
f. Fees	Articles II, III(E), IV(A), V(A), VI, VII(B), XI(C), XV(A) of FA Section 5 of SLA	Items 5, 6, 7, 10, 11, 12

g. Compliance with standards and policies/Operations Manual	Article VIII of FA Not Applicable–SLA	Items 6, 7, 8, 12, 15, 16, 17
h. Trademarks and proprietary information	Articles I, X of FA Not Applicable-SLA	Items 13, 14
i. Restrictions on products/services offered	Article VIII of FA Not Applicable-SLA	Items 8, 16
j. Warranty and customer service requirements	Not Applicable-FA Not Applicable-SLA	Item 7
k. Territorial development and sales quotas	Articles III(G), (H) of FA Not Applicable-SLA	Item 12
l. Ongoing product/service purchases	Article VIII of FA Section 5 of SLA	Items 6, 7, 8
m. Maintenance, appearance and remodeling requirements	Articles IV(C), VIII (A), (B) of FA Not Applicable-SLA	Items 6, 7, 8
n. Insurance	Article IX(A) of FA Not Applicable-SLA	Items 6, 7, 11
o. Advertising	Article VII of FA Not Applicable-SLA	Items 6, 7, 11
p. Indemnification	Article IX(B) of FA Not Applicable-SLA	Not Applicable
q. Owner's participation/management/staffing	Articles V(B), XI(D), (E) of FA Not Applicable-SLA	Item 15
r. Records/reports	Articles VI, VIII(E) of FA Not Applicable-SLA	Items 6, 11
s. Inspections/audits	Articles V(A), VI(E) of FA Not Applicable-SLA	Items 6, 11
t. Transfer	Article XI of FA Not Applicable-SLA	Items 5, 6, 17
u. Renewal	Article III(E) of FA Sections 5, 9.1 of SLA	Items 6, 11, 17

v. Post-termination obligations	Article XII(C)-(F) of FA Section 9.3 of SLA	Item 17
w. Non-competition covenants	Article XIII of FA Not Applicable-SLA	Item 17
x. Dispute resolution	Not Applicable-FA Not Applicable-SLA	Not Applicable

ITEM 10. FINANCING

The Company does not offer direct or indirect financing. The Company does not guarantee Your bank note, lease or any other obligation.

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

Except as listed below, Hobby Town Unlimited, Inc., is not required to provide You with any assistance.

A. Pre-Opening Obligations. Before You open Your business, the Company will:

1. Designate Your Protected Territory (Franchise Agreement - Article III(G)).

2. Provide You with a referral to assist You in locating and selecting a store site, and assist You in negotiating the lease or purchase of a location for Your store. Your store location will be purchased or leased by You from independent third parties. If You wish, ESR Commercial, of Agoura Hills, California ("ESR"), will assist You in the analysis of certain factors including traffic patterns, mall characteristics, parking, visibility, size and configuration of leased area, access, location, area demographics, lease terms, population density and proximity to other HobbyTown®/HobbyTown USA® stores. ESR is a professional real estate firm, and its fee will be paid by the landlord or owner of the property. You are not required to use ESR, and You may choose another adviser. If You do not utilize ESR, the Company must approve or disapprove Your proposed site within 21 days after the Company receives notification of the location. The Company's failure to respond within the time permitted will be deemed approval of the site (Franchise Agreement - Article III(F)). Ultimately, if You and the Company cannot agree on a site and You fail to open Your single store within one-year from the date of the Franchise Agreement or if You fail to open any of the multiple stores purchased at the same time in accordance with the opening schedules set forth in the Franchise Agreements for each of the multiple stores, the Company can terminate the Franchise Agreement[s] for any unopened store[s], in the Company's sole discretion, in which case the Company will retain the non-refundable initial franchise fee for the terminated Franchise Agreement[s]. See Item 5.

3. Approximately 30 days before Your store opening, train You and/or Your designated manager (Franchise Agreement - Article V). The duration of the training program is approximately 10 days. Up to 5 days of the mandatory course must be conducted at an operating retail store designated by the Company, which gives You the opportunity to observe and participate in the operation of an established HobbyTown® or HobbyTown USA® store. The remaining portion of the program will be held at the corporate office or other venue as designated by the Company, which may include, in the Company's sole discretion, digital or virtual platforms. You must successfully complete the training to the Company's satisfaction. The following table describes the training and assistance which is provided by the Company at no charge. You must pay all travel and living expenses.

TRAINING PROGRAM			
Subject	**Hours of Classroom Training**	**Hours of Training On-the-Job**	**Location**
Point of Sale	6	0	Corporate office in Lincoln, NE
Category Training	12	11	Franchised retail store in Lincoln, NE
Marketing	4	0	Corporate office in Lincoln, NE
Store Operations	10	24	Corporate office in Lincoln, NE and franchised retail store
On Site Training	0	96	Your store

NOTES:

(1) The staff providing the training will include the Company's Franchise Business Advisors, Franchise Accountants, Marketing Staff and corporate officers.

Most of the Company's instructors have significant business experience in the areas in which they are engaged in training; all instructors have one or more years' experience, with most having over five years' experience, in their respective area of expertise and with the Company's operations. Franchise Business Advisors possess at least three years' experience with the Company's operations. Franchise Accountants possess at least three years' experience in the accounting field as well as with the Company's operations. Marketing Staff possess at least two years' experience in the marketing and advertising industry as well as with the Company's operations.

(2) The individual in charge of training is David Gaines. Mr. Gaines has many years of managerial experience with the Company and its operations. He served as the Company's Vice President of Franchise Services from August 2006 through April 2022, and he currently serves

as the Company's Vice President of Operations. His responsibilities include coordinating and implementing training for franchisees and administering the Franchise Services team.

(3) The instructional manuals will include materials such as the Point of Sale Manual, Operations Manual, and Brand Standard and Marketing Guides.

(4) All the programs, processes and procedures You must follow under the Franchise Agreement will be covered. Additionally, the training will include the operation, maintenance, inventory selection, sales, and promotional and advertising activities in which owners of hobby stores are normally engaged. The training course will emphasize "hands-on" operation of equipment, dealing with customers and other activities.

B. Typical Length of Time Between Signing Franchise Agreement and Opening Business. Franchisees typically open their stores three to six months after they sign a franchise agreement. The factors that affect this time are the ability to obtain financing and secure a lease.

C. Continuing Obligations. During the operation of the franchised business, the Company will:

1. Develop new business methods, techniques and improvements and provide You with information about these developments. (Franchise Agreement - Article V)

2. Provide You with access to a copy of the Company's Confidential Operations Manual (the "Manual") which contains specifications, standards, and procedures. This Manual is confidential and remains the Company's property. The Company may provide all or part of the Manual to You in an online format. The Company reserves the right to modify the Manual. (Franchise Agreement - Article X(E)-(H)). As of April 24, 2024, the Manual contains a total of 116 pages. See Exhibit E, Table of Contents of the Confidential Operations Manual.

3. The Company holds an annual convention each year in a location within the United States to be selected by the Company in its sole discretion. The Company may require You and/or Your store manager[s] to attend. Special buying opportunities from vendors present at the annual convention will only be available to convention attendees. The Company is responsible for the costs associated with conducting the annual convention. Lodging accommodations and certain meals may be provided by the Company during the convention. You are responsible for travel expenses and, to the extent not provided by the Company, accommodations and meals for You and/or Your store manager[s].

4. Provide a field manager to assist You for approximately 10-20 days at Your new store location during the set up and grand opening period. The Company will devote approximately 10-15 days of this time to training You and Your employees.

5. Make available, by telephone, e-mail or other means of communications, representatives at the Company headquarters in Lincoln, Nebraska to address any operating issues You

encounter. A representative of the Company will also conduct regular reviews of Your operations and finances, and a field representative of the Company will visit Your store periodically to conduct performance appraisals.

6. Advise You regarding advertising and assist You in establishing an advertising campaign. You must use the Company's Media Placement Service for local advertising and marketing execution. You cannot advertise in any other manner, including email marketing, in-store promotions, and other online or print media, without obtaining prior approval from the Company. In satisfaction of the minimum advertising requirement, You will pay 2% of Your gross monthly sales to the Company. Such funds will be held in reserve to draw from as You incur local advertising expenses. You directly pay for all advertising expenditures that You incur above the 2% gross sales amount You pay to the Company.

   You must participate in the Company's National Marketing Program, which provides national marketing utilizing a strategic marketing plan that includes creative development and campaign implementation and management. The Company may terminate, modify, or replace the National Marketing Program at any time. The Company currently does not charge a separate fee to new or renewing franchisees for participation in the National Marketing Program but reserves the right to implement a National Marketing Program fee during the term of the Franchise Agreement. Other franchisees contribute to the National Marketing Program based on their agreement with the Company. The Company may contribute funds to the National Marketing Program in amounts within its sole discretion and control. The Company administers the National Marketing Program, which is accounted for separately from the Company's other funds and is not used to defray any of the Company's general operating expenses nor to solicit new franchise sales. The National Marketing Program is not audited, and the Company has not made financial statements available for review by franchisees. The Company provides its franchisees with a year-end summary of funds spent on the National Marketing Program during the prior fiscal year. Funds not spent in one fiscal year may be used for expenditures in subsequent years.

   The Company has sole discretion and control over the manner in which the National Marketing Program funds are used. The use of the National Marketing Program funds in the most recently concluded fiscal year was as follows:

Category of Expenditure	**Percentage of National Marketing Program Funds**
Production and Promotion	30 %
Media Placement	12 %
Fund Administrative Expenses	37 %
Excess for future use	21 %
TOTAL	100 %

The Company does not guarantee or promise that the expenditures paid with these funds will benefit You directly or in proportion to Your contribution. The Company is not required to spend any amount on advertising in the area in which You operate Your Store. See Items 6 and 8.

The manner and content of any advertising, marketing and/or selling on any website, social media, e-commerce, Internet or other cyberspace application or advertising medium are subject to the prior written permission and control by the Company and must be done in strict compliance with the standards, policies, and procedures that the Company establishes. The Company's website, hobbytown.com, and related e-commerce functions currently are operated, administered, promoted and maintained by its parent company, AMain.com, Inc. of Chico, California. The Company may adopt specific guidelines related to website privacy policy statements that You must follow. You will receive a limited license for the Internet and may be permitted to use certain e-commerce applications according to standards, policies, and procedures that the Company establishes. The Company has the right to monitor and review all accounts You establish for merchandise sales and orders through any nontraditional selling methods. You must participate in all programs and promotions required by the Company periodically, including those which are described as mandatory in the Manual.

There is no advertising fund in which You must participate other than the National Marketing Program (described above). There are no franchisees for which advertising funds have been established as of the date of this Disclosure Document. Sufficient disclosures as to the use of such funds will be provided if such funds are established.

You must participate in a gift card program by selling and redeeming the Company's gift cards.

The Company does not have the power to require cooperatives to be formed, changed, dissolved or merged. The Company does not have an advertising council to advise the Company on advertising policies.

7. You must utilize the exclusive POS software as well as other computer software, hardware equipment and components designated by the Company. The Company estimates the initial cost of purchasing a computer system with components required by the Company, including the exclusive POS software identified in the next paragraph and the computer security software license, will range from $6,000 to $9,000. The security software is $150-$250 annually. The Company may change any of the above components and equipment. These changes may include substitutions, upgrades or additional equipment necessary to comply with the HobbyTown®/HobbyTown USA® system. You must upgrade or update, at Your expense, any hardware component or software program during the term of the franchise if the Company decides that an upgrade and updating is necessary to the further advancement of the franchise system. Although the Franchise Agreement does not limit the frequency or cost of upgrading Your hardware or software, the costs have been minimal over the years and typically do not occur on an annual basis. The Company generally

provides reasonable software updates for the POS software but is not obligated to do so. The Company does not require You to sign any separate software support contract other than the Software License Agreement, which is an exhibit to the Franchise Agreement. The Company is unaware of any franchisees who have elected to sign a support contract through a third-party vendor.

Currently, the exclusive POS software is the SmartSuite POS software, which the Company licenses to You under the Software License Agreement that is Exhibit A-4 to the Franchise Agreement. The SmartSuite POS software was developed by and is proprietary to the Company. The Company generally provides reasonable software updates but is not obligated to do so. Consulting and training services are provided at the Company's then-current rates. The Company will provide technical support only for the most current version or update of the software. The SmartSuite POS software is used for all POS operations, including collecting sales information, placing merchandise orders, inventory maintenance, and customer database management. The end user license to utilize SmartSuite software and receive current version protection is included in the Royalty Fee. The Company has the right to charge You for any future licensing fees or additional costs required to operate the system and to assess a tech fee and any license fees and expenses periodically.

The Company currently prepares financial statements and other accounting functions using the "Creative Solutions" software. You can use this accounting software to pay invoices and track cash. The Company has the right to designate a different accounting software program. See Item 8.

The Company will have independent access to the business information and data obtained by the POS software and the accounting software. The Franchise Agreement does not limit the Company's right to access this information and data.

ITEM 12. TERRITORY

The Company will grant an exclusive Protected Territory to You within which no other HobbyTown® or HobbyTown USA® store will be physically located without Your consent. In using the internet You must comply with the standards, policies, and procedures that the Company establishes. The Protected Territory is defined using a minimum of a five (5) mile radius around the area of Your HobbyTown® store. After You determine the location of Your Store, the Company approves Your site and You execute a lease for Your Store, a separate addendum to the Franchise Agreement, signed by both parties, will more fully describe Your Protected Territory.

To maintain Your Protected Territory, You must carry a minimum inventory of $150,000 as required by the Franchise Agreement. The Company does not require that You achieve a certain sales volume, market penetration or other contingency in order to maintain Your Protected Territory other than the minimum inventory requirements described in this Disclosure Document and the Franchise Agreement. Failure to comply with the minimum inventory requirements constitutes a material default of the Franchise Agreement and grounds for termination of the

Franchise Agreement if You fail to cure the default within thirty (30) days after You receive notice from the Company.

As stated above, this Protected Territory is protected for You during the term of the Franchise Agreement in that the Company will not physically locate any other franchisee, or Company owned outlet, within that territory unless it receives Your consent to do so. The Company is not restricted from physically locating additional franchisees or Company owned outlets using the Company's service marks outside or near the exclusive Protected Territory of an existing franchisee, which could potentially impact the sales and profitability of Your store. See Items 1 and 7. (Franchise Agreement - Article III(G)).

The Company (on behalf of itself and its parent and affiliates) reserve all rights that aren't specifically granted to You in the Franchise Agreement including, without limitation, the following rights:

1. to operate, or to grant to others the right to operate, HobbyTown® or HobbyTown USA® stores at locations and on terms the Company deems appropriate outside of Your Protected Territory;

2. to sell the products and services identical or similar to and/or competitive with those sold by HobbyTown® or HobbyTown USA® stores under other trademarks, service marks, and commercial symbols through similar or dissimilar channels of distribution and under terms the Company deems appropriate outside the Protected Territory;

3. to advertise and sell, and to grant to others the right to advertise and sell, products and services identical or similar to and/or competitive with those advertised and sold by HobbyTown® or HobbyTown USA® stores, whether identified by the Proprietary Marks or other trademarks or service marks, through dissimilar channels of distribution including, but not limited to, Internet applications, direct mail, catalog sales, telemarketing, television, newspaper or other advertising media, social media, e-commerce, e-mail, cyberspace or other yet to be developed technologies, and any website the Company establishes and under terms the Company deems appropriate within and outside the Protected Territory;

4. the right to establish and operate, and to grant to others the right to establish and operate, businesses offering dissimilar products and services, from any location, including dissimilar channels of distribution, under the Proprietary Marks and on any terms and conditions the Company deems appropriate;

5. to advertise the HobbyTown® or HobbyTown USA® system on the Internet and to create, operate, maintain and modify, or discontinue the use of one or more websites using the Proprietary Marks;

6. to acquire the assets or ownership interest of one or more businesses providing products and services similar or identical to those provided at HobbyTown® or

HobbyTown USA® stores. The Company may franchise, license, or grant the right to others to temporarily operate those businesses once acquired in order to transition them to the HobbyTown® system. The Company may do so regardless of whether these businesses are located or operating within Your Protected Territory; and

7. to be acquired (whether through acquisition of assets, ownership interest or otherwise, regardless of the form of transaction), by a business providing products and services similar or identical to those provided by HobbyTown® or HobbyTown USA® stores or by another business, even if such business operates, franchises and/or licenses competitive businesses in Your Protected Territory.

The Company is not required to pay You if it exercises any of these rights.

The Company's parent, AMain, either directly or through affiliates, offers similar hobby products under the names "RC Planet" and "AMain Hobbies" through the Internet and existing retail locations currently located in California. AMain also has two distribution center locations for processing online and phone orders, one in Chico, California and the other in Charlotte, North Carolina. Although currently none of the retail locations are located within a Protected Territory, AMain may open additional retail locations in other areas in the future. These businesses may operate in Protected Territories of HobbyTown® or HobbyTown USA® stores, including being physically located within and/or soliciting and accepting orders within Protected Territories of HobbyTown® or HobbyTown USA® stores. AMain has no immediate timetable for expanding its retail locations other than potentially opening a retail location to be attached to its Charlotte, North Carolina distribution center in 2025. The Company does not currently own or operate any AMain Hobbies businesses. If an AMain Hobbies retail location is opened in Charlotte, North Carolina, the Company may own or operate it.

The similar hobby products offered under the names "AMain Hobbies" and "RC Planet" fall into the following categories: Railroad, Games, R/C Land, R/C Air, R/C Water, Paint/Tool, Models, and Toys/Specialty. The types of merchandise sold within these categories consist of model railroading, radio-controlled items, tools and paints, games, model rockets and other models, drones, science, seasonal activity kits, art supplies, educational toys, and other recreational toys. The Company has no obligation to resolve any perceived conflict between our franchisees and the Company or AMain regarding territory, customers, and support. AMain's business address is 2860 Fair Street, Chico, CA 95928.

Subject to the Company's approval under standards developed and revised from time to time by the Company, You are permitted to accept orders from consumers outside Your Protected Territory without special payment, and You are permitted to solicit these orders by approved Internet activities. Subject to the Company's approval and the standards described in the previous sentence, other franchisees are permitted to accept orders from consumers in Your Protected Territory without special payment, and are permitted to solicit these orders by approved Internet activities. You are likewise allowed to use other channels of distribution or advertising, such as the Internet, catalog sales, telemarketing, or other direct marketing, to make sales outside Your Protected Territory, but such channels are subject to established standards of the Company. Except

when advertising through the Company's Media Placement Service which benefits all franchisees, and internet activities approved by the Company, You and the Company are prohibited from advertising within another franchisee's Protected Territory.

You will operate from one location per Franchise Agreement and must receive the Company's permission before relocating. If You relocate Your store, it may be necessary for the Company to assign You a new Protected Territory.

You have no options, rights of first refusal or similar rights to acquire additional franchises. Without our prior written consent, you cannot acquire a direct or indirect ownership interest in another HobbyTown® or HobbyTown USA® business.

ITEM 13. TRADEMARKS

The Company grants to You the right to operate a store under the trade name and service mark "HobbyTown®". By "service mark," the Company means the trade names, trademarks, service marks and logos used to identify the HobbyTown®/HobbyTown USA® system (the "Proprietary Marks"). A number of existing franchised locations operate as HobbyTown USA® but all new locations are opening as HobbyTown®. As a HobbyTown® franchisee, the Company grants You the right to use the Proprietary Marks which include, as of the date of this Disclosure Document, the federal registrations listed below. The Company also has obtained numerous state registrations for the HobbyTown USA® and Hobby USA® service marks. The Company also utilizes the mark "HobbyTown®". All of the Proprietary Marks shown below are registered on the Principal Register of the United States Patent and Trademark Office ("USPTO"), unless noted otherwise.

REGISTERED PROPRIETARY MARKS		
Service Mark	**Date of Registration**	**Registration No.**
HobbyTown®	October 14, 2014	4,620,255; See Note 1
HobbyTown.com® (stylized)	March 20, 2001 July 30, 2020 (renewed)	2,437,003; See Note 2
Patriot R/C® (with design)	May 22, 2007 June 14, 2017 (renewed)	3,244,592; See Note 2
Patriot R/C® (with design)	August 14, 2007 June 15, 2017 (renewed)	3,280,520; See Note 2
HobbyTown USA®	September 23, 2008 August 4, 2018 (renewed)	3,504,701; See Note 2
NOTES: (1) An application for renewal with the required affidavit was filed and is pending with the USPTO. (2) The Company has filed all required affidavits which have been accepted by the USPTO.		

Although the Company has obtained several federal trademark registrations, other parties may also possess valid trademark rights in a mark similar or substantially similar to a federally registered trademark owned by the Company. Such rights may exist based upon a party's common law use or state registration of a mark either of which predates the Company's federal trademark registration. If such party establishes rights to use a mark similar or substantially similar to the Company's mark, the Company may not be able to expand into those geographic areas where the pre-existing use can be established by such party or the state in which a state registration had been obtained prior to the Company's federal registration.

There may exist now or in the future certain marks which are used to distinguish the major categories or other products or services offered by HobbyTown®/HobbyTown USA® stores where the Company holds common law and/or state name rights. You should know that marks with no state or federal registration lack many legal benefits and rights that a federally registered trademark possesses. If the Company's right to use an unprotected mark is challenged, You may have to change to an alternative trademark, which may increase Your expenses.

You must follow the Company's rules when You use these and any other service marks. You cannot use a name or mark as part of a corporate name or with modifying words, designs or symbols except for those which the Company licenses to You. You may not use the Company's service marks in connection with the sale of an unauthorized product or service or in a manner not authorized in writing by the Company.

There have been no determinations of the USPTO, Trademark Trial and Appeal Board, Trademark Administrator of any state or any court that would materially affect Your use of the above service marks. There also are no pending infringement, opposition or cancellation proceedings and no material litigation involving the above service marks.

There are no agreements currently in effect which significantly limit the rights of the Company to use or license the use of its service marks in any manner material to the franchise.

The Company will protect Your right to use the Company's Proprietary Marks or indemnify You from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the Proprietary Marks. You must notify the Company of the use of, or claims of rights to use, any service mark identical or confusingly similar to a service mark licensed to You of which You become aware. If the Company elects to take affirmative action when notified of these uses or claims, the Company has the right to control any and all administrative proceedings or litigation. You must cooperate to the extent requested by the Company and sign any necessary documents related to any defense, prosecution or resolution of the claim. (Franchise Agreement - Article I(A)).

Chase Hobby Town, Inc. holds common law and state name rights in the name "HOBBY TOWNE" in the East Baton Rouge Parish, Louisiana area which pre-dates the Company's use of HobbyTown.com® and HobbyTown USA®. Other than Louisiana, the Company has no knowledge of any other superior prior rights or infringing uses that would materially affect Your use of the above service marks in any state.

If the Company modifies or discontinues the use of a mark because of a legal proceeding or otherwise, You must modify or discontinue use of that mark. If this happens, the Company will not reimburse You for Your costs of compliance, including any costs relating to changing signs. (Franchise Agreement - Article I(A)). You cannot directly or indirectly contest the Company's right to its service marks, trade secrets or business techniques. (Franchise Agreement - Article XI(D)).

ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

No patents, pending patent applications, or copyrights are material to the franchise. Although the Company has not filed an application for a federal copyright registration for the Manual or the exclusive POS software developed by the Company, the Company claims and reserves all copyright and common law rights to the same. The information in the Manual and the software programs are strictly confidential and proprietary. The Company imposes strict penalties for breaches of this confidential information.

The Company owns and You must deliver to the Company upon request all information You develop or obtain with respect to all electronic databases, Internet activities, e-commerce, social media, domain names, URL, or any other form of cyberspace application, including all names and other data collected for and contained in the customer database maintained for the store and all accounts established by the store for merchandise sales through any nontraditional selling methods. See Articles X and XII of the Franchise Agreement. Franchisees may not use data or information obtained in the operation of a HobbyTown® location to solicit customers in connection with any other business or activity in which Franchisees are involved.

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

You or Your manager must devote his/her full time and best efforts toward the operation of the franchise and cannot, either directly or indirectly, take part in any other business similar to this franchise without the prior written consent of the Company.

Although the Company does not require full-time, “on-premises” supervision by You, it strongly recommends that You participate in the business either personally on a full-time basis, or by being personally and actively involved in the on-premises supervision and management of Your store. Most franchisees are significantly involved in the day-to-day operations of the franchise. If You desire to hire a manager as an on-premises supervisor, the Company does not require the manager to complete the Company's training program, but the Company reserves the right to require training if necessary. The Company does not require that the on-premises manager have any ownership interest in the franchise. The Company does not impose any restrictions which You must place on any on-premises supervisor except for maintaining confidential information of the HobbyTown®/HobbyTown USA® franchise system. (Franchise Agreement - Article X).

If You are an individual, You must personally sign the Franchise Agreement. The Company will allow You to transfer the Franchise Agreement to an approved entity if the requirements in Article XI(D) and Article III (K) of the Franchise Agreement are met, including

that You and any other owners of the entity must sign the Guaranty Agreement in the form attached to the Franchise Agreement as Exhibit A-3. You must at all times maintain a controlling ownership interest in the entity. Even if You assign the Franchise Agreement to an approved entity, You will remain personally and individually liable for all obligations under the Franchise Agreement as stated in the Guaranty Agreement. If You are a legal entity, an authorized representative(s) of the legal entity must sign the Franchise Agreement, all owners of the legal entity must sign the Guaranty Agreement in the form attached to the Franchise Agreement as Exhibit A-3, and You must meet all the requirements of Article III(K).

ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

All goods, products and services You offer and sell must be approved by the Company. You must offer all goods, products and services that the Company designates as required by all franchisees. The Company has the unrestricted right to add additional, or change existing, goods, products and services that You must offer. From time to time, the Company will establish standards to maintain the quality and image of its products, and which will require, restrict or otherwise affect the disposition of products that are not sold in the ordinary course of business or the manner and type of products that You may offer for sale.

You are permitted to solicit to and accept orders from consumers inside your Protected Territory. Subject to the Company's approval under standards developed and revised from time to time by the Company, You are permitted to accept orders from consumers outside Your Protected Territory and You are permitted to solicit these orders by approved internet activities. Subject to the Company's approval and the standards described in the previous sentence, other franchisees are permitted to accept orders from consumers in Your Protected Territory and are permitted to solicit these orders by approved internet activities. You are likewise allowed to use other channels of distribution or advertising, such as the Internet, catalog sales, telemarketing, or other direct marketing, to make sales outside Your Protected Territory, but such channels are subject to established standards of the Company. Except when advertising through the Company's Media Placement Service which benefits all franchisees, and internet activities approved by the Company, You and the Company are prohibited from advertising within another franchisee's Protected Territory.

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.

For purposes of this table, "FA" means Franchise Agreement and "SLA" means Software License Agreement.

Provision	Section in Agreements	Summary
a. Length of the franchise term	Article III(D) of FA Section 9.1 of SLA	10 years from date of signing agreement. Term of the software license is equal to term of the franchise.

b. Renewal or extension of the term.	Article III(E) of FA Section 9.1 of SLA	Additional 10 years Term continues as long as You are a franchisee.
c. Requirements for You to renew or extend	Article III(E) of FA Sections 5, 9.1 of SLA	You must give 6 months advance notice. You must also be in compliance with all terms of the Franchise Agreement and sign a new Franchise Agreement. The new Franchise Agreement may contain materially different terms and conditions than Your original agreement. You must continue to pay all fees due under the Software License Agreement and You must be in compliance with all terms of the agreement.
d. Termination by You	Article XV(A) of FA Not Applicable–SLA	Subject to state law, there is no provision in the Franchise Agreement for termination by You except a 5-business day cancellation option after execution of the Franchise Agreement. In the event of cancellation, You forfeit the non-refundable Franchise Fee or Transfer Fee.
e. Termination by the Company without cause	Not Applicable–FA Not Applicable–SLA	Not Applicable
f. Termination by the Company with cause	Article XII of FA Section 9.2 of SLA	Subject to applicable federal and state laws, the Company can terminate if any one of 16 events of default occur and are not cured or cannot be cured. The Company can terminate the Software License Agreement upon written notice to You if any one of the events of default occurs and is not cured or cannot be cured.
g. "Cause" defined – curable defaults	Article XII of FA Not Applicable–SLA	You have 30 days to cure: non-payment of any monies due manufacturers, suppliers, distributors or the Company; failure to submit reports/financial data; failure to comply with any requirements imposed by the Agreement except defaults described as non-curable; failure to comply with written

		directives related to the operations or financial affairs of Your business; You knowingly allow smoking, alcoholic beverages or use of illegal drugs on premises; or customer complaints. You have 14 days to cure breaches of health, sanitation, or safety laws or regulations or the Company's operating standards related to health, sanitation, or safety matters.
h. "Cause" defined – non-curable defaults	Article XII of FA Not Applicable–SLA	Store is vacated or abandoned or loses or surrenders right to use the premises; defaults under any lease or sublease relating to the store; You fail to timely open Your store[s] within the time set forth in Article II and Exhibit A-1; You are convicted or plead guilty or no contest to a felony or crime of moral turpitude, dishonesty, or fraud; You are adjudicated a bankrupt (see note 1 at the end of this table); You erroneously report gross sales in excess of 5% for any month; You engage in unfair competition or make an intentional misrepresentation.
i. Your obligations on termination/non-renewal	Article XII(C) of FA	Termination obligations include prompt payment of all monies owed the Company including damages the Company sustains in connection with the termination. You must cease using any of the names, service marks, slogans, URLs, domain names, metatags, buried code, HTML and any other symbols of the Company; You must assign Your right, title and interest to Your telephone numbers, directory listings and other advertisements, Internet and any other cyberspace applications to the Company and cease and desist any further use thereof; complete de-identification including trade dress and anything confusingly similar to the franchise; return all manuals and confidential information. Company has option to receive assignment of Your lease.

	Section 9.3 of SLA	You must immediately stop using the licensed software.
j. Assignment of contract by the Company	Article XI(F) of FA Not Applicable–SLA	The Company can assign and transfer the Franchise Agreement to a third party as long as third party assumes obligations.
k. "Transfer" by You–defined	Article XI of FA Not Applicable–SLA	You must obtain the Company's prior written consent to transfer; includes transfer of assets, contract or ownership change.
l. Company's approval of transfer by You	Articles XI(A), (C) of FA Not Applicable –SLA	Consent will not be unreasonably withheld
m. Conditions for Company's approval of transfer	Article XI(C) of FA Not Applicable–SLA	You have satisfied all obligations to the Company; transferee is qualified and has completed necessary training; payment of $49,500 transfer fee (if transferred to third party); transfer documents approved; new Franchise Agreement signed; the Company approves the material terms and conditions of the transfer, including determining that the price and terms of payment will not adversely affect the transferee's operation of the location; any security interests reserved by the transferor are made subordinate to the Company's right to receive fees and other amounts from the transferee.
n. Company's right of first refusal to acquire Your business	Articles XI(C), (D), (E) of FA Not Applicable–SLA	The Company can match any offer for Your business.
o. Company's option to purchase Your business	Articles XI(C), (D), (E) of FA Not Applicable–SLA	The Company has the option to purchase Your business upon termination or once a bona fide offer to purchase Your store has been made.
p. Your death or disability	Article XI(B) of FA Not Applicable–SLA	Any proposed transfer to Your heirs, relatives, or any unrelated third party is treated as a transfer to an outside third party, except the Company does not require payment of the transfer fee when transfer is to a qualified heir, relative, or co-owner. See k, l, m above.

q. Non-competition covenants during the term of the franchise	Article XIII(A) of FA Not Applicable–SLA	Subject to state law, the Company does not permit You to participate or have an interest in any other store or business selling hobby merchandise or a similar business.
r. Non-competition covenants after the franchise is terminated or expires	Article XIII(B) of FA Not Applicable–SLA	Subject to state law, for 2 years after the termination, or expiration of Your Franchise Agreement or transfer of Your franchise, the Company will not permit You to participate in the operation of any hobby store or similar business within the Protected Territory of Your previous store or any HobbyTown® or HobbyTown USA® store.
s. Modification of the agreement	Article XIV(K) of FA Section 10.7 of SLA	The Franchise Agreement and Software License Agreement can only be modified in writing and signed by the Company and You.
t. Integration/merger clause	Article XIV(B) of FA Section 10.7 of SLA	The Franchise Agreement constitutes the entire agreement between the Company and You and supersedes all prior agreements, except for the representations made in the Disclosure Document. Only the terms of the franchise agreement are binding (subject to state law). Any representations or promises outside of the Disclosure Document and franchise agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Not Applicable–FA Not Applicable–SLA	Not Applicable
v. Choice of forum	Article XIV(H) of FA Section 10.2 of SLA	Lancaster County, Nebraska, unless the state where Your franchise is located requires suit to be brought in Your state. Please refer to the applicable state Disclosure Document Addenda found at Exhibit F if You or Your store are or will be located in California, Illinois, Indiana, Minnesota, New York, North Dakota, Virginia, Washington, or Wisconsin.
w. Choice of law	Article XIV(E) of FA Section 10.1 of SLA	Nebraska law applies, unless the state where Your franchise is located requires Your state laws to apply. Please refer to the applicable

		state Disclosure Document Addenda found at Exhibit F if You or Your store are or will be located in California, Illinois, Indiana, Minnesota, New York, North Dakota, Virginia, Washington, or Wisconsin.
NOTE: (1) The provision in the Franchise Agreement which provides for termination if You file bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).		

ITEM 18. PUBLIC FIGURES

The Company does not use any public figure to promote its franchise.

ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits the Company to provide information about the actual or potential financial performance of its franchised and/or company-owned outlets, if there is a reasonable basis for the information, and if the information is included in this Disclosure Document. Financial performance information that differs from that included in Item 19 may be given only if: (1) the Company provides the actual records of an existing outlet You are considering buying; or (2) the Company 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 December 31, 2023, there were 100 franchised stores in the HobbyTown®/HobbyTown USA® franchise system, all of which were open during the entire period of January 1, 2023 through December 31, 2023 ("2023 Calendar Year"). There were no company-owned stores in the 2023 Calendar Year. The Item 19 tables below present historical financial performance information reported by 87 franchised stores ("Reporting Stores") for the 2023 Calendar Year (some of which is adjusted as explained below), and location data pertaining to the same. The Company has not audited or verified any of the financial information reported by the Reporting Stores. The tables exclude data from 13 franchised stores that failed to report complete financial information for the full 2023 Calendar Year.

The Reporting Stores included in the financial performance representations were located throughout the United States in primarily urban areas that contain populations ranging from approximately 100,000 persons to over 1,000,000 persons. Factors that vary among stores (and which influence individual financial results) are population within Protected Territories, local market demographics, location, store size, inventory level, local and on-line competition, local management, and marketing expenditures. The Reporting Stores offer substantially similar goods and services as the franchised businesses offered by this Disclosure Document. You should be aware, however, that some of the Reporting Stores for which financial information is included in

the tables below may be "conversions," which were independently owned hobby stores that were converted into a HobbyTown®/HobbyTown USA® franchised store.

Table 1 discloses the average of all the Reporting Stores' gross revenue, expenses (including certain adjusted expenses as explained below), adjusted operating income, and location data for the 2023 Calendar Year. The table also includes the median, highest, and lowest numbers reported by the Reporting Stores for each category of information included in the table. All numbers have been rounded to the nearest dollar.

Tables 2-5 set forth the same information as Table 1 for each quartile based on the Reporting Stores' adjusted operating income for the 2023 Calendar Year.

TABLE 1

Gross Revenue, Gross Profit, Adjusted Operating Expenses, Adjusted Operating Income, and Location Data for All Reporting Stores During 2023 Calendar Year

	Average	Median	High	Low	Number and % Equal to or Exceeding Average
Gross Revenue	$1,455,633	$1,282,737	$4,699,159	$285,736	34 (39%)
Cost of Goods Sold	$934,721	$852,024	$2,975,056	$177,129	32 (37%)
Gross Profit	$520,912	$432,117	$1,823,082	$85,282	37 (43%)
Operating Expenses					
Adjusted Advertising & Marketing (2%)	$28,237	$24,570	$93,983	$5,715	33 (38%)
Alarm Expense	$843	$636	$5,845	$0	27 (31%)
Bank Charges	$628	$388	$4,187	$0	31 (36%)
Contract Labor	$450	$0	$6,234	$0	22 (25%)
Credit Card Processing Fees	$22,353	$19,904	$74,472	$5,279	35 (40%)
Dues & Subscriptions	$2,181	$2,113	$7,014	$0	42 (48%)
Business Insurance	$4,966	$3,961	$19,964	$633	32 (37%)
Workers Comp Insurance	$1,452	$577	$14,066	$0	28 (32%)
Miscellaneous Expense	$1,655	$364	$33,026	$0	19 (22%)
Employee Payroll	$145,173	$132,727	$440,286	$5,283	37 (43%)
Employee Payroll Taxes	$12,702	$10,931	$66,839	$0	35 (40%)
Professional Fees	$5,054	$3,850	$21,398	$0	34 (39%)
Rent/Lease	$93,893	$89,000	$371,265	$26,157	39 (45%)
Repairs & Maintenance	$3,651	$1,846	$22,943	$0	26 (30%)
Adjusted Royalty Fees (4.75%)	$69,141	$60,930	$223,210	$13,572	34 (39%)
Supplies	$6,432	$5,200	$44,275	$325	34 (39%)
Tax & Licenses	$5,338	$1,667	$82,080	$0	28 (32%)
Phone/Internet	$5,052	$4,202	$15,883	$514	32 (37%)
Utilities	$11,450	$10,154	$49,946	$820	31 (36%)
Total Adjusted Operating Expenses	$418,866	$375,506	$1,402,922	$107,196	35 (40%)
Adjusted Operating Income	$104,386	$92,368	$554,637	($137,987)	40 (46%)
Location Data					
Retail Square Footage	5,599	4,400	30,200	1,250	28 (32%)
Sales Per Foot	$288	$273	$854	$62	36 (41%)
Inventory (Year End)	$338,009	$312,485	$952,428	$90,523	37 (43%)

TABLE 2

1st Quartile Gross Revenue, Gross Profit, Adjusted Operating Expenses, Adjusted Operating Income, and Location Data for Reporting Stores During 2023 Calendar Year

	Average	Median	High	Low	Number and % Equal to or Exceeding Average
Gross Revenue	$2,397,945	$2,205,457	$4,699,159	$1,067,776	10 (45%)
Cost of Goods Sold	$1,492,913	$1,297,505	$2,975,056	$699,635	10 (45%)
Gross Profit	$905,031	$873,328	$1,823,082	$368,141	11 (50%)
Operating Expenses					
Adjusted Advertising & Marketing (2%)	$45,447	$41,314	$93,983	$15,756	10 (45%)
Alarm Expense	$608	$525	$1,315	$85	10 (45%)
Bank Charges	$552	$461	$2,061	$32	10 (45%)
Contract Labor	$496	$0	$3,187	$0	7 (32%)
Credit Card Processing Fees	$34,496	$27,073	$74,472	$15,150	8 (36%)
Dues & Subscriptions	$2,429	$2,352	$7,014	$74	10 (45%)
Business Insurance	$6,298	$5,214	$19,964	$1,663	7 (32%)
Workers Comp Insurance	$2,188	$944	$12,999	$0	9 (41%)
Miscellaneous Expense	$3,844	$1,425	$33,026	$0	3 (14%)
Employee Payroll	$219,515	$200,025	$440,286	$17,964	9 (41%)
Employee Payroll Taxes	$20,131	$15,185	$66,839	$1,312	9 (41%)
Professional Fees	$7,015	$5,343	$17,185	$2,104	9 (41%)
Rent/Lease	$131,532	$123,601	$371,265	$34,170	7 (32%)
Repairs & Maintenance	$5,938	$3,940	$22,943	$490	8 (36%)
Adjusted Royalty Fees (4.75%)	$113,898	$104,741	$223,210	$50,719	10 (45%)
Supplies	$9,206	$9,177	$21,085	$2,182	11 (50%)
Tax & Licenses	$10,295	$4,741	$82,080	$0	5 (23%)
Phone/Internet	$6,948	$6,370	$13,398	$514	11 (50%)
Utilities	$15,752	$12,050	$49,946	$3,753	7 (32%)
Total Adjusted Operating Expenses	$636,589	$583,772	$1,402,922	$197,213	11 (50%)
Adjusted Operating Income	$272,467	$231,411	$554,637	$170,928	6 (27%)
Location Data					
Retail Square Footage	8,489	7,298	30,200	1,250	7 (32%)
Sales Per Foot	$339	$294	$854	$156	8 (36%)
Inventory (Year End)	$536,565	$450,615	$952,428	$133,315	9 (41%)

TABLE 3

2nd Quartile Gross Revenue, Gross Profit, Adjusted Operating Expenses, Adjusted Operating Income, and Location Data for Reporting Stores During 2023 Calendar Year

	Average	Median	High	Low	Number and % Equal to or Exceeding Average
Gross Revenue	$1,382,701	$1,289,458	$2,311,262	$732,306	9 (41%)
Cost of Goods Sold	$874,917	$799,411	$1,556,161	$442,520	8 (36%)
Gross Profit	$507,785	$504,906	$796,181	$271,125	11 (50%)
Operating Expenses					
Adjusted Advertising & Marketing (2%)	$26,704	$25,789	$46,225	$8,698	9 (41%)
Alarm Expense	$1,155	$691	$5,845	$249	6 (27%)
Bank Charges	$677	$419	$3,026	$0	8 (36%)
Contract Labor	$682	$87	$4,251	$0	7 (32%)
Credit Card Processing Fees	$20,794	$17,937	$34,182	$9,486	8 (36%)
Dues & Subscriptions	$2,407	$2,252	$4,229	$0	10 (45%)
Business Insurance	$4,554	$3,669	$11,642	$633	8 (36%)
Workers Comp Insurance	$814	$483	$2,964	$0	9 (41%)
Miscellaneous Expense	$1,072	$250	$6,879	$0	7 (32%)
Employee Payroll	$130,441	$123,275	$301,666	$19,529	10 (45%)
Employee Payroll Taxes	$10,782	$10,621	$26,310	$1,576	11 (50%)
Professional Fees	$5,349	$3,362	$21,398	$0	8 (36%)
Rent/Lease	$84,836	$79,779	$143,008	$40,911	10 (45%)
Repairs & Maintenance	$3,441	$2,675	$14,598	$0	9 (41%)
Adjusted Royalty Fees (4.75%)	$65,677	$61,249	$109,785	$34,785	9 (41%)
Supplies	$5,303	$4,907	$13,363	$1,496	10 (45%)
Tax & Licenses	$5,028	$2,246	$37,562	$14	8 (36%)
Phone/Internet	$4,815	$4,099	$10,151	$1,466	8 (36%)
Utilities	$11,555	$10,267	$19,425	$6,083	8 (36%)
Total Adjusted Operating Expenses	$382,622	$373,234	$686,132	$176,599	10 (45%)
Adjusted Operating Income	$130,391	$131,763	$160,428	$92,368	12 (55%)
Location Data					
Retail Square Footage	4,934	4,300	10,000	2,516	6 (27%)
Sales Per Foot	$291	$305	$455	$132	11 (50%)
Inventory (Year End)	$347,448	$328,744	$630,439	$158,699	10 (45%)

TABLE 4

3rd Quartile Gross Revenue, Gross Profit, Adjusted Operating Expenses, Adjusted Operating Income, and Location Data for Reporting Stores During 2023 Calendar Year

	Average	Median	High	Low	Number and % Equal to or Exceeding Average
Gross Revenue	$1,143,097	$1,200,924	$2,024,876	$506,362	12 (57%)
Cost of Goods Sold	$760,975	$775,012	$1,419,143	$333,465	11 (52%)
Gross Profit	$382,123	$390,092	$665,216	$172,897	11 (52%)
Operating Expenses					
Adjusted Advertising & Marketing (2%)	$22,862	$24,018	$40,498	$10,127	12 (57%)
Alarm Expense	$745	$470	$2,583	$0	8 (38%)
Bank Charges	$679	$365	$2,991	$0	7 (33%)
Contract Labor	$354	$0	$6,234	$0	2 (10%)
Credit Card Processing Fees	$18,268	$16,754	$43,258	$5,611	8 (38%)
Dues & Subscriptions	$1,885	$1,798	$3,345	$246	10 (48%)
Business Insurance	$3,980	$3,229	$19,885	$1,174	6 (29%)
Workers Comp Insurance	$962	$727	$4,706	$0	7 (33%)
Miscellaneous Expense	$426	$254	$1,777	$0	8 (38%)
Employee Payroll	$108,565	$101,149	$248,087	$5,283	10 (48%)
Employee Payroll Taxes	$9,267	$9,559	$20,984	$0	11 (52%)
Professional Fees	$3,490	$3,371	$7,927	$0	10 (48%)
Rent/Lease	$76,263	$62,284	$158,400	$27,306	10 (48%)
Repairs & Maintenance	$3,520	$1,865	$13,220	$275	5 (24%)
Adjusted Royalty Fees (4.75%)	$54,297	$57,044	$96,182	$24,052	12 (57%)
Supplies	$5,639	$5,223	$16,093	$498	10 (48%)
Tax & Licenses	$3,850	$1,793	$15,732	$50	9 (43%)
Phone/Internet	$3,598	$3,306	$8,103	$1,067	10 (48%)
Utilities	$9,002	$7,331	$20,376	$2,350	8 (38%)
Total Adjusted Operating Expenses	$324,716	$331,860	$609,383	$107,196	11 (52%)
Adjusted Operating Income	$57,407	$63,866	$89,962	$14,982	13 (62%)
Location Data					
Retail Square Footage	4,573	3,200	12,400	1,500	7 (33%)
Sales Per Foot	$300	$270	$611	$121	9 (43%)
Inventory (Year End)	$254,436	$233,797	$441,748	$90,523	9 (43%)

TABLE 5

4th Quartile Gross Revenue, Gross Profit, Adjusted Operating Expenses, Adjusted Operating Income, and Location Data for Reporting Stores During 2023 Calendar Year

	Average	Median	High	Low	Number and % Equal to or Exceeding Average
Gross Revenue	$884,581	$844,178	$1,788,506	$285,736	10 (45%)
Cost of Goods Sold	$602,180	$597,392	$1,209,353	$177,129	10 (45%)
Gross Profit	$282,401	$273,482	$579,153	$85,282	11 (50%)
Operating Expenses					
Adjusted Advertising & Marketing (2%)	$17,692	$16,884	$35,770	$5,715	10 (45%)
Alarm Expense	$860	$678	$3,979	$106	8 (36%)
Bank Charges	$606	$281	$4,187	$0	8 (36%)
Contract Labor	$265	$0	$1,584	$0	5 (23%)
Credit Card Processing Fees	$15,155	$13,488	$33,921	$5,279	8 (36%)
Dues & Subscriptions	$1,992	$1,767	$3,517	$717	10 (45%)
Business Insurance	$4,988	$4,459	$11,100	$1,446	9 (41%)
Workers Comp Insurance	$1,821	$522	$14,066	$0	6 (27%)
Miscellaneous Expense	$1,220	$292	$7,357	$0	6 (27%)
Employee Payroll	$120,505	$115,715	$273,056	$31,378	9 (41%)
Employee Payroll Taxes	$10,471	$10,397	$22,277	$2,512	11 (50%)
Professional Fees	$4,292	$2,953	$13,370	$0	8 (36%)
Rent/Lease	$82,140	$84,092	$153,282	$26,157	12 (55%)
Repairs & Maintenance	$1,692	$1,203	$10,854	$0	8 (36%)
Adjusted Royalty Fees (4.75%)	$42,018	$40,098	$84,954	$13,572	10 (45%)
Supplies	$5,545	$2,390	$44,275	$325	5 (23%)
Tax & Licenses	$2,113	$735	$24,980	$0	4 (18%)
Phone/Internet	$4,714	$3,937	$15,883	$1,712	7 (32%)
Utilities	$9,171	$8,670	$21,889	$820	11 (50%)
Total Adjusted Operating Expenses	$327,259	$328,047	$581,282	$108,797	11 (50%)
Adjusted Operating Income	($44,858)	($46,154)	$2,962	($137,987)	10 (45%)
Location Data					
Retail Square Footage	4,395	4,000	9,550	1,550	7 (32%)
Sales Per Foot	$223	$212	$447	$62	11 (50%)
Inventory (Year End)	$209,789	$178,506	$361,131	$94,787	10 (45%)

Notes to Tables 1-5

1. The median, high, and low numbers included in the tables for Gross Profit, Total Adjusted Operating Expenses, Adjusted Operating Income, and Sales Per Foot are derived from the underlying financial information reported by the Reporting Stores (i.e., they are the median, high, and low numbers from all data points in each relevant set of numbers). They are not calculated based on the other information contained in the tables.

2. Average, also known as the "mean," is the sum of all data points in a set, divided by the number of data points in that set.

3. Median means the data point that is in the center of all data points used. That number is found by examining the total number of data points and finding the middle number in that set. In the event the number of data points is an odd number, the median will be the center number. If the dataset contains an even number of data points, the median is reached by taking the two numbers in the middle, adding them together, and dividing by two.

4. Gross Revenue, also known as "gross sales," means the amount of all sales of merchandise, products, services, and revenues of any other kind made in, upon, or from the store (including all mail order and internet sales) or from any other site including the location of any booth, mobile unit, seminar, fair, or other events of any kind in which Franchisee participates, including track and race fees, whether for cash, check, charge account, exchange, credit or otherwise, and if on credit, whether or not payment is received therefore. Gross revenue does not include tax receipts that are chargeable to customers, if such taxes are separately stated when the customer is charged and paid to the tax authorities, and the amount of any actual refunds, exchanges, over-rings, and allowances given to customers in good faith.

5. Cost of Goods Sold means the amount the Reporting Stores paid for inventory including cost of product, costs of delivery, early pay discounts or any other purchasing or promotional discounts.

6. Gross Profit means Gross Revenue minus Cost of Goods Sold.

7. Adjusted Advertising & Marketing (2%) and Adjusted Royalty Fees (4.75%): Advertising and marketing requirements and royalty fees have changed over time, as reflected in the various franchise agreements for the Reporting Stores. The Company has made adjustments in the tables based on the fees and expenditures required under the current form Franchise Agreement. Franchised businesses that sign the Company's current form of Franchise Agreement are required to pay a minimum of 2% of their gross monthly sales to the Company in satisfaction of the minimum advertising requirement and 4.75% of their gross monthly sales to the Company as a royalty fee. By making these adjustments, the tables illustrate what the Reporting Stores would have paid during the 2023 Calendar Year for advertising and marketing and royalty fees if they were operating under the current Franchise Agreement. In the 2023 Calendar Year, the Reporting Stores, on average, spent less on advertising and marketing and royalty fees than they would have spent if they were operating under the current Franchise Agreement. In making these adjustments,

the Company is assuming that any additional expenses would not have a material effect on revenue or other expenses.

8. Total Adjusted Operating Expenses means the aggregate of all operating expenses listed in the tables, including the Adjusted Advertising & Marketing (2%) expense and Adjusted Royalty Fees (4.75%). The following discretionary expenses are excluded—automobile, contributions, employee benefits, health and/or life insurance, interest, meals and entertainment, owner payroll and travel.

9. Adjusted Operating Income means Gross Profit minus the Total Adjusted Operating Expenses.

10. Sales Per Foot means the Gross Revenue divided by the Retail Square Footage.

11. Inventory: Minimum inventory requirements have changed over time. The current Franchise Agreement requires that a Franchisee must purchase and maintain a minimum of $150,000 of inventory for a Protected Territory. Some of the Reporting Stores do not have the same minimum inventory requirement.

THE ABOVE INFORMATION IS BASED ON THE REPORTING STORES' FINANCIAL PERFORMANCE FOR THE 2023 CALENDAR YEAR.

Some outlets have earned this amount. Your individual results may differ. There is no assurance that You'll sell as much.

Written substantiation for these financial performance representations will be made available to the prospective franchisee upon reasonable request. You should conduct an independent investigation of the costs and expenses You will incur in operating Your HobbyTown® franchise. Franchisees or former franchisees listed in the Disclosure Document may be one source of this information.

Other than the preceding financial performance representation, Hobby Town Unlimited, Inc. does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If You are purchasing an existing outlet, however, we may provide You with the actual records of that outlet. If You receive any other financial performance information or projections of Your future income, You should report it to the franchisor's management by contacting Robert Wilke, President of Hobby Town Unlimited, Inc. at 1133 Libra Drive, Lincoln, Nebraska 68512 or (402) 434-5065, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20. OUTLETS AND FRANCHISEE INFORMATION

Table No. 1

System Wide Outlet Summary
For Years 2021 to 2023

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2021	111	110	-1
	2022	110	106	-4
	2023	106	100	-6
Company-Owned	2021	0	0	0
	2022	0	0	0
	2023	0	0	0
Total Outlets	2021	111	110	-1
	2022	110	106	-4
	2023	106	100	-6

Table No. 2

Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2021 to 2023

State	Year	Number of Transfers
AZ	2021	0
	2022	0
	2023	0
CA	2021	1
	2022	2
	2023	0
CO	2021	1
	2022	0
	2023	0
CT	2021	0
	2022	1
	2023	0

State	Year	Number of Transfers
FL	2021	1
	2022	1
	2023	1
GA	2021	0
	2022	1
	2023	1
IA	2021	0
	2022	0
	2023	0
IL	2021	0
	2022	0
	2023	0
IN	2021	0
	2022	2
	2023	0
KS	2021	1
	2022	0
	2023	0
KY	2021	0
	2022	0
	2023	1
LA	2021	0
	2022	0
	2023	0
MI	2021	0
	2022	0
	2023	0

State	Year	Number of Transfers
MN	2021	1
	2022	1
	2023	0
NE	2021	0
	2022	2
	2023	1
NH	2021	0
	2022	0
	2023	1
NM	2021	0
	2022	0
	2023	0
NC	2021	0
	2022	0
	2023	0
OK	2021	1
	2022	0
	2023	1
OR	2021	0
	2022	1
	2023	0
PA	2021	0
	2022	0
	2023	0
SC	2021	0
	2022	0
	2023	0

State	Year	Number of Transfers
TN	2021	0
	2022	1
	2023	0
TX	2021	0
	2022	0
	2023	0
VA	2021	0
	2022	0
	2023	1
WA	2021	0
	2022	2
	2023	1
Total	2021	6
	2022	14
	2023	8

Table No. 3

Status of Franchised Outlets
For years 2021 to 2023

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of Year
AL	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	1	1
AZ	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of Year
AR	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	1	1
	2023	1	0	0	0	0	0	1
CA	2021	6	1	0	0	0	1	6
	2022	6	1	0	0	0	0	7
	2023	7	0	0	0	0	0	7
CO	2021	9	0	0	0	0	0	9
	2022	9	0	0	0	0	1	8
	2023	8	0	0	0	0	2	6
CT	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
DE	2021	1	1	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
FL	2021	4	1	0	0	0	0	5
	2022	5	0	0	0	0	0	5
	2023	5	0	0	0	0	1	4
GA	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
	2023	4	0	0	0	0	0	4
ID	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
IL	2021	5	0	0	0	0	0	5
	2022	5	0	0	0	0	0	5
	2023	5	0	0	0	0	0	5

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of Year
IN	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
IA	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	1	1
	2023	1	0	0	0	0	0	1
KS	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
KY	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
LA	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
MD	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	1	1
	2023	1	0	0	0	0	0	1
MA	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	1	0
	2023	0	0	0	0	0	0	0
MI	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
MN	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	1	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 Year
MS	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	1	0
	2023	0	0	0	0	0	0	0
MO	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
MT	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
NE	2021	5	0	0	0	0	0	5
	2022	5	0	0	0	0	0	5
	2023	5	0	0	0	0	0	5
NV	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
NH	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
NJ	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
NM	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
NY	2021	1	0	0	0	0	0	1
	2022	1	1	0	0	0	0	2
	2023	2	0	0	0	0	0	2

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of Year
NC	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
	2023	4	0	0	0	0	0	4
ND	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
OH	2021	6	0	0	0	0	0	6
	2022	6	0	0	0	0	0	6
	2023	6	0	0	0	0	0	6
OK	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
OR	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
PA	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
SC	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
SD	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
TN	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of Year
TX	2021	11	0	0	0	0	1	10
	2022	10	1	0	0	0	1	10
	2023	10	0	0	0	0	0	10
UT	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
VA	2021	5	0	0	0	0	1	4
	2022	4	0	0	0	0	0	4
	2023	4	0	0	0	0	0	4
WA	2021	8	0	0	0	0	0	8
	2022	8	0	0	0	0	0	8
	2023	8	0	0	0	0	0	8
WV	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
WI	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
	2023	4	0	0	0	0	1	3
WY	2021	1	0	0	0	0	1	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Totals	2021	111	3	0	0	0	4	110
	2022	110	3	0	0	0	7	106
	2023	106	0	0	1	0	5	100

Table No. 3 shows a 2022 store closing in Massachusetts and a 2022 store opening in New York. This related to the relocation of a store by a current franchisee from a location in Massachusetts to a location in New York.

Table No. 3 shows a 2022 store closing in Texas and a 2022 store opening in Texas. This related to the relocation of a store by a current franchisee from a location in Irving, Texas to a location in Arlington, Texas.

Table No. 4
Status of Company-Owned Outlets
For years 2021 to 2023

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
All States	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
Totals	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0

Table No. 5
Projected New Franchised Outlets
As of December 31, 2023

State	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchised Outlet in the Next Fiscal Year (2024)	Projected New Company-Owned Outlet in the Next Fiscal Year (2024)
CA	0	0	0
ID	0	0	0
IN	0	0	0
MO	0	0	0
NC	1	1	0
NV	0	0	0
NJ	0	0	0
TX	1	1	0
Total	2	2	0

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

During the last three fiscal years, no franchisees signed any confidentiality clause with the Company that would restrict their ability to speak openly about their experience with the HobbyTown®/ HobbyTown USA® franchise system.

There are no trademark-specific franchisee organizations associated with the HobbyTown®/HobbyTown USA® franchise system.

HOBBYTOWN®/HOBBYTOWN USA® STORE TRANSFERS AND CLOSINGS AS OF DECEMBER 31, 2023

The names, city, state, and last known telephone numbers of franchisees who have had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the year ended December 31, 2023, or who have not communicated with the Company for the 10 weeks prior to April 24, 2024, are shown below.

As of December 31, 2023

STORE TRANSFERS TO NEW OWNERS	
Name, City, State	**Telephone Number**
Chris and Kat Stern Sanford, FL	(386) 282-1919
Phillip Boyer Buford, GA	(404) 542-8160
Lee and Tammy Crouch Louisville, KY	(502) 489-7061
Ed Conroy Grand Island, NE	(308) 227-1436
Ray Lamarre Londonderry, NH	(603) 505-5397
Chip Stockle Edmond, OK	(405) 625-0871
Scott and Kelly Dayton Fredericksburg, VA	(757) 303-0650
Dave Mansius and Jonathan Rosen Redmond, WA	(503) 449-1433

STORE TERMINATIONS	
Name, City, State	**Telephone Number**
None	

STORE CLOSINGS 2023	
Name, City, State	**Telephone Number**
Sheldon Schlieper Foley, AL	(251) 979-5288
Todd and Bernadette Noble Colorado Springs, CO	(719) 229-7283
Corey Bosworth Parker, CO	(303) 960-4954
Greg and Sharon Steiner Sanford, FL	(919) 478-7402
Brian Bohlman Waite Park, MN	(320) 766-9768
Bob Mazza Appleton, WI	(920) 379-9175

STORE ADDRESS LIST

See Exhibit G for a list of names of all HobbyTown®/ HobbyTown USA® franchisees and the addresses and telephone numbers of all of their stores, all as of December 31, 2023.

ITEM 21. FINANCIAL STATEMENTS

Our fiscal year end is December 31. The Company's audited financial statements for the fiscal years ending December 31, 2023, December 31, 2022, and December 31, 2021 are attached as Exhibit C. The audited financial statements consist of the following:

1. Balance Sheets-Assets, Liabilities and Stockholders' Equity
2. Statements of Earnings
3. Statements of Changes in Stockholders' Equity
4. Statements of Cash Flows
5. Notes to Financial Statements

The Company's unaudited financial statements for the five months ending May 31, 2024 are attached as Exhibit C-1. The unaudited financial statements consist of a Balance Sheet as of

May 31, 2024 and Company Operations Income Statement and Statement of Cash Flows for the five months ending May 31, 2024.

All financial statements are prepared based on generally accepted accounting principles.

ITEM 22. CONTRACTS

Attached to this Disclosure Document are copies of the agreements You will be asked to sign: (1) the current Franchise Agreement with opening schedule and protected territory addenda (Exhibits A, A-1, and A-2); (2) the Guaranty Agreement (Exhibit A-3); and (3) the Software License Agreement (Exhibit A-4), which all owners must sign if You are an entity or You transfer the Franchise Agreement to an approved entity.

ITEM 23. RECEIPT

Two copies of an acknowledgment of Your receipt of this Disclosure Document are attached as Exhibit H at the end of this Disclosure Document. Please return the designated original to the Company and retain the other for Your records.

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EXHIBIT A

FRANCHISE AGREEMENT
AND STATE ADDENDA

EXHIBIT A

HOBBYTOWN FRANCHISE AGREEMENT

Franchise Location: _____

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ADDENDA

For the States of California, Illinois, Indiana, Maryland, Minnesota, New York, North Dakota, Virginia, Washington, and Wisconsin.

EXHIBIT

A-1. OPENING SCHEDULE ADDENDUM TO FRANCHISE AGREEMENT
A-2 PROTECTED TERRITORY ADDENDUM TO FRANCHISE AGREEMENT
A-3. GUARANTY AGREEMENT
A-4. SOFTWARE LICENSE AGREEMENT

Copyright© April 24, 2024 Hobby Town Unlimited, Inc.

HOBBYTOWN FRANCHISE AGREEMENT

THIS HOBBYTOWN FRANCHISE AGREEMENT ("Agreement") is made and entered into by and between Hobby Town Unlimited, Inc., a Nebraska corporation ("Franchisor") and _____, a[n] _____ ("Franchisee").

WHEREAS, Franchisor is the owner of various federal and state registered trademarks and service marks, including the marks HobbyTown® and HobbyTown USA®;

WHEREAS, Franchisor is the proprietor and owner of a unique plan and system relating to the retail sale of hobby, toy, entertainment, educational, collectible and gift merchandise which has been developed at considerable effort and expense by Franchisor over many years (the "HobbyTown® System");

WHEREAS, the distinguishing characteristics of the HobbyTown® System include, but are not limited to:

A. The HobbyTown® family of trademarks and logos, all as more particularly defined herein;

B. A unique and readily recognizable design, signs, color scheme, emblems and layout for the premises wherein such business is conducted;

C. Unique methods of advertising, marketing and selling of hobby products to the retail public;

D. Unique operating procedures and methods of inventory, cost controls and record keeping; and

E. Unique methods and procedures of advertising, marketing and selling hobby merchandise through e-commerce on the Internet and coordinated website functions;

all of which characteristics may be changed, improved and further developed from time to time and are disclosed and made available in confidence to persons franchised by Franchisor and their employees to operate in accordance with the HobbyTown® System;

WHEREAS, Franchisor is engaged in the business of licensing the use of its trademarks and franchising hobby stores under the names HobbyTown®, HobbyTown USA® and Hobby USA;

WHEREAS, Franchisor has established a reputation, demand and goodwill for HobbyTown® and HobbyTown USA® stores and the merchandise sold according to the HobbyTown® System under the HobbyTown USA® and HobbyTown® marks which signifies to the public standards of quality and value;

WHEREAS, Franchisee recognizes the importance to Franchisor, other HobbyTown® and HobbyTown USA® franchisees and the public of maintaining the distinctive standards, qualities and attributes of the stores identified by the name "HobbyTown USA®" and “HobbyTown®” and is willing to maintain such standards, qualities and attributes;

WHEREAS, Franchisee desires to be franchised to operate a HobbyTown® store pursuant to the provisions hereof at the location set forth on the cover page attached hereto and incorporated herein by this reference. This location, including any land, buildings, parking and improvements, shall be referred to herein as the "Store," "HobbyTown® Store" or "Franchise Premises";

WHEREAS, Franchisor, by reason of its maintenance of high standards of quality in the manner in which merchandise is sold under the HobbyTown® System over a period of years, has created goodwill for outlets operated under the HobbyTown USA® and HobbyTown® marks;

WHEREAS, Franchisee recognizes the value and significance of the HobbyTown® System and that in order to enhance its value and the trademarks and goodwill associated with the System, this Agreement places detailed and substantial obligations on Franchisee, including strict adherence to Franchisor's present and future requirements;

WHEREAS, Franchisee recognizes that future improvements, enhancements and changes will likely be required and that the rights granted to Franchisee herein are for a limited time;

WHEREAS, Franchisee desires to obtain a HobbyTown® franchise upon the terms and conditions herein set forth and enter the business of selling hobby merchandise to the retail public at the Franchise Premises under the HobbyTown® mark, all in accordance with the standards required by Franchisor; and

WHEREAS, Franchisor is ready, willing and able to grant a HobbyTown® franchise to Franchisee upon the terms and conditions herein set forth.

NOW, THEREFORE, Franchisor and Franchisee, in consideration of the mutual agreements, promises and covenants herein contained, and for other good and valuable consideration, acknowledged by each of them to be satisfactory and adequate, do hereby agree as follows:

ARTICLE I: FACTS

A. **Trademarks Ownership.** Franchisor owns and has the exclusive rights to certain valuable trademarks, service marks, trade names, and related insignia used in connection with the promotion and sale of merchandise at HobbyTown USA® and HobbyTown® stores. These marks include the federal registrations listed below. Franchisor also has obtained certain state registrations for the HobbyTown USA® and Hobby USA® service marks. All of the Proprietary Marks are registered on the Principal Register of the United States Patent and Trademark Office ("USPTO"), unless noted otherwise. All of these marks, together with all additional marks developed by Franchisor, shall collectively be referred to herein as the "Proprietary Marks."

REGISTERED PROPRIETARY MARKS		
Service Mark	**Date of Registration**	**Registration No.**
HobbyTown®	October 14, 2014	4,620,255; See Note 1
HobbyTown.com® (stylized)	March 20, 2001 July 30, 2020 (renewed)	2,437,003; See Note 2

Patriot R/C® (with design)	May 22, 2007 June 14, 2017 (renewed)	3,244,592; See Note 2
Patriot R/C® (with design)	August 14, 2007 June 15, 2017 (renewed)	3,280,520; See Note 2
HobbyTown USA®	September 23, 2008 August 4, 2018 (renewed)	3,504,701; See Note 2
NOTES: (1) An application for renewal with the required affidavit was filed and is pending with the USPTO. (2) The Company has filed all required affidavits which have been accepted by the USPTO.		

Franchisee shall promptly notify Franchisor of any use of, or any claim, demand, or cause of action of which Franchisee becomes aware based upon or arising from any attempt by any third party to prevent Franchisee from the use of, or claims of rights to use, any mark identical or confusingly similar to the Proprietary Marks. Franchisor shall protect Franchisee's right to use the Proprietary Marks or indemnify Franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the Proprietary Marks. Franchisor shall have the exclusive right to contest or bring action against any third party regarding the claimant's use of any of the Proprietary Marks and shall exercise such right in its sole discretion. In any defense or prosecution of any litigation relating to the Proprietary Marks undertaken by Franchisor, Franchisee shall cooperate with Franchisor and execute any and all documents and take all actions as may be desirable or reasonably necessary, in the opinion of Franchisor's counsel, to carry out such defense or prosecution. Franchisor shall have the right to modify any of the Proprietary Marks such that any mark will no longer allegedly infringe the rights of such claimant, or, at the sole discretion of Franchisor, to terminate the use of such mark, whether as a result of a challenge to the use of the Proprietary Mark or for any other reason. Franchisee shall, at its own expense, modify or discontinue the use of any Proprietary Mark should Franchisor direct it to do so as a result of any legal proceeding or claim or otherwise.

B. **Franchise Rights.** Franchisor has the exclusive right to grant this HobbyTown® franchise. Franchisor has the right to control Franchisee's social media sites and/or website and the information collected therefrom and license the use of the Internet pursuant to standards, policies and procedures established from time to time by Franchisor.

C. **Trade Secrets Ownership.** Franchisor has developed and is continuing to develop certain unique techniques, strategies, policies and procedures for the management, marketing and sale of hobby merchandise to the retail public through stores operating under the HobbyTown USA® and HobbyTown® trade names (the "Trade Secrets"). It is expressly acknowledged and agreed that these Trade Secrets are valuable and that Franchisor owns and has the exclusive rights in and to the Trade Secrets.

D. **Franchise Uniformity.** In order to better advertise the Proprietary Marks and the merchandise sold thereunder and to enhance the value of the HobbyTown® System, Franchisor has

designed, developed and adopted unique plans and styles for the layout and operation of its stores which include, without limitation, operating methods, inventory controls, purchasing strategies, advertising, sales techniques and materials, signs, interior and exterior decoration and decor, training systems, bookkeeping, accounting methods, specialized equipment and software, accessories, and, in general, a style, system and method of business operation and procedure developed through many years of business experience and at great expense to Franchisor. Franchisor desires to maintain these uniform methods of operations and procedures among its franchisees in order to promote efficiency and to insure and protect the high standard of conformity, quality and service long associated with the sale of HobbyTown® merchandise to the retail public.

E. **Descriptions of Stores.** The Store shall constitute a full-line hobby store as described in this Agreement. Most HobbyTown® stores range in size from 3,000 to 6,000 square feet. Franchisee must purchase a minimum of $150,000 of inventory before the Store opens. The required inventory amount is based on the wholesale prices Franchisee pays for this inventory. After opening the Store, Franchisee shall continuously maintain a minimum inventory of $150,000. Depending on the size of the Store, Franchisee may need to purchase and maintain additional inventory.

ARTICLE II: FRANCHISE FEE

A. **Initial Franchise Fee**. The initial franchise fee ("Franchise Fee") for a single HobbyTown® Store is Forty-Nine Thousand Five Hundred Dollars ($49,500). As an alternative to purchasing a single HobbyTown® Store, if approved by Franchisor in its sole discretion, Franchisee may purchase multiple HobbyTown® Stores at the same time, in which case the Franchise Fee is reduced for the additional Stores as set forth in the table below:

Franchise Store	Franchise Fee
First Store	$49,500
Second Store	$42,000
Third Store	$38,000
Fourth Store	$36,000
Fifth Store	$34,000
Sixth Store	$32,000
Seventh through Tenth Stores	$30,000

If Franchisee purchases multiple HobbyTown® Stores, Franchisee must sign separate Franchise Agreements for all stores at the same time and must pay all Franchise Fees in full for all Stores at the time of signing the Franchise Agreements. All Franchise Fees are non-refundable. A description of the type of Store covered by this Agreement, as well as the applicable Franchise Fee, is found on the page above the signature block.

If Franchisee purchases a single HobbyTown® Store, Franchisee must open the store within one year from the date of the Franchise Agreement, unless otherwise extended by Franchisor. If Franchisee purchases multiple stores at the same time, Franchisee must open the first Store within one year from the date of the Franchise Agreement for the first Store and thereafter open at least

one store per year until all the additional stores are opened in accordance with the schedule set forth in each respective Franchise Agreement, unless otherwise extended by Franchisor. The opening schedule for the HobbyTown® Store subject to this Agreement is attached hereto as Exhibit A-1. If Franchisee fails to open the single HobbyTown® Store within the one-year period described above or if Franchisee fails to timely open any of the multiple HobbyTown® Stores in accordance with the applicable opening schedule[s], the Company can terminate the Franchise Agreement[s] for any unopened store[s], in its sole discretion, in which case the Company will retain the non-refundable initial franchise fee for the terminated Franchise Agreement[s].

ARTICLE III: FRANCHISE GRANT; TERM; RELATIONSHIP OF THE PARTIES

A. **Franchise Grant.** Franchisor hereby grants Franchisee a franchise to operate one (1) HobbyTown® Store at the Franchise Premises. This grant includes a limited license for the Internet and certain e-commerce applications pursuant to standards, policies and procedures established from time to time by Franchisor. Franchisee shall not have any right to any e-commerce applications, social media sites, website or other cyberspace advertising, marketing or selling mechanism without the prior written consent of Franchisor and only then in strict compliance with the standards, policies and procedures as established from time to time by Franchisor. In conjunction with the grant of a franchise, Franchisor grants Franchisee a license to use the store design and layout, signs, emblems and color scheme of Franchisor relating to the HobbyTown® System, together with Franchisor's Trade Secrets and merchandising methods and such other confidential and valuable information as may exist and constitute a part of the HobbyTown® System. In the event the location of the Franchise Premises is not established as of the date this Agreement is executed, the same shall be established upon the signing of a lease or purchase agreement for the Franchise Premises, and the description of this location shall be added to the cover page of this Agreement and constitute a part hereof. The Protected Territory, as more particularly described in this Article, shall be determined from the Franchise Premises.

B. **Rights Reserved by Franchisor.** Franchisor (on behalf of itself and its parent and affiliates) reserves all rights that aren't specifically granted to Franchisee in this Agreement including, without limitation, the following rights:

1. to operate, or to grant to others the right to operate HobbyTown USA® or HobbyTown® stores at locations and on terms Franchisor deems appropriate outside of Franchisee's Protected Territory;

2. to sell the products and services identical or similar to and/or competitive with those sold by HobbyTown USA® or HobbyTown® stores under other trademarks, service marks, and commercial symbols through similar or dissimilar channels of distribution and under terms Franchisor deems appropriate outside the Protected Territory;

3. to advertise and sell, and to grant to others the right to advertise and sell, products and services identical or similar to and/or competitive with those advertised and sold by HobbyTown USA® or HobbyTown® stores, whether identified by the Proprietary Marks or other trademarks or service marks, through dissimilar channels of distribution including by electronic means such as the Internet and websites we establish and under terms Franchisor deems appropriate within and outside the Protected Territory;

4. the right to establish and operate, and to grant to others the right to establish and operate, businesses offering dissimilar products and services, from any location, including dissimilar channels of distribution, under the Proprietary Marks and on any terms and conditions Franchisor deems appropriate;

5. to advertise the HobbyTown USA® or HobbyTown® system on the Internet and to create, operate, maintain and modify, or discontinue the use of one or more websites using the Proprietary Marks;

6. to acquire the assets or ownership interest of one or more businesses providing products and services similar or identical to those provided at HobbyTown USA® or HobbyTown® stores. Franchisor may franchise, license, or grant the right to others to temporarily operate those businesses once acquired in order to transition them to the HobbyTown® system. Franchisor may do so regardless of whether these businesses are located or operating within Franchisee's Protected Territory; and

7. to be acquired (whether through acquisition of assets, ownership interest or otherwise, regardless of the form of transaction), by a business providing products and services similar or identical to those provided by HobbyTown® or HobbyTown USA® stores or by another business, even if such business operates, franchises, and/or licenses competitive businesses in your Protected Territory.

C. **License of Proprietary Marks.** Franchisor hereby grants to Franchisee a non-exclusive license to use, only in connection with the franchise herein granted, the Proprietary Marks as Franchisor may from time to time authorize and designate for use in the HobbyTown® System subject to Franchisor's right to add, amend, and delete trade names, trademarks and service marks from the Proprietary Marks so authorized and designated for the HobbyTown® System. As between Franchisor and Franchisee, the Proprietary Marks licensed to Franchisee are the exclusive property of Franchisor. All usage of the Proprietary Marks by Franchisee and any goodwill derived from such usage shall inure to the benefit of Franchisor, and Franchisee shall, as reasonably required, assist Franchisor in perfecting its right and title to the same. No right, title or interest in or to the Proprietary Marks is granted, nor shall such right, title or interest at any time transfer to Franchisee other than the right to use the Proprietary Marks pursuant to this Agreement. The license herein granted is expressly subject to Franchisee's maintenance of the quality, standards, specifications and full compliance of the terms and conditions set forth in this Agreement. The license of the Proprietary Marks granted herein does not include a license for Franchisee to utilize the Proprietary Marks with respect to any social media sites, website, e-commerce, Internet or other cyberspace application without the prior written consent of Franchisor and only then in strict compliance with the standards, policies and procedures as established from time to time by Franchisor. Franchisee shall not use any of the Proprietary Marks in Franchisee's domain name, URL, metatags, HTML code or any other Internet, social media platforms or website application.

D. **Term.** The term of this Agreement shall commence on the date this Agreement is executed by Franchisor and shall continue for a period of ten (10) years unless sooner terminated in accordance with the terms and conditions hereof. Franchisee shall operate the Store at the Franchise Premises for the entire ten (10) year term.

E. **Renewal Option.** Provided that Franchisee is not in default of any of the terms and conditions of this Agreement or any other agreement between Franchisee and Franchisor either as of the date Franchisee gives the Notice to Exercise Option (as herein described) or on the final date of the initial term, then at the expiration of the term hereof, Franchisee shall have the option to renew this Agreement for one additional period of ten (10) years, provided that:

1. **Store Expenditures.** Franchisee shall agree to make any and all expenditures as may be reasonably required to renovate and modernize the Store layout, premises, signs and equipment, including any changes necessary to reflect the then-current standards of appearance, operations and image of HobbyTown® stores.

2. **New Franchise Agreement.** Franchisee shall execute a new Franchise Agreement in the form then currently in use by Franchisor except there shall be no additional options to renew or extend the term. Franchisee shall not be required to pay an initial franchise fee or other renewal fee.

3. **Notice to Exercise Option.** Franchisee shall give Franchisor written notice of its desire to exercise its renewal option not less than six (6) months prior to the expiration of the term of this Agreement.

4. **Control of Location.** Franchisee shall provide Franchisor with sufficient evidence that Franchisee has control (whether by ownership or lease) of the Franchise Premises for the renewal period.

F. **Location.** The location of the Franchise Premises shall be selected by Franchisee subject to the prior written approval of Franchisor. Franchisor shall provide Franchisee with a written response to a proposed location within twenty-one (21) days of receipt of the written location designation. Franchisor's failure to respond within the time permitted hereunder shall be deemed an approval of the location designated. Franchisor agrees to consult with Franchisee regarding the proposed location and shall not unreasonably withhold its approval; however, Franchisor shall not be obligated to expend its funds, conduct market analysis or any other survey to determine the location of the Store.

G. **Protected Territory.** Franchisor shall not, so long as this Agreement is in force and effect and Franchisee is not in default hereunder, physically locate another franchisee or operate any other HobbyTown® or HobbyTown USA® retail store within the Protected Territory without the prior written approval of Franchisee. For purposes of this Agreement, the "Protected Territory" shall be a minimum of a five (5) mile radius around the area of Franchisee's HobbyTown® or HobbyTown USA® Store, as designated in Exhibit A-2 to this Franchise Agreement. Exhibit A-2 describes the Protected Territory assigned to Franchisee and shall be signed by the parties after the location of the Store is determined by Franchisee, the site is approved by Franchisor pursuant to subparagraph E of this Article, and Franchisee executes a lease for the Store.

H. **Franchise Agreement Variations.** Franchisee acknowledges and understands that other HobbyTown USA® and HobbyTown® franchises have been granted at different times,

locations and situations. The fees, terms and provisions of such Franchise Agreements may vary substantially from those contained in this Agreement.

I. **Encroachment.** Franchisee acknowledges that any social media site, website, e-commerce, Internet or other cyberspace application is by its very nature a potential encroachment beyond (if done by Franchisee) and within (if done by Franchisor or another) the Protected Territory granted herein. Franchisee therefore agrees that the manner and content of any Franchisee advertising, marketing and/or selling on any social media sites, website, e-commerce, Internet or other cyberspace application must be done in strict compliance with the standards, policies and procedures as established from time to time by Franchisor, and may be subject to the prior written permission of Franchisor.

Franchisee further acknowledges and agrees that the opening of additional HobbyTown USA® and HobbyTown® stores, including those located near the Protected Territory, further enhances the advertising, market penetration and overall public awareness of the HobbyTown® chain and therefore benefits both Franchisee and Franchisor. Franchisor reserves the right to grant other HobbyTown USA® and HobbyTown® franchises near the Protected Territory which may have an impact upon the sales and profitability of the Franchise Premises. Franchisee has no rights relating to further franchising with Franchisor whether within the Protected Territory or otherwise.

J. **Internet; E-Commerce**. Franchisee shall abide by the standards, policies and procedures as established from time to time by Franchisor with respect to matters related to the Internet and e-commerce. Franchisee may not operate its own website, whether developed internally or by a third party, without Franchisor's prior written consent, which Franchisor may withhold in its sole discretion. Franchisee authorizes Franchisor to monitor and review any and all accounts Franchisee establishes for merchandise sales and orders through any nontraditional selling methods (e.g. eBay accounts). If permitted to operate its own website, Franchisee shall follow guidelines established by Franchisor. Franchisee shall participate in all such programs and promotions required by Franchisor from time to time, including, without limitation, those which are described as mandatory in the Manuals.

K. **Entity Franchisee; Best Efforts**. If Franchisee is a corporation, limited liability company, partnership or other legal entity ("Entity"), all shareholders, members, partners, and other owners ("Principal" or "Principals") of Franchisee shall personally guaranty the obligations of Franchisee by signing a Guaranty Agreement in the form attached hereto as Exhibit A-3 (the terms of which are incorporated herein by reference) contemporaneously with the execution of this Agreement. The names and addresses of all Principals of Franchisee and their respective ownership interests shall be disclosed in writing to Franchisor prior to execution of this Agreement and the Guaranty Agreement. By signing this Agreement and the Guaranty Agreement, Franchisee and its Principals represent, warrant, and certify that the signatories to the Guaranty Agreement constitute all the Principals of Franchisee. Franchisee agrees to promptly notify Franchisor of any proposed or intended change to its ownership structure and to obtain Franchisor's approval in accordance with Article XI below, before initiating any such change. Franchisee shall diligently and fully devote itself to perform the terms and conditions of this Agreement and do so through the best efforts of its Principals, which shall be always performed in good faith.

1. **Organizational Documents**. Franchisee and each of its Principals represent, warrant, and agree that: (a) Franchisee is duly organized and validly existing under the laws of the state where it was organized, incorporated, or otherwise formed; and, if a foreign Entity, that Franchisee is duly qualified to transact business in the state in which the Franchise Premises is located; (b) the undersigned signatory below has the authority to execute and deliver this Agreement on Franchisee's behalf and Franchisee is able and authorized to perform all obligations hereunder; (c) true and complete copies of the articles of incorporation, partnership agreement, bylaws, buy-sell agreements, certificates of organization, operating agreements, and all other documents relating to Franchisee's ownership, formation, organization, capitalization, management, and control have been delivered to Franchisor and all amendments thereto or subsequently issued documents of the same or similar nature shall be promptly delivered to Franchisor; (d) the articles of incorporation, partnership agreement, by-laws, operating agreement, or other governing/formation documents of the Franchisee recite that the issuance, transfer, or pledge of any direct or indirect legal or beneficial ownership interest is restricted by the terms of this Agreement; and (e) all certificates representing direct or indirect legal or beneficial ownership interests now or hereafter issued must bear the following legend, which shall be printed legibly and conspicuously on the face of the certificate:

> The transfer of this interest is restricted by the terms and conditions of a Franchise Agreement with Hobby Town Unlimited, Inc. of Lincoln, Nebraska. Reference is made to this Franchise Agreement and to the restrictive provisions of the governing documents of this entity.

L. **Age; Citizenship; Best Efforts**. If Franchisee is an individual, Franchisee represents and warrants that Franchisee is at least twenty-one (21) years of age and a lawful citizen of the United States or lawfully residing in the United States pursuant to a validly issued permanent visa in good standing. Franchisee shall diligently and fully devote himself/herself personally to perform the terms and conditions of this Agreement and do so through his/her best efforts, which shall be always performed in good faith.

M. **No Agency; Independent Contractor.** This Franchise Agreement does not create a fiduciary relationship between Franchisor and Franchisee. Franchisor and Franchisee are independent contractors, and nothing in this Franchise Agreement is intended to make Franchisee, or any of Franchisee's employees or Principals (if applicable), a general or special agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of Franchisor for any purpose. Franchisee shall have no right or power to bind or obligate Franchisor in any way, manner or thing whatsoever, nor represent that it has any right to do so, or cause Franchisor to be responsible in any way for the debts and obligations of Franchisee or any other party.

Franchisee is solely responsible for the hiring and firing of all the employees of the Store and for the terms of their employment, supervision, management, compensation, training, and all personnel decisions respecting the Store's employees. Franchisee is responsible for compliance with all applicable laws and regulations including any licensing requirements and other laws governing its relationship with its employees.

ARTICLE IV: PREMISES

A. **Franchise Limited to Franchise Premises; Relocation.** Franchisee shall do business under this Agreement only at the Franchise Premises. Franchisee shall not conduct any e-commerce business or any website, Internet or cyberspace application without the prior written permission of Franchisor and only then in strict compliance with the standards, policies and procedures as established from time to time by Franchisor. In the event Franchisee is in compliance with all of the terms and conditions of this Agreement and desires to change the location of the Franchise Premises, Franchisee shall submit to Franchisor in writing the details regarding the proposed relocation no less than ninety (90) days prior to the effective date. Any proposed relocation shall be subject to the prior written consent of Franchisor at Franchisor's sole discretion. Franchisee shall execute a Consent to Relocate Franchise agreement which shall serve as an addendum to this Agreement and amend the definition of the Franchise Premises and Protected Territory herein. All of the remaining terms and conditions of this Agreement, including any and all Guarantees, shall remain in full force and effect. Franchisor may, at Franchisee's request, provide assistance with relocating the Franchise Premises, which shall require the advance payment of a Moving Administrative Expenses Fee by Franchisee at the then-current charge for such assistance.

B. **Construction.** Franchisee agrees to work diligently and devote Franchisee's best efforts to construct and open the HobbyTown® Store at the Franchise Premises as soon as possible in conformance with the plans and specifications prescribed and/or approved by Franchisor, which shall meet the then-current standards of appearance, operations and image of HobbyTown®. In the event construction of the Store is not timely completed and the Store is not opened for business to the general public by the time set forth in Article II and in Exhibit A-1, Franchisor may elect, in its sole discretion, to terminate this Agreement, and Franchisor shall be entitled to keep and retain any and all sums paid by Franchisee hereunder.

C. **Remodeling.** During the term of this Agreement, Franchisee shall maintain the Franchise Premises in good condition and shall repair or replace equipment, walls and wallpaper, ceiling, floor coverings, roofs, landscaping, parking lot surface, paint, awnings, shelving and any and all other furnishings and property as the same shall be necessarily replaced, upgraded and/or remodeled, and do such other necessary maintenance on a timely and regular basis as reasonably requested by Franchisor. Franchisee shall also, in accordance with any existing Franchisor policies, make any and all expenditures as may be reasonably required to renovate and modernize the Store layout, premises, signs and equipment, including any changes necessary to reflect the then-current standards of appearance, operations and image of HobbyTown®. Franchisee acknowledges, agrees and understands that it is of critical importance to the success of the Store and the HobbyTown® System as a whole that each HobbyTown® Store maintain a uniform appearance and design, and Franchisee shall timely comply with all of the design, layout and appearance requirements detailed by Franchisor as the same may be upgraded from time to time.

D. **Lease.** Prior to Franchisee's execution of any lease (including any renewals thereof), Franchisee shall submit the lease to Franchisor for Franchisor's review and approval. Franchisor's approval shall not be construed as a guaranty of the success of the location, but rather as confirmation that the location satisfies Franchisor's criteria for new sites. Upon execution of this lease, Franchisee shall provide Franchisor with an executed copy of the lease and any and all

other subsequent agreements regarding the Franchise Premises. The lease shall include provisions permitting Franchisee to assign all of its right, title and interest in the lease to Franchisor or its designee; requiring the lessor to provide Franchisor with a copy of any written notice of default under the lease sent to Franchisee; and giving Franchisor the right, but not the obligation, to cure such defaults, and permitting Franchisor to enter the Franchise Premises to make the modifications Franchisor determines to be needed to protect the Proprietary Marks.

ARTICLE V: TRAINING

A. **General Services Provided by Franchisor.** Franchisor shall advise and consult with Franchisee periodically in connection with the operation of the Store. Franchisor shall communicate to Franchisee its know-how, new developments, techniques and improvements in areas of management, marketing and sales that are pertinent to the operation of a HobbyTown® Store. These services shall be provided at no cost to Franchisee, except as otherwise provided in the Software License Agreement to this Agreement and shall include updates to the exclusive POS software; an evaluation of sales; an inventory/sales analysis; and assistance in obtaining merchandise at favorable prices from suppliers. The communications shall be accomplished by periodic visits to the Store by Franchisor representatives, seminars, the Confidential Operations Manuals, memoranda and Franchisor's newsletter.

Franchisor may prepare, at Franchisor's discretion, various sales and financial reports based on data obtained from Franchisee. Franchisee shall supply, in a timely manner, Franchisor with the sales and financial data necessary to prepare Franchisee's statements. Franchisor disclaims all liability for the accuracy and/or completeness of the data and reports generated on Franchisee's behalf. Franchisee, or its accountant, is solely responsible for reviewing and ensuring the accuracy of the resulting information contained in the reports. Franchisor shall not be responsible for Franchisee's errors in the data reported to Franchisor.

As described in the Operations Manual, Franchisor may hold an annual convention each year in a location within the United States to be selected by Franchisor in its sole discretion, which Franchisor may require Franchisee and/or its store manager[s] to attend. Such annual conventions are designed to, among other things, foster the exchange of information pertinent to the operation and growth of HobbyTown® Stores. There may also be special buying opportunities from vendors present at the annual convention, which will only be available to convention attendees. Franchisee is responsible for travel expenses and, to the extent not provided by the Company, accommodations and meals for Franchisee's convention attendees.

B. **Training Course; Initial On-Site Training.** Prior to opening the Franchise Premises, Franchisee (if an individual), Franchisee's Principals who will be responsible for the day-to-day operation and management of the HobbyTown® Store, and/or Franchisee's designated manager shall attend and satisfactorily complete Franchisor's training program in Lincoln, Nebraska (or at another venue designated by Franchisor in its sole discretion, including digital or virtual platforms), which shall not exceed ten (10) days in length. The trainee[s] shall train a minimum of three (3) days at an existing HobbyTown USA® or HobbyTown® franchised retail store prior to attending the remainder of the training program at Franchisor's corporate headquarters and/or other venue designated by Franchisor. Franchisor shall bear the cost of maintaining this initial training program. All expenses of travel, room, board, and wages of the

trainee[s] shall be paid by Franchisee. Any employee of Franchisee who undergoes such training shall remain an employee of Franchisee during the time of this training.

Franchisor shall furnish one or more representatives to the Franchise Premises to facilitate the setting up and initial opening of the Store for a reasonable period of time as determined by Franchisor based on the size of the Store and the opening timetables. These representative(s) shall assist Franchisee in establishing and standardizing procedures and techniques essential to the operation of the Store and assist in training personnel. Such initial on-site training and support shall not exceed twenty (20) days in length.

C. **Training Expense Payment.** If Franchisee requests or Franchisor requires an additional trainee to attend the initial training school during the term of this Agreement, Franchisee shall pay the then-current charge for each additional individual.

ARTICLE VI: ROYALTY FEES AND ACCOUNTING

A. **Continuing Royalty Fee.** Franchisee shall pay to Franchisor, without offset, credit or deduction of any nature, a Continuing Royalty Fee of four and three quarters percent (4.75%) based on a percentage of all Gross Sales made in, upon or from the Franchise Premises or at any other location, booth, mobile unit, seminar, fair or other events, electronically or by any other means (the "Continuing Royalty Fee"). Franchisee shall report electronically (whether initiated by Franchisor or Franchisee) the Gross Sales to Franchisor for each month by the fifth (5th) day of the following month. Franchisee shall also pay the Continuing Royalty Fee monthly by the tenth (10th) day of the following month. These reports shall be made electronically and/or on forms and in the manner specified by Franchisor. In making these reports Franchisee may be required to utilize software as designated by Franchisor. The Continuing Royalty Fee shall be paid via electronic funds transfer and directly deposited into Franchisor's designated account in the manner as specified by Franchisor from time to time in the Manuals. The Continuing Royalty Fee shall be due from Franchisee for the period commencing upon the day the Store opens for business to the public at the Franchise Premises. Franchisee hereby authorizes Franchisor to utilize electronic means (such as a secured Internet connection, EFT, automatic debit, sweep, etc.) to access Franchisee's Gross Sales information to comply with all reporting requirements and to access Franchisee's bank account and automatically transfer all payments due to Franchisor hereunder. In the event Franchisor is unable to access this Gross Sales information and Franchisee fails to make timely reports of Gross Sales to Franchisor at Franchisor's request (whether electronically or otherwise), Franchisee expressly authorizes Franchisor to electronically debit Franchisee's bank account in an amount estimated by Franchisor to be the Gross Sales of Franchisee for the applicable period(s).

The term "Gross Sales" as used in this Agreement shall mean the total dollar amount of all sales of merchandise, products, services and revenues of any other kind made in, upon or from the Franchise Premises (including all mail order and Internet sales) or from any other site including the location of any booth, mobile unit, seminar, fair or other events of any kind in which Franchisee participates, including track and race fees, whether for cash, check, charge account, exchange, credit or otherwise, and if on credit, whether or not payment is received therefor. There shall be deducted from Gross Sales for purposes of this computation (but only to the extent they have been included) the amount of all tax receipts which, by law, are chargeable to customers, if such taxes

are separately stated when the customer is charged and paid to the tax authorities, and the amount of any actual refunds, exchanges, over-rings, and allowances given to customers in good faith.

B. **Financial Records.** Franchisee shall maintain financial records of its entire business in conformity with generally accepted accounting principles and as prescribed in the Confidential Operations Manuals. Such records, which shall include all records required by Franchisor, tax returns, bank statements, check registers, accounts payable journal, and all original sales records, including cash register tapes, serially numbered sales slips and such other sales records as would normally be examined by an independent accountant making an audit of Franchisee's financial results, shall be kept by Franchisee for at least three (3) years following the end of the calendar year to which such records relate and shall be provided to Franchisor upon its request.

C. **Accounting Software.** Franchisee shall license and use the accounting software that is designated by Franchisor, as set forth in the Operations Manual or otherwise in writing, to prepare all financials and to perform all other accounting functions for the HobbyTown® Store at the Franchise Premises.

D. **Monthly Statements and Bookwork.** On or before the twentieth (20th) day of each month, Franchisee shall deliver to Franchisor copies of all check registers, bank statements, accounts payable journals, and any other financial information (such as weekly sales reports, weekly payroll reports, weekly scheduling reports, and weekly purchases) requested by Franchisor so that Franchisor can determine and analyze Franchisee's financial performance. Franchisee shall maintain a separate checking account devoted solely to the business activities of the Store.

E. **Franchisor Audits.** Franchisor and/or its authorized representatives have the right at any time during business hours, and without prior notice to Franchisee, to examine, copy, and audit the books, accounts, tax returns and any and all other financial information of Franchisee, any Principal, or any Entity in which Franchisee or any Principal has an ownership interest to verify, among other things, the Gross Sales as reported by Franchisee. The cost of any such audit by Franchisor shall be assessed to Franchisee in the event any deficiency in excess of five percent (5%) of Gross Sales for any calendar month is found. The costs of the audit, together with the amount of the deficiency, shall be immediately due and owing. Such payment is without prejudice to any other rights or remedies Franchisor may have under this Agreement.

ARTICLE VII: ADVERTISING

A. **Uniformity and Quality of Advertising and Promotions.** In recognition of the value of advertising and the importance of the standardization and uniformity of advertising and promotional programs to the furtherance of the goodwill and public image of the HobbyTown® System, all advertising by Franchisee in any medium, including, but not limited to, print, radio, TV, point of sale, electronic (e.g., Internet) or otherwise, shall be conducted in a dignified manner and shall conform to such standards, requirements and programs as Franchisor may specify from time to time, as set forth in the Operations Manual or otherwise in writing. In addition to soliciting and accepting orders from consumers outside the Protected Territory, Franchisee may also conduct advertising using other channels of distribution to make sales outside the Protected Territory, including, but not limited to, all Internet applications, direct mail, catalog sales, telemarketing,

website, social media, e-commerce, e-mail, cyberspace or other yet to be developed technologies. All such advertising and promotional activities shall be in strict compliance with the standards, policies and procedures established from time to time by Franchisor. Franchisee shall submit to Franchisor for its prior approval samples of all advertising and promotional plans and materials that Franchisee desires to use. Franchisee shall not use any of the Proprietary Marks without the appropriate ® or ™ where applicable or any copyrighted material without the ©. Franchisor shall advise Franchisee regarding advertising and shall assist Franchisee in establishing an advertising campaign. Franchisee shall participate in Franchisor's national advertising, marketing and promotional programs as Franchisor may from time to time implement. Franchisor reserves the right to require Franchisee to reimburse Franchisor (and/or its agents and third parties) for all reasonable costs and expenses incurred, including reasonable administrative overhead charges.

B. **Minimum Advertising.** Each month, along with the Continuing Royalty Fee, Franchisee shall pay to Franchisor two percent (2%) of the Store's Gross Sales, which will be held in reserve to draw from as local advertising expenses are incurred. The 2% gross sales amount shall be in addition to any advertising contribution required by a mall lease or any additional advertising expenses incurred by Franchisee, which shall be paid directly by Franchisee.

C. **Media Placement Service**. Franchisee shall utilize only the Media Placement Service offered by Franchisor for the purpose of placing its advertising. This Media Placement Service is provided by a third party designated by Franchisor, who will manage and arrange for the placement of all media used by Franchisee, including television, radio, newspaper and online advertising. Franchisee cannot advertise in any other manner, including email marketing, in-store promotions, and other online or print media, without obtaining prior approval from Franchisor.

D. **National Marketing Program**. Franchisee shall participate in Franchisor's National Marketing Program, which provides national marketing utilizing a strategic marketing plan that includes creative development and campaign implementation and management. Franchisee is required to comply with the terms of the National Marketing Program as described in the Operations Manual or as otherwise described in writing. Franchisor currently does not charge a fee for participation in the National Marketing Program but reserves the right to implement a National Marketing Program fee during the term of the Franchise Agreement, as set forth in the Operations Manual.

ARTICLE VIII: STANDARDS AND UNIFORMITY OF OPERATION

A. **Maintenance and Repairs.** Franchisee, at its expense, shall at all times during the term of this Agreement maintain the Franchise Premises, equipment, signs and furnishings in good repair, attractive appearance and sound operating condition and shall comply with the provisions of the Manuals regarding the same and all leases to which Franchisee is a party. Franchisee, at the request of Franchisor, and in accordance with any existing Franchisor policies, shall timely make any and all expenditures, including, but not limited to, repairs, upgrades and/or remodeling, as may be reasonably required to renovate and modernize the Store layout, premises, signs and equipment, including any changes necessary to reflect the then-current standards of appearance, operations and image of HobbyTown® in order to maintain a uniform appearance and to protect the reputation of the HobbyTown® System and its goodwill. Franchisee shall not make any significant change in the layout and decor of the Store without Franchisor's prior written approval. Franchisee shall not

allow any smoking, drinking of alcoholic beverages or use of illegal drugs on or about the Franchise Premises.

B. **Modification of HobbyTown® System.** From time to time, Franchisor may change or modify the HobbyTown® System including the adoption and use of new or modified trade names, trademarks, service marks or copyrighted materials, new inventory items, new products, new equipment or new techniques, and Franchisee will accept, use and display any such changes in the HobbyTown® System as if they were part of this Agreement at the time of execution hereof. Franchisee will make such expenditures as such changes or modifications in the HobbyTown® System may reasonably require. Franchisee shall not change, modify or alter in any way the HobbyTown® System without the prior written consent of Franchisor.

C. **Purchase of Goods.** Franchisee shall be required to purchase some products and services directly from Franchisor or a third party as Franchisor may designate from time to time, and Franchisee may not purchase any of such items from vendors that Franchisor has not approved. Franchisee shall offer such products unless or until Franchisor releases this obligation or Franchisor designates another exclusive supplier of either one or more products. Franchisor shall provide Franchisee with a list of suppliers, either oral or written, from whom Franchisor recommends that (but does not require) Franchisee purchase or lease all other goods, services, supplies, fixtures and flooring, equipment, inventory or real estate necessary to establish and operate Franchisee's Store. Franchisor amends the list of recommended suppliers from time to time based on the needs and growth of the HobbyTown® System and information Franchisor receives regarding such suppliers. Franchisor maintains no written criteria regarding the addition or deletion of a supplier from the list of recommended suppliers. Franchisee's inventory shall meet or exceed the requirements set forth in this Agreement and the Manuals. All goods, products and services Franchisee offers and sells shall be approved by Franchisor.

D. **Authorization to Obtain Account Information.** Franchisee understands that failing, refusing, or neglecting to make timely payments to manufacturers, suppliers or distributors may jeopardize the pricing benefits received by all franchisees in the HobbyTown® System. Therefore, Franchisee authorizes Franchisor to obtain reasonable information regarding Franchisee's accounts with any manufacturer, supplier or distributor, including monitoring and reviewing all accounts established by Franchisee for merchandise sales and orders through any nontraditional selling methods (e.g., eBay accounts).

E. **Inventory.** Inventory at the Store shall be determined, in part, on the square footage of retail space of the Franchised Store and available business funding to Franchisee. Franchisee shall be required to initially purchase and maintain a minimum inventory as set forth in Article I, Paragraph E, based on wholesale prices. THE STORE MUST BE A FULL LINE HOBBY STORE AND CONTINUOUSLY CARRY A MINIMUM INVENTORY AS SET FORTH IN ARTICLE I, PARAGRAPH E, BASED ON WHOLESALE PRICES, AND THE INVENTORY LEVEL SHALL NOT FALL BELOW THIS MINIMUM INVENTORY AMOUNT WITHOUT WRITTEN CONSENT OF FRANCHISOR. FRANCHISEE SHALL CONTINUOUSLY CARRY A MINIMUM OF FIVE (5) MAJOR INVENTORY CATEGORIES, THE MINIMUMS AS TO EACH TO BE SPECIFICALLY AUTHORIZED BY FRANCHISOR IN WRITING. The seven (7) main categories are: Railroad, Games, R/C Land, Paint/Tool, Models, R/C Air, and Toys/Specialty. The parties acknowledge and agree that Franchisor's requirements regarding

minimum inventory and categories may change from time to time, and Franchisee agrees that it shall promptly make any adjustments which require a higher minimum inventory and categories and complete the same within twelve (12) months.

The value of the inventory, in determining whether Franchisee has the minimum inventory required by this Agreement, shall only include items that are in such satisfactory condition as to be useable and saleable in the ordinary course of Franchisee's business, all of which meet Franchisor's specifications for such inventory. The inventory value shall not include any obsolete or slow-moving inventory, defined as inventory purchased by Franchisee more than twelve (12) months before the date on which Franchisor is determining the value of the inventory.

In addition, Franchisee must participate in all inventory and sales management programs designated as mandatory by Franchisor, including placing initial stocking orders for newly released products.

To verify compliance with the minimum inventory levels, promptly after request by Franchisor (whether written or oral), Franchisee shall send to Franchisor (via method specified by Franchisor) a complete and accurate list of Franchisee's inventory on hand as of the date requested by Franchisor. Franchisee shall produce this inventory report from records kept in its ordinary course of business, and the report shall include a detailed list of all inventory items. Failure to maintain the required inventory levels shall constitute a material breach of this Agreement permitting Franchisor, at its sole option, to terminate this Agreement if the breach is not cured within thirty (30) days after Franchisee receives notice from Franchisor.

F. **Pricing.** Franchisee has the sole discretion, right and authority to set the prices for the merchandise sold at the Franchise Premises, excluding products for which Franchisor has exclusive distribution rights. Franchisor may issue suggested price lists periodically, but Franchisee shall have no obligation to accept such suggestions. Franchisee shall comply with the minimum advertised prices and guidelines established by Franchisor for products for which Franchisor has exclusive distribution rights.

G. **Hours of Operation.** Franchisee shall comply with the provisions of any lease to which it is a party regarding specified hours of operation. Franchisor reserves the right to require Franchisee to keep the Store open to the public for certain minimum hours consistent with the location of the Store.

H. **Right of Set-off.** Franchisor shall have the right of set-off against any and all amounts due Franchisee in the event Franchisee has failed to pay any of the fees and charges set forth in this Agreement or any other agreement between Franchisor and Franchisee.

I. **Point of Sale Software; Licensing.** Franchisee shall license and only use the point of sale software that is designated by Franchisor for use in the HobbyTown® System. Franchisee shall comply with all the terms and conditions set forth in the Software License Agreement attached hereto as Exhibit A-4 and incorporated herein by this reference.

J. **Internet/Website.** Franchisee shall comply with all standards, policies and procedures established from time to time by Franchisor with respect to all Internet, website, social media, e-commerce, domain name, URL, Internet, Intranet, or other cyberspace application.

K. **Gift Cards.** Franchisee shall sell, honor and redeem, and participate in all programs related to, HobbyTown® proprietary gift cards on such terms and conditions as shall be determined from time to time by Franchisor. Franchisee shall not participate in any third-party gift card or gift certificate programs without Franchisor's prior written consent which Franchisor may grant or withhold in its sole discretion.

ARTICLE IX: INSURANCE; INDEMNIFICATION

A. **Insurance.** At its sole cost and expense, Franchisee shall procure and maintain in full force and effect during the term of this Agreement, an insurance policy or policies protecting Franchisee, Franchisor and the Franchise Premises, as well as the officers, directors, partners, shareholders, members and employees of Franchisee and Franchisor, against any loss, liability, personal injury, death, property damage or expense whatsoever arising or occurring upon or in connection with the operation of the HobbyTown® Store and the Franchise Premises as Franchisor may reasonably require for its own and Franchisee's protection. Franchisor shall be named an additional insured in such policy or policies (worker's compensation excepted). These policies shall be secured by the Franchisee before commencement of business by Franchisee at the Franchise Premises. Such policy or policies shall be written by an insurance company satisfactory to Franchisor in accordance with standards and specifications set forth in the Manuals or otherwise in writing, and shall include, at a minimum, the following:

1. Commercial general liability insurance, including products liability, property damage, owned and non-owned automobile coverage and personal injury coverage with a combined single limit of at least Two Million Dollars ($2,000,000);

2. Workers' compensation, employer's liability, and such other insurance as may be required by statute or rule of the state in which the Franchise Premises is located and operated;

3. Fire, vandalism, theft, burglary and Extended Coverage Insurance with primary and excess limits of not less than eighty percent (80%) replacement value of the Franchise Premises and its inventory, fixtures and equipment; and

4. Business interruption insurance for a minimum period of six (6) months.

The insurance afforded by the policy or policies respecting liability shall not be limited in any way by reason of any insurance which may be maintained by Franchisor. Within thirty (30) days prior to the opening of the Franchise Premises for business to the public, a certificate of insurance showing compliance with the foregoing requirements shall be furnished by Franchisee to Franchisor for approval. Such certificate shall state that such policy or policies will not be cancelled or altered without at least twenty (20) days prior written notice to Franchisor and shall reflect proof of payment of premiums. Maintenance of such insurance and the performance by Franchisee of the obligations under this Article shall not relieve Franchisee of liability under the indemnity provisions set forth in this Agreement. Minimum limits and/or types of insurance as required above may be modified from time to time, as conditions require, by written notice to Franchisee.

B. **Indemnification.** Franchisee shall indemnify Franchisor, its shareholders, officers, directors, employees, agents and contractors (collectively, the "Indemnified Parties") and save

them harmless from and against all claims for damage to persons or property arising from or out of any occurrence arising from or related to the operation of the HobbyTown® Store at the Franchise Premises, and Franchisee shall, at Franchisor's request, undertake in the name of the Indemnified Parties the defense of all actions arising from any such occurrence in which an Indemnified Party is named as a defendant. Franchisor, at its option, shall have the right to hire its own legal counsel and conduct its own defense and the defense of the Indemnified Parties at Franchisee's expense. Franchisee shall advance and otherwise pay all costs, damages and reasonable attorneys' fees incurred by the Indemnified Parties in connection with such claim. Further, Franchisee shall pay all costs, damages and reasonable attorneys' fees incurred by the Indemnified Parties in connection with any and all claims wherein an Indemnified Party is named as defendant and the plaintiff is a vendor or supplier who has furnished merchandise or supplies to Franchisee.

C. **Notification.** Franchisee shall give Franchisor immediate notice of any injuries to persons or property occurring on the Franchise Premises. Franchisee shall immediately notify Franchisor of the commencement of any action, suit or proceeding, and of the issuance of any order, writ, injunction, award or decree of any court, agency, or other governmental instrumentality, which may adversely affect the operation or financial condition of the Franchise Premises.

ARTICLE X: TRADEMARKS; TRADE SECRETS; CONFIDENTIALITY

A. **Agreement Not to Divulge Trade Secrets.** Franchisee will have access to certain valuable business strategies, policies, procedures and practices, Confidential Operations Manuals, and other highly confidential information and the same constitutes the trade secrets of Franchisor. Franchisee acknowledges that a breach of the covenants contained in this Agreement relating to the protection of Franchisor's trade secrets will be deemed to threaten immediate, substantial and irreparable injury to Franchisor giving Franchisor the right to obtain immediate injunctive relief without limiting any other rights or remedies of Franchisor. These trade secrets shall be used by Franchisee and Franchisee's employees and Principals (if applicable) only during the term of this Agreement and as a necessary incident to the operation of the HobbyTown® Store. Franchisee shall not divulge any trade secret to any unauthorized person.

B. **Trademark Enforcement.** Franchisee shall immediately inform Franchisor of any unauthorized use of the Proprietary Marks and any threat or challenge to the validity, right or usage of the Proprietary Marks. Franchisee shall assist and cooperate with Franchisor in any legal action relating to the Proprietary Marks. Franchisor shall protect Franchisee’s right to use the Proprietary Marks or indemnify Franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the Proprietary Marks.

C. **Corporate Name Restriction.** Franchisee shall not utilize in an Entity name the words HobbyTown® or HobbyTown USA®, or any of the Proprietary Marks or any words confusingly similar thereto.

D. **The Proprietary Marks.** Franchisee acknowledges that the Proprietary Marks are owned by Franchisor and are valid and Franchisee shall not at any time during the term of this Agreement or after its termination or expiration contest or assist any other person or Entity in

contesting the validity or ownership of any of the Proprietary Marks. All provisions of this Agreement applicable to the Proprietary Marks shall apply to any additional trademarks, service marks, trade names or other protectable intellectual property authorized for use by and licensed to Franchisee after the date of this Agreement. Franchisee will strictly comply with the requirements and instructions of Franchisor regarding the use of the Proprietary Marks in connection with the HobbyTown® System as established in the Manuals, this Agreement or as otherwise established by Franchisor, including the operation, advertisement and promotion of the Franchise Premises under the HobbyTown® mark without prefix or suffix. Franchisee acknowledges that the goodwill associated with the Proprietary Marks is and will remain the exclusive property of Franchisor and that the Franchisee will derive no benefit from such goodwill except pursuant to operation of the Store during the term of this Agreement.

E. **Confidential Operations Manuals; Trade Secrets.** The Confidential Operations Manuals, including any and all additions or changes thereto (the "Manuals" or the "Confidential Operations Manuals") contain proprietary and confidential information relating to the operation of a HobbyTown® Store and include legally protectable trademarks, trade secrets, copyrighted materials, ideas, concepts, policies, and procedures that are material to the success of the HobbyTown® System. The Manuals, the terms and conditions of which are incorporated herein by this reference, shall remain the sole and exclusive property of Franchisor. Franchisor reserves the sole and exclusive right to amend or change the methods and procedures for conducting the operation of a HobbyTown® Store and the HobbyTown® System as set forth in the Manuals or otherwise. Such amendments or changes may cause Franchisee, however, to incur expense and comply with such new requirements for the operation of the HobbyTown® Store licensed hereunder, and Franchisee shall promptly undertake the same, at its expense.

F. **Confidential Treatment.** Franchisee shall at all times during the term of this Agreement and after termination of this Agreement for any reason treat the contents of the Manuals and all other confidential information and trade secrets of Franchisor (collectively, the "Confidential Information") as confidential and agrees not to disclose any Confidential Information to anyone except employees of Franchisee as necessary for the proper operation of the HobbyTown® Store. If Franchisee cannot produce all of the Manuals or any other tangible Confidential Information at the Franchise Premises upon demand of Franchisor, Franchisee shall be in default of this Agreement.

G. **Manuals Restricted to Franchise Premises.** The Manuals and any and all other tangible forms of the Confidential Information shall not be removed from the Franchise Premises without the prior written consent of Franchisor. Franchisee shall use the Manuals and any other digital forms of the Confidential Information solely in connection with the operation of Franchisee's HobbyTown® Store.

H. **Copy Restrictions.** Franchisee shall not copy, duplicate, record, or otherwise reproduce all or any part of the Manuals or any other Confidential Information concerning the HobbyTown® System and shall take all reasonable precautions to prevent Franchisee's employees from doing so. In the event any of the Confidential Information is conveyed or transmitted via e-mail, Internet, Intranet, website or through any other cyberspace application, Franchisee shall not copy, duplicate, record, reproduce or transfer all or any part thereof without the prior consent of

Franchisor and shall take all reasonable protections to prevent Franchisee's employees from doing so.

I. **Ownership of All Electronic and Cyberspace Information**. Franchisor shall own and Franchisee shall deliver to Franchisor upon request all information developed or obtained by Franchisee with respect to any and all electronic databases, Internet activities, e-commerce, domain names, URL, or any other form of cyberspace application, including all names and other data collected for and contained in the customer database maintained for the Store, and all accounts established by the Store for merchandise sales and orders through nontraditional selling methods. Franchisee shall disclose all such information from time to time and in the form required by Franchisor pursuant to the standards, policies and procedures established from time to time by Franchisor with respect to the same.

ARTICLE XI: TRANSFERS; CONDITIONS; LIMITATIONS

A. **Prohibition.** A material part of the consideration inducing Franchisor to enter into this Agreement is Franchisor's reliance on the personal and individualized business skill and expertise and the character and personal commitment made by Franchisee (if an individual) or its Principals (if Franchisee is an Entity). It is essential to Franchisor that those controlling and operating HobbyTown® Stores are ethically and financially responsible and knowledgeable in business operations. For such reasons, if Franchisee is an individual, Franchisee shall not transfer, sell, convey, give, pledge or assign (collectively, a "Transfer"), in whole or in part, or grant any other party any rights hereunder, without the prior written consent of Franchisor. If Franchisee is an Entity, Principal[s] shall not Transfer, in whole or in part, or grant any other party any interest in Franchisee, without the prior written consent of Franchisor. The Transfer of any interest, other than as provided in this Article, shall be null and void as against Franchisor and will constitute a material breach of this Agreement.

B. **Death or Incapacity.** In the event of the death or incapacity of Franchisee (if an individual) or the death or incapacity of a Principal (if Franchisee is an Entity), any proposed Transfer of Franchisee's interest in this Agreement or a Principal's interest in Franchisee to heirs, relatives, or any unrelated third party, whether such a Transfer is made by Will, operation of law, or otherwise, shall be treated as a Transfer to a third party and subject to the applicable provisions of this Agreement, except that if such Transfer is to Franchisee's or a Principal's heir, relative, or co-Principal, and the transferee otherwise satisfies subparagraph (C) of this Article XI, the transferee shall not be required to pay a transfer fee.

C. **Transfer to Third Parties.** No Transfer of any interest in this Agreement, the Franchise Premises, or the Franchisee (if an Entity) to a third party shall relieve Franchisee or any Principal from the terms of this Agreement except where Franchisor expressly so agrees in writing. If Franchisee is not in default under this Agreement, Franchisee or its Principals, with the prior written consent of Franchisor, which consent will not be unreasonably withheld, delayed, or subjected to additional conditions than those set forth herein, may make a Transfer of Franchisee's rights under this Agreement or a Transfer of ownership interest in Franchisee, in whole or in part, to a bona fide purchaser provided that the conditions discussed below are satisfied and further provided that if the proposed Transfer is of all of Franchisee's rights under this Agreement or all of the ownership interests in Franchisee (if an Entity), Franchisee shall first offer to sell such rights

or interest to Franchisor upon the same terms and conditions as offered by such prospective purchaser. All such offers shall be fully set forth in writing, and Franchisor shall have thirty (30) days within which to accept the same. If Franchisor has not accepted the offer within thirty (30) days, it shall constitute a rejection of the offer by Franchisor, and Franchisee shall conclude the Transfer to the prospective transferee within sixty (60) days subject to satisfaction of the conditions identified herein or as otherwise reasonably imposed by Franchisor. These conditions are the following:

1. **Satisfaction of Obligations.** Franchisee must satisfy all obligations to Franchisor, its affiliates, suppliers, purveyors and other third parties, arising out of the Franchise Premises and any other HobbyTown® Store(s) owned by Franchisee. The proposed transferee must agree in writing to assume and discharge all obligations to Franchisor or others arising out of the further operation of the Store, including all obligations related to the gift card liability of transferor if applicable. All deposits and funds held by Franchisor as set forth in this Agreement shall pass to and become the property of the transferee.

2. **Qualification of Transferee.** The proposed transferee must satisfactorily demonstrate to Franchisor that it is qualified and meets the current financial and managerial criteria required of new HobbyTown® Store franchisees.

3. **Transferee Managerial Ability.** The proposed transferee must meet with Franchisor's representatives and pass any and all tests and HobbyTown® assessment evaluations to determine transferee's aptitude and ability to own and operate a HobbyTown® Store.

4. **Transferee Training.** The proposed transferee must satisfactorily complete the training required of new franchisees at its sole cost and expense.

5. **Transfer Fee.** In order to compensate Franchisor for the costs directly incurred as a result of a Transfer, the proposed transferee, prior to effectiveness of the Transfer, shall pay to Franchisor a non-refundable transfer fee of Forty-Nine Thousand Five Hundred Dollars ($49,500). If the proposed transferee is an existing franchisee of Franchisor, the non-refundable transfer fee will be Five Thousand Dollars ($5,000).

6. **Information.** In connection with any request for consent to a Transfer of this Agreement, Franchisee shall furnish in writing all relevant information to Franchisor concerning the terms of the transfer and all relevant information concerning the proposed transferee, including a copy of the written offer or sales agreement and all closing documents.

7. **Transfer Terms.** Franchisor must approve the material terms and conditions of such Transfer, including, without limitation, that the price and terms of payment are not so burdensome as to adversely affect the future operations of the Franchise Premises by the transferee. If Franchisee and/or Principals finance any part of the sale price of the transferred interest, Franchisee and the Principals (if applicable) agree that all obligations of the transferee under or pursuant to any promissory notes, agreements or security interests reserved by Franchisee and/or Principals in the assets of the Franchise Premises shall be subordinate to the obligations of the transferee to pay the Continuing Royalty Fee, minimum advertising fees, and other amounts

due to Franchisor and its affiliates, and otherwise to comply with this Agreement or the franchise agreement executed by the transferee.

8. **New Franchise Agreement.** The proposed transferee must execute a new Franchise Agreement for an initial term of ten years and all related documents pertaining thereto on the forms then being used by Franchisor for new franchises, but the proposed transferee will not be required to pay the initial franchise fee. The proposed transferee's Principals (if the proposed transferee is an Entity), must execute the Guaranty Agreement in the form attached to the new Franchise Agreement.

9. **Further Transfer.** Franchisor's consent to any Transfer by Franchisee of this Agreement shall not constitute Franchisor's consent to any further Transfer of this Agreement or act as the consent to any Transfer of any other agreement between Franchisor and Franchisee.

D. **Transfer to Legal Entity.** If Franchisee is an individual and is not in default under this Agreement and desires to conduct business as an Entity, Franchisee shall be entitled to Transfer this Agreement to the Entity subject to the conditions set forth herein. This Transfer shall be in a form approved by Franchisor and shall require the express written consent of Franchisor. As a condition precedent to such Transfer of the Agreement to the Entity, Franchisee shall comply with the provisions of this Article, subparagraph K of Article III (including, without limitation, disclosure of all Principals, all Principals must execute the Guaranty Agreement in the form attached hereto as Exhibit A-3, and the Entity shall provide all warranties and satisfy all obligations set forth in subparagraph (K)(1) of Article III), and any other reasonable condition Franchisor may require, including, but not limited to, a limitation of the number of Principals of the Entity. Upon execution of the Transfer documents, the Entity shall become the Franchisee under this Agreement. The Entity shall be newly organized, without significant liabilities, and have a charter that provides that its activities are and will be confined exclusively to acting as Franchisee under this Agreement and other franchise agreements between Franchisee and Franchisor. The Entity shall be closely held and shall not engage in any business activity other than those directly related to the operation of HobbyTown® Stores pursuant to franchise agreements with Franchisor. There shall be no transfer fee imposed by Franchisor for a Transfer by Franchisee to an Entity described in this section.

1. **Franchisee Control of Entity.** If Franchisee is an individual who Transfers this Agreement to an Entity in accordance with this Article (in which event, such Entity shall then become the Franchisee), the individual who was formerly the Franchisee shall at all times retain legal control of the ordinary business affairs of the Entity Franchisee (e.g., control a majority of the board of directors, be the sole general partner, etc.). At all times hereunder, such individual shall be the direct legal and beneficial owner of no less than fifty-one percent (51%) of the Franchisee's voting stock, partnership interests or other form of ownership and voting interest. Such individual shall at all times act as the Franchisee's president, chief executive officer, chairman, managing member, general partner and/or other principal officer. Any proposed Transfer of any interest in the Franchisee that would result in a breach of the foregoing or could otherwise result in such individual not having sole control over the ordinary business affairs of the Franchisee is subject to the prior written approval of Franchisor and is subject to the terms and conditions of this Agreement that govern the Transfer of this Agreement to a third party, including a right of first refusal to Franchisor. Any Transfer of any interest in the Franchisee, other than as

herein provided, without the prior written consent of Franchisor, shall constitute a material breach of this Agreement permitting Franchisor, at its sole option, to immediately terminate this Agreement.

2. **Purpose of Restrictions.** Franchisee acknowledges that the purpose of the restrictions set forth in this Article is to protect the Proprietary Marks, Trade Secrets, Confidential Information and operating procedures of the HobbyTown® System as well as Franchisor's reputation and image and is for the mutual benefit of Franchisor, Franchisee and other HobbyTown® franchisees. In no event shall any interest in the Franchisee be sold, transferred or assigned to an Entity having any interest in a competitor of HobbyTown® or HobbyTown USA®.

3. **No Release; Guarantee.** A Transfer by a Franchisee (who is an individual) to an Entity as outlined herein shall not in any way release that individual (who becomes a Principal of Franchisee) from Franchisee's duties and obligations hereunder. This Agreement contemplates the personal involvement of such individual in a material way in the management and in the operation of the Store, and Franchisee and its Principals are and shall remain at all times after the Transfer personally, individually, jointly and severally liable to Franchisor for all duties and obligations hereunder. Franchisee and its Principals shall remain at all times personally subject to and bound by all terms, conditions, restrictions and prohibitions contained in this Agreement.

E. **Transfer of the Franchise Premises by Sale or Discontinuance of Business.** Franchisee covenants that the Franchise Premises shall be operated solely as a HobbyTown® Store continuously throughout the term of this Agreement. Provided that Franchisee is not in default under any of the terms of this Agreement, if Franchisee proposes to either (i) Transfer, lease or sublet any interest in the Franchise Premises, or any part thereof, or in the business conducted therein, or in the building, lease, improvements, equipment or furnishings located thereon; or (ii) cease operation of the Franchise Premises as a HobbyTown® Store in accordance with the provisions of this Agreement for any reason (including, but not limited to, discontinuance of business by Franchisee, loss by Franchisee of Franchisee's right to occupy premises, or termination or expiration of this Agreement); then, Franchisee shall first offer to sell and transfer to Franchisor the interests being transferred or ceased, whether in the Franchise Premises or the buildings, improvements, equipment and furnishings or any part thereof, in the manner set forth above for transfers of this Agreement to third parties. The provisions of this subparagraph shall survive the termination or expiration of this Agreement.

F. **Transfer by Franchisor.** This Agreement and all rights and obligations hereunder may be transferred in whole or in part by Franchisor at Franchisor's sole discretion; provided, however, that any such successor or other transferee assumes in writing Franchisor's duties to perform all of Franchisor's obligations hereunder and supplies Franchisee with a written copy of a statement to that effect. Upon such Transfer, this Agreement shall remain in full force and effect, and Franchisor will have no liability for any claims or other matters arising after the effective date of the Transfer.

ARTICLE XII: DEFAULT; TERMINATION

A. **Default.** Subject to applicable federal and state laws, the occurrence of any of the following events, each of which is material to the franchise relationship created herein, shall be a

material breach of this Agreement by Franchisee and shall constitute good, sufficient and valid cause for Franchisor, at its option, and without prejudice to any other rights or remedies provided for hereunder or by law or equity, to terminate this Agreement without providing Franchisee an opportunity to cure such breach unless otherwise provided in this Article XII.

1. **Violation of Franchise Agreement.** If Franchisee or its Principals violate any of the terms or conditions of this Agreement not otherwise described in this Article XII, and fails to cure this violation after written notice and expiration of a thirty (30) day cure period.

2. **Maintenance of Standards.** If Franchisee or its Principals fail to maintain any standard(s) set forth in this Agreement or to maintain or comply with any standard(s) or term(s) of the Manuals and this default shall continue after thirty (30) days written notice, or fourteen (14) days after written notice for standards or terms in this Agreement or the Manuals related to health, sanitation, or safety matters.

3. **Violation of Laws.** If Franchisee or its Principals violates any law, ordinance, rule or regulation of a governmental agency in connection with the operation of the HobbyTown® Store, and permits the same to go uncorrected after notification thereof, or if Franchisee is convicted or pleads guilty or no contest to any felony or crime involving moral turpitude, dishonesty, or fraud.

4. **Cessation of Business.** If Franchisee ceases to do business at the Franchise Premises other than in compliance with this Agreement; provided, however, that if the loss of possession is attributable to the proper governmental exercise of eminent domain, or if the Franchise Premises are damaged or destroyed by a disaster of such nature that the Franchise Premises cannot be reasonably restored, then Franchisee may relocate to another location approved by Franchisor for the balance of the term hereof.

5. **Bankruptcy.** If Franchisee is adjudicated bankrupt, becomes insolvent, or a receiver (permanent or temporary) of its property or any part thereof is appointed by a court of competent authority, or if Franchisee makes a general assignment for the benefit of creditors; if a final judgment remains unsatisfied of record for thirty (30) days or longer (unless supersedeas bond is filed); if execution is levied against the Franchise Premises; if suit to foreclose any lien or mortgage against the Franchise Premises is instituted against Franchisee and not dismissed or bonded within thirty (30) days; if Franchisee defaults in the performance of any term, condition, or obligation in payment of any indebtedness to Franchisor, affiliate of Franchisor, supplier, or others arising out of the purchase of supplies or purchase or lease of equipment for operation of the HobbyTown® Store and any such default is not cured within thirty (30) days after written notification thereof.

6. **Misrepresentation.** If Franchisee or its Principals make any materially false statement, representation or report or omits to disclose a material fact to Franchisor in connection with the application to become a franchisee, this Agreement or any other agreement between Franchisor and Franchisee, or the making of any materially false statement or report by Franchisee to Franchisor in connection with the operation of the HobbyTown® Store. In the event Franchisee misrepresents the Gross Sales at the HobbyTown® Store by more than five percent (5%) for any calendar month and the same is discovered by Franchisor, such misrepresentation shall be good,

valid and sufficient grounds for the immediate termination of this Agreement without any right to cure.

7. **Complaints.** If Franchisor receives bona fide complaints from customers relating to Franchisee's operation of the Store or condition of the Franchise Premises, and Franchisee fails to remedy the basis for these complaints as soon as reasonably possible, but in no event later than thirty (30) days after written notice.

8. **Other Agreements.** Franchisee or its Principals default under any other agreement between Franchisee and Franchisor.

9. **Impairment of Goodwill.** Franchisee or its Principals commit any intentional act that materially impairs the goodwill of Franchisor or the Proprietary Marks.

10. **Loss of Control of Premises.** If Franchisee loses control of the Franchise Premises under any lease or sublease relating to the Franchise Premises; provided, however, that if the lease term held by Franchisee expires and is not renewed, Franchisee shall have three (3) months to locate another suitable location within the Protected Territory and make application to Franchisor for approval of such new location which shall not be unreasonably denied.

11. **Default Under Lease or Sublease.** If Franchisee defaults under any lease or sublease relating to the Franchise Premises.

12. **Failure to Open Store**. Franchisee fails to open the Store at a site approved by Franchisor within the time set forth in Article II and Exhibit A-1 of this Agreement.

13. **Failure to Comply With Written Recommendations.** If Franchisee fails to comply within thirty (30) days after receipt with written recommendations executed by an officer of Franchisor that are related to the operations or financial affairs of the Franchisee's business.

14. **Accounts with Suppliers.** If Franchisee fails to make timely payments on an account with any manufacturer, supplier or distributor, when due, and Franchisee fails to make such payment(s) as soon as reasonably possible, but in no event later than thirty (30) days after written notice.

15. **Accounts with Franchisor.** If Franchisee fails to make timely payments to Franchisor for purchases of merchandise from Franchisor or any other amounts owed by Franchisee to Franchisor, when due, and Franchisee fails to make such payment(s) as soon as reasonably possible, but in no event later than thirty (30) days after written notice.

16. **Failure to Maintain Minimum Inventory/Minimum Performance Standards.** If Franchisee fails to comply with Franchisor's minimum inventory requirements and if, at any time during the term of this Agreement, Franchisee's inventory at cost decreases by ten percent (10%) or more from the amount that Franchisee initially purchased to open the Store, if such failures are not cured within thirty (30) days after Franchisee receives written notice from Franchisor.

B. **Compliance with State Law Notice Provision.** To the extent that the provisions of this Agreement provide for a period 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 amended to be consistent with applicable law, and Franchisor shall comply with applicable law in connection with each of these matters.

C. **Duties on Termination**. Upon termination or expiration of this Agreement, Franchisee shall immediately account for and pay to Franchisor all sums due and owing, and discontinue all use of any kind of the Proprietary Marks, trade secrets, Confidential Information, know-how and processes developed and owned by Franchisor. Franchisee shall immediately remove all signs, advertising materials, and any other improvements from the Franchise Premises that refer to, indicate or relate in any way to HobbyTown® or the HobbyTown® System and otherwise change the exterior and interior appearance of the Franchise Premises so that it is no longer confusingly similar to a HobbyTown® Store and no longer bears any of the Proprietary Marks or designations of HobbyTown® or anything confusingly similar thereto. Upon termination or expiration of this Agreement, Franchisee shall deliver to Franchisor all information with respect to electronic databases, e-mail addresses, domain names, URLs, social media sites, websites, Internet or other cyberspace applications and accounts, and shall immediately cease and desist any further use thereof (See Article X(I) regarding Franchisor's ownership of such information.). In such event, Franchisee shall turn over all business records with respect to the foregoing and shall not utilize any of the Proprietary Marks in Franchisee's business name, domain name, URL, metatags, buried code, HTML or other cyberspace use at any time in the future. Franchisee shall also be prohibited from mentioning in any manner that Franchisee is a former HobbyTown® Franchisee. If Franchisee fails to immediately make such changes, Franchisor may do so by entering the Franchise Premises, and Franchisee shall pay Franchisor the costs so incurred. Franchisee shall also return all Confidential Operations Manuals and all other tangible Confidential Information and material to Franchisor, together with any and all other personal property that is the lawful property of Franchisor. If the Franchise Premises is leased, Franchisor (or its nominee) shall have the right, at its election, to receive an assignment of this lease upon termination or expiration of this Agreement. Franchisee shall also assign to Franchisor or its nominee all of Franchisee's right, title and interest in and to all telephone numbers, telephone directory listings and classified advertisements which relate to the Franchise Premises. These obligations of the parties under this Agreement shall survive the termination or expiration of this Agreement except to the extent expressly otherwise provided herein. By signing this Agreement, Franchisee irrevocably appoints Franchisor its lawful attorney-in-fact to take the actions described in this Article if Franchisee fails to do so within seven (7) days after termination of this Agreement.

D. **Use of Proprietary Marks Upon Termination.** Upon the termination or expiration of this Agreement, Franchisee's right to use in any manner the Proprietary Marks, insignias or slogans used in connection with the HobbyTown® Store, or any confusingly similar trademark, service mark, trade name or insignia, shall terminate immediately. Franchisee shall not thereafter, directly or indirectly, identify itself in any manner as a HobbyTown® franchisee, or publicly identify itself as a former HobbyTown® franchisee or use any of Franchisor's Trade Secrets, Confidential Information, signs, symbols, devices or other materials constituting part of the HobbyTown® System, including any and all social media sites, websites, domain names, URL, metatags, buried code, HTML, Internet or other e-commerce applications. If Franchisee shall fail to make such changes immediately, Franchisor may enter upon the Franchise Premises and make

changes at Franchisee's expense. Franchisee grants to Franchisor the option to purchase all merchandise and inventory bearing any of the Proprietary Marks or insignias associated with HobbyTown® Stores at the lower of cost or fair market value at the time of termination. This paragraph shall specifically survive the termination or expiration of this Agreement and shall be enforceable by Franchisor by any remedy available to Franchisor, including, but not limited to, injunctive relief. Franchisee shall reimburse Franchisor for any expenses incurred as a result of enforcing the requirements of this Article, including, but not limited to, reasonable attorneys' fees.

E. **Damages.** If this Agreement is terminated Franchisee shall remain liable to pay all sums due and owing to Franchisor upon the termination of this Agreement, including reasonable attorneys' fees. In addition to other damages incurred by Franchisor, at the option of Franchisor, Franchisee shall pay to Franchisor within thirty (30) days of termination, as liquidated damages, an amount equal to three (3) times the Continuing Royalty Fee payable in respect to the last twelve (12) months of the Store's active operations or the entire period the Store has been open for business, whichever is the shorter period, as compensation to Franchisor for anticipated and reasonably estimated lost profits. This paragraph shall specifically survive the termination or expiration of this Agreement and shall be enforceable by Franchisor by any remedy available to Franchisor, including, but not limited to, injunctive relief. Franchisee shall reimburse Franchisor for any expenses incurred as a result of enforcing the requirements of this Article, including, but not limited to, reasonable attorneys' fees.

F. **Injunction.** The parties hereto agree and acknowledge that the Franchise Premises is only one of several businesses operating under the HobbyTown® family of trademarks and that failure by a single HobbyTown® franchisee to comply with the terms of the franchise agreement is likely to cause irreparable damage to Franchisor and some or all of the other HobbyTown USA® and HobbyTown® franchisees. The parties hereto further agree and acknowledge that a violation of the confidentiality or non-competition provisions in this Agreement will cause Franchisor immediate and irreparable harm and injury, and Franchisor's remedy at law is inadequate to safeguard Franchisor's goodwill from unfair competition or unauthorized use by Franchisee of Franchisor's Trade Secrets, Confidential Information or Proprietary Marks. Franchisee therefore agrees that Franchisor is entitled, without posting bond, to an injunction restraining the breach and/or to a decree of specific performance, without showing or proving any actual damage, until a final decision is made by the court in which the action is pending. This Agreement may be enforced in a court of equity in addition to, and not in lieu of, any other remedies which Franchisor might have at law or in equity for violation hereof by Franchisee.

G. **Claim Period.** Any and all claims arising out of or in any manner relating to this Agreement, or any other agreement between the parties, the relationship of the Franchisor and Franchisee, or any communications or dealings between the Franchisor and Franchisee, shall be barred unless any action or proceeding is commenced in a court of competent jurisdiction within one (1) year from the date the complaining party (whether such party is the Franchisor or Franchisee) knew or should have known of the facts giving rise to such claims.

H. **Cross Default.** Any breach or default by Franchisee under the terms of any other Franchise Agreement entered into by Franchisee (or any affiliate of Franchisee) and Franchisor will constitute and may be treated as a default under this Agreement as well.

ARTICLE XIII: NONCOMPETITION

A. **In-term Noncompetition Covenant.** During the term of this Agreement, neither Franchisee nor any Principals (if applicable) shall engage in or acquire any beneficial or financial interest in any business engaged in the sale of hobby merchandise to the public, or any other similar business, either as a shareholder, partner, member, manager, employee, joint venturer, officer, director, consultant, agent or otherwise. This covenant shall not apply to ownership in the common or preferred stock of publicly held companies as long as such ownership remains less than one percent (1%) of the total outstanding shares.

B. **Post-term Noncompetition Covenant.** For a period of two (2) years after the expiration, Transfer or termination of this Agreement for any reason, neither Franchisee nor any Principals (if applicable) shall engage in or acquire any beneficial or financial interest in any business engaged in the sale of hobby merchandise to the public, or any other similar business, either as a shareholder, partner, member, manager, employee, joint venturer, officer, director, consultant, agent or otherwise within the Protected Territory or the protected territory of any other HobbyTown® or HobbyTown USA® Store then in existence without the prior written consent of Franchisor.

C. **Modification of Covenants.** Each of the foregoing covenants shall be construed as independent of any other covenant or provisions of this Agreement, and shall survive the expiration or termination of this Agreement. If all or any portion of a covenant of this Article is held unreasonable or unenforceable by a court of competent jurisdiction in an unappealed final decision to which Franchisor is a party, Franchisee and its Principals (if applicable) expressly agree to be bound by any reformed covenant subsumed with the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Article. Such court shall be and is hereby specifically authorized to amend and reform the provisions herein to the maximum restrictions which are allowable under applicable law. Franchisee understands, acknowledges and agrees that Franchisor shall have the right, in its sole discretion, to reduce the scope of the covenants set forth in this Agreement, or any portion thereof, without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof, and Franchisee agrees that it shall promptly comply with any covenant as so modified.

ARTICLE XIV: MISCELLANEOUS

A. **Interpretation.** The preamble recitals and headings are incorporated in and made a part of this Agreement. All terms used in any one number or gender shall be construed to include any other number or gender as the context may require.

B. **Entire Agreement.** This Agreement constitutes the entire agreement of the parties and supersedes all prior negotiations, commitments, representations and undertakings of the parties with respect to the subject matter hereof, whether written, oral or otherwise. Nothing in this Agreement or in any related agreement is intended to disclaim the representations Franchisor made in the Franchise Disclosure Document.

C. **Disclosure Document.** Subject to applicable federal and state laws, Franchisee acknowledges receipt of Franchisor's Franchise Disclosure Document fourteen (14) calendar-days,

or sooner if required by applicable state law, before Franchisee executes a binding agreement with, or makes a payment to, Franchisor or an affiliate in connection with the proposed franchise sale.

D. **Waiver.** No covenant, term, or condition of this Agreement shall be deemed to have been waived by Franchisor unless such waiver be in writing signed by Franchisor. The failure of Franchisor to exercise any right, power, or option given to it hereunder, or to insist upon strict compliance with any of the terms hereof by Franchisee, shall not constitute a waiver of the terms and conditions of this Agreement. The rights or remedies hereunder are cumulative to any other rights or remedies which may be granted by law.

E. **Governing Law.** This Agreement is made in the State of Nebraska, shall become valid when executed by Franchisor, and shall be governed and construed for all purposes in accordance with the laws of the State of Nebraska without regard to its conflicts of law rules or the conflicts of law rules of any other jurisdiction, unless the state in which Franchisee's Store is located requires that the laws of that state govern.

F. **Compliance with All Laws.** Anything herein to the contrary notwithstanding, Franchisee shall at all times conduct its business in full compliance with all applicable laws, ordinances, and regulations including, without limitation, those relating to labor and employment, data privacy and security, occupational hazards and health, workers' compensation insurance, unemployment insurance, health insurance for employees, and withholding and payment of federal and state income taxes, social security taxes, and sales taxes.

G. **Severability.** If any provision of this Agreement is held invalid by court decree, such finding shall not invalidate the remainder of this Agreement.

H. **Jurisdiction and Venue.** This Agreement was negotiated, made and executed in Lancaster County, Nebraska. In view of this fact and the acknowledged need for uniformity and stability in the long-term relationship between the parties created under this Agreement, the parties hereto submit to the personal jurisdiction of the state and federal courts of Lancaster County, Nebraska, for any and all disputes relating in any way to this Agreement, the operation of the Franchise Premises, or the HobbyTown® System, unless the state where Franchisee's store is located requires suit to be brought in that state.

I. **Notices.** All notices to the Franchisor shall be in writing and shall be either hand delivered or sent by U.S. mail, postage prepaid or by a nationally recognized overnight delivery service, addressed to Franchisor at 1133 Libra Drive, Lincoln, Nebraska 68512, or at such other address as Franchisor may from time to time designate in writing. All notices to Franchisee shall be in writing and shall be either hand delivered or sent by U.S. mail, postage prepaid or by a nationally recognized overnight delivery service, addressed to Franchisee at the Franchise Premises or such other address as Franchisee may from time to time designate in writing.

J. **Liability of Multiple Franchisees.** If the Franchisee consists of more than one person or entity, whether by Transfer or otherwise, their liability under this Agreement shall be joint and several.

K. **Modification.** This Agreement may only be modified or amended in writing and signed by all of the parties hereto.

L. **Execution.** This Agreement may be executed in a single or duplicate originals or in counterparts including by electronic signature, any one of which may be introduced into evidence as conclusive proof of the context hereof. The Agreement shall be binding upon the parties, their respective heirs, executors, personal representatives, successors and assigns.

M. **Construction.** Any uncertainty or ambiguity which may be found to exist in this Agreement shall not be interpreted or construed against either party because such party and/or its legal counsel prepared any part hereof, but shall be interpreted and construed according to Nebraska law relating to the construction of contracts.

ARTICLE XV: CANCELLATION; NO WARRANTIES

A. **Cancellation Option.** So that Franchisee may reconsider its decision to enter into this Agreement either independently or after consultation with legal counsel and other advisors, Franchisee shall have the right to cancel this Agreement at any time up to and including the close of business on the fifth (5th) business day after this Agreement is executed by Franchisee. In the event of such cancellation, Franchisee forfeits the non-refundable Franchise Fee or Transfer Fee. Subject to applicable federal and state laws, Franchisee acknowledges that Franchisee received a copy of this Agreement prior to its execution and that Franchisee had a reasonable time in which to review the terms and conditions herein with representatives of Franchisor and Franchisee's legal counsel and other advisors.

B. **No Warranties or Representations.** SUBJECT TO APPLICABLE FEDERAL AND STATE LAWS, FRANCHISEE ACKNOWLEDGES AND WARRANTS THAT NO REPRESENTATIONS, GUARANTIES OR WARRANTIES, EXPRESS OR IMPLIED, HAVE BEEN MADE BY FRANCHISOR AS TO THE ANTICIPATED VOLUME, PROFITABILITY, SUCCESS OF THE HOBBYTOWN® STORE CONTEMPLATED HEREIN OR OTHERWISE EXCEPT AS SPECIFICALLY SET FORTH IN THIS AGREEMENT. FRANCHISEE FURTHER ACKNOWLEDGES THAT BEFORE SIGNING THIS AGREEMENT, FRANCHISEE INVESTIGATED FRANCHISOR AND HOBBYTOWN®/HOBBYTOWN USA® STORES FRANCHISED BY FRANCHISOR AND HAD AMPLE OPPORTUNITY TO CONTACT EXISTING HOBBYTOWN® AND HOBBYTOWN USA® FRANCHISEES AND ANY OTHER PERSONS NECESSARY FOR FRANCHISEE TO UNDERSTAND AND EVALUATE THE MERITS OF THIS BUSINESS VENTURE. FRANCHISEE FURTHER ACKNOWLEDGES AND WARRANTS THAT IT HAS CONDUCTED AN INDEPENDENT INVESTIGATION OF THE HOBBYTOWN® SYSTEM AND THE HOBBYTOWN® STORE CONTEMPLATED HEREIN AND RECOGNIZES THAT THIS BUSINESS VENTURE IS SPECULATIVE AND INVOLVES SIGNIFICANT BUSINESS RISKS AND WILL BE LARGELY DEPENDENT UPON THE ABILITY OF FRANCHISEE AS AN INDEPENDENT BUSINESS PERSON AND THAT FRANCHISEE IS ABLE TO BEAR THE ECONOMIC RISKS OF THIS INVESTMENT.

[THIS SPACE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto, with full and lawful power and authority, have executed this Agreement on the date set forth below.

This Franchise Agreement is for:

☐ New Single/First Store ($49,500 Franchise Fee)
Or ☐ New Second Store ($42,000 Franchise Fee)
Or ☐ New Third Store ($38,000 Franchise Fee)
Or ☐ New Fourth Store ($36,000 Franchise Fee)
Or ☐ New Fifth Store ($34,000 Franchise Fee)
Or ☐ New Sixth Store ($32,000 Franchise Fee)
Or ☐ New Seventh or more Store ($30,000 Franchise Fee)
Or ☐ Transfer ($49,500 Transfer Fee)
Or ☐ Renewal for existing Store (-0- Franchise Fee)

[**SIGNATURE PAGE FOLLOWS**]

FRANCHISOR
HOBBY TOWN UNLIMITED, INC.

By: _____

Print Name: _____

Title: _____

Effective Date: _____

FRANCHISEE
If an Entity:

_____
(Name of Entity)

By: _____

Print Name: _____
Title: _____

By: _____

Print Name: _____
Title: _____

If individual[s]:

By: _____
Print Name: _____

By: _____

Print Name: _____

ADDENDUM TO FRANCHISE AGREEMENT
FOR THE STATE OF CALIFORNIA

THIS ADDENDUM TO FRANCHISE AGREEMENT ("Addendum") is made this ___ day of _____, 20___, by and between Hobby Town Unlimited, Inc. ("Franchisor") and _____ ("Franchisee").

WHEREAS, Franchisor and Franchisee have entered into a Franchise Agreement (the "Franchise Agreement") of even date herewith for a HOBBYTOWN® store located in _____, _____ (the "Store");

WHEREAS, Franchisor and Franchisee desire to amend certain provisions of the Franchise Agreement as set forth herein;

NOW, THEREFORE, in consideration of the mutual promises and agreements set forth herein and in the Franchise Agreement, the parties hereto hereby agree as follows.

1. **Article II: Initial Franchise Fee.** Payment of the Initial Franchise Fee described in Article II.A. of the Franchise Agreement will be postponed until all of the Franchisor's pre-opening obligations to Franchisee have been met and Franchisee is opened for business.

2. **Article XII(A)(5): Bankruptcy.** The following provision appears in Article XII(A)(5) of the Franchise Agreement and may not be enforceable under federal bankruptcy law (11 U.S.C.A. § 101 et seq.): "**5. Bankruptcy.** If Franchisee shall be adjudicated a bankrupt, become insolvent, or a receiver (permanent or temporary) of its property or any part thereof is appointed by a court of competent authority, or if Franchisee makes a general assignment for the benefit of creditors; if a final judgment remains unsatisfied of record for thirty (30) days or longer (unless supersedeas bond is filed); if execution is levied against the Franchise Premises; if suit to foreclose any lien or mortgage against the Franchise Premises is instituted against Franchisee and not dismissed or bonded within thirty (30) days; if Franchisee defaults in the performance of any term, condition, or obligation in payment of any indebtedness to Franchisor, affiliate of Franchisor, supplier, or others arising out of the purchase of supplies or purchase or lease of equipment for operation of the HobbyTown® Store and any such default is not cured within thirty (30) days after written notification thereof."

3. **Article XIII(B): Post-term Noncompetition Covenant.** The following provision appears in Article XIII(B) of the Franchise Agreement and may not be enforceable under California law as it contains a covenant not to compete which extends beyond the termination of the franchise: "**B. Post-term Noncompetition Covenant.** For a period of two (2) years after the expiration, Transfer or termination of this Agreement for any reason, neither Franchisee nor any Principals (if applicable) shall engage in or acquire any beneficial or financial interest in any business engaged in the sale of hobby merchandise to the public, or any other similar business, either as a shareholder, partner, member, manager, employee, joint venturer, officer, director, consultant, agent or otherwise within the Protected Territory or

the protected territory of any other HobbyTown® or HobbyTown USA® Store then in existence without the prior written consent of Franchisor."

4. **Article XIV(E): Governing Law.** The following provision appears in Article XIV(E) of the Franchise Agreement and may not be enforceable under California law as it requires application of the laws of Nebraska: "**E. Governing Law.** This Agreement is made in the State of Nebraska, shall become valid when executed by Franchisor, and shall be governed and construed for all purposes in accordance with the laws of the State of Nebraska, unless the state in which Franchisee's store is located requires that the laws of that state govern."

5. **Article XIV(H): Jurisdiction and Venue.** The following provision appears in Article XIV(H) of the Franchise Agreement and may not be enforceable under California law as it requires application of the laws of Nebraska: "**H. Jurisdiction and Venue.** This Agreement was negotiated, made and executed in Lancaster County, Nebraska. In view of this fact and the acknowledged need for uniformity and stability in the long-term relationship between the parties created under this Agreement, the parties hereto submit to the personal jurisdiction of the state and federal courts of Lancaster County, Nebraska, for any and all disputes relating in any way to this Agreement, the operation of the Franchise Premises, or the HobbyTown® System, unless the state where Franchisee's store is located requires suit to be brought in that state."

6. **Supersedeas; Ratification.** The terms hereof supersede any inconsistent terms or provisions of the Franchise Agreement. Except as expressly amended herein, the parties hereby ratify and affirm all the terms and provisions of the Franchise Agreement.

IN WITNESS WHEREOF, the parties have entered into this Addendum as of the date written above.

FRANCHISOR
HOBBY TOWN UNLIMITED, INC.

By: _____

Print Name: _____

Title: _____

FRANCHISEE
If an Entity:

_____
(Name of Entity)

By: _____

Print Name: _____
Title: _____

By: _____

Print Name: _____
Title: _____

If individual[s]:

By: _____

Print Name: _____

By: _____

Print Name: _____

ADDENDUM TO FRANCHISE AGREEMENT
FOR THE STATE OF ILLINOIS

THIS ADDENDUM TO FRANCHISE AGREEMENT ("Addendum") is made this ___ day of _____, 20___, by and between Hobby Town Unlimited, Inc. ("Franchisor") and _____ ("Franchisee").

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

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

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

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

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

The Initial Franchise Fee described in Article II.A. of the Franchise Agreement will be deferred until Franchisor has satisfied its pre-opening obligations to Franchisee and Franchisee has commenced business operations. The Illinois Attorney General's Office imposed this deferral requirement due to Franchisor's financial condition.

FRANCHISOR
HOBBY TOWN UNLIMITED, INC.

By: _____

Print Name: _____

Title: _____

FRANCHISEE
If an Entity:

_____
(Name of Entity)

By: _____

Print Name: _____

Title: _____

By: _____

Print Name: _____
Title: _____

If individual[s]:

By: _____
Print Name: _____

By: _____
Print Name: _____

ADDENDUM TO FRANCHISE AGREEMENT
FOR THE STATE OF INDIANA

THIS ADDENDUM TO FRANCHISE AGREEMENT ("Addendum") is made this ___ day of _____, 20___, by and between Hobby Town Unlimited, Inc. ("Franchisor") and _____ ("Franchisee").

WHEREAS, Franchisor and Franchisee have entered into a Franchise Agreement (the "Franchise Agreement") of even date herewith for a HOBBYTOWN® store located in _____, _____ (the "Store");

WHEREAS, Franchisor and Franchisee desire to amend certain provisions of the Franchise Agreement as set forth herein;

NOW, THEREFORE, in consideration of the mutual promises and agreements set forth herein and in the Franchise Agreement, the parties hereto hereby agree as follows.

1. **Article IX(B): Indemnification; Article XII(D): Use of Proprietary Marks Upon Termination; Article XII(E): Damages; Article XII(F): Injunction.** Articles IX(B), XII(D), (E), and (F) of the Franchise Agreement are amended pursuant to Indiana Law I.C. 23-2-2.7-1(10) so that nothing contained therein shall limit litigation brought for breach of the Franchise Agreement in any manner whatsoever.

2. **Article XIII(B): Post-term Noncompetition Covenant.** The following sentence shall be added to Article XIII(B) of the Franchise Agreement: "Post termination covenant not to compete may not exceed three (3) years and may not extend beyond Franchisee's exclusive territory."

3. **Article IX(B): Indemnification.** Article IX(B) of the Franchise Agreement is amended to exclude any indemnification for liability caused by Franchisee's proper reliance on or use of procedures or materials provided by Franchisor or caused by Franchisor's negligence.

4. **Article III: Franchise Grant; Term; Article XII: Default; Termination.** The following sentence shall be added to Articles III and XII of the Franchise Agreement: "With respect to franchises governed by Indiana law, Franchisor will comply with Indiana Code, Title 23, Article 2, Chapter 2.7, Section 3, which requires Franchisor to provide Franchisee with at least 90 days' notice of any termination of a franchise or election not to renew a franchise."

5. **Supersedeas; Ratification.** The terms hereof supersede any inconsistent terms or provisions of the Franchise Agreement. Except as expressly amended herein, the parties hereby ratify and affirm all the terms and provisions of the Franchise Agreement.

IN WITNESS WHEREOF, the parties have entered into this Addendum as of the date written above.

FRANCHISOR
HOBBY TOWN UNLIMITED, INC**.**

By: _____

Print Name: _____

Title: _____

FRANCHISEE
If an Entity:

_____
(Name of Entity)

By: _____

Print Name: _____
Title: _____

By: _____

Print Name: _____
Title: _____

If individual[s]:

By: _____

Print Name: _____

By: _____

Print Name: _____

ADDENDUM TO FRANCHISE AGREEMENT
FOR THE STATE OF MARYLAND

THIS ADDENDUM TO FRANCHISE AGREEMENT ("Addendum") is made this ___ day of _____, 20___, by and between Hobby Town Unlimited, Inc. ("Franchisor") and _____ ("Franchisee").

WHEREAS, Franchisor and Franchisee have entered into a Franchise Agreement (the "Franchise Agreement") of even date herewith for a HOBBYTOWN® store located in _____, _____ (the "Store");

WHEREAS, Franchisor and Franchisee desire to amend certain provisions of the Franchise Agreement as set forth herein;

NOW, THEREFORE, in consideration of the mutual promises and agreements set forth herein and in the Franchise Agreement, the parties hereto hereby agree as follows.

1. **Article XIV(G): Jurisdiction and Venue.** The following paragraph is hereby added to Article XIV(G) of the Franchise Agreement: "Franchisee may sue in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise."

2. **Article XV(B). Non-Waiver**. 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.

3. **Supersedeas; Ratification**. The terms hereof supersede any inconsistent terms or provisions of the Franchise Agreement. Except as expressly amended herein, the parties hereby ratify and affirm all the terms and provisions of the Franchise Agreement.

IN WITNESS WHEREOF, the parties have entered into this Addendum as of the date first above written.

FRANCHISOR
HOBBY TOWN UNLIMITED, INC**.**

By: _____

Print Name:_____

Title: _____

FRANCHISEE
If an Entity:

_____
(Name of Entity)

By: _____

Print Name:_____

Title: _____

By: _____

Print Name:_____

Title: _____

If individual[s]:

By: _____

Print Name:_____

By: _____

Title: _____

ADDENDUM TO FRANCHISE AGREEMENT
FOR THE STATE OF MINNESOTA

THIS ADDENDUM TO FRANCHISE AGREEMENT ("Addendum") is made this ___ day of _____, 20___, by and between Hobby Town Unlimited, Inc. ("Franchisor") and _____ ("Franchisee").

WHEREAS, Franchisor and Franchisee have entered into a Franchise Agreement (the "Franchise Agreement") of even date herewith for a HOBBYTOWN® store located in _____, _____ (the "Store");

WHEREAS, Franchisor and Franchisee desire to amend certain provisions of the Franchise Agreement as set forth herein;

NOW, THEREFORE, in consideration of the mutual promises and agreements set forth herein and in the Franchise Agreement, the parties hereto hereby agree as follows.

1. **Article II: Initial Franchise Fee**. Payment of the Initial Franchise Fee described in Article II.A of the Franchise Agreement will be postponed until all of the Franchisor's pre-opening obligations to Franchisee have been met and Franchisee is opened for business.

2. **Article III: Franchise Grant; Term; Article XII: Default; Termination.** The following sentence shall be added to Articles III and XII of the Franchise Agreement: "With respect to franchises governed by Minnesota law, Franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement."

3. **Article XIV(E): Governing Law; Article XIV(H): Jurisdiction and Venue.** The following sentence shall be added to Articles XIV(E) and XIV(H) of the Franchise Agreement: "Pursuant to Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J., this section shall not in any way abrogate or reduce any rights of Franchisee as provided for in Minnesota Statutes 1984, Chapter 80C, including the right to submit matters to the jurisdiction of the courts in Minnesota."

4. **Supersedeas; Ratification.** The terms hereof supersede any inconsistent terms or provisions of the Franchise Agreement. Except as expressly amended herein, the parties hereby ratify and affirm all the terms and provisions of the Franchise Agreement.

IN WITNESS WHEREOF, the parties have entered into this Addendum as of the date written above.

FRANCHISOR
HOBBY TOWN UNLIMITED, INC**.**

By: _____

Print Name: _____

Title: _____

FRANCHISEE
If an Entity:

_____
(Name of Entity)

By: _____

Print Name: _____
Title: _____

By: _____

Print Name: _____
Title: _____

If individual[s]:

By: _____

Print Name: _____

By: _____

Print Name: _____

ADDENDUM TO FRANCHISE AGREEMENT
FOR THE STATE OF NEW YORK

THIS ADDENDUM TO FRANCHISE AGREEMENT ("Addendum") is made this ___ day of _____, 20___, by and between Hobby Town Unlimited, Inc. ("Franchisor") and _____ ("Franchisee").

WHEREAS, Franchisor and Franchisee have entered into a Franchise Agreement (the "Franchise Agreement") of even date herewith for a HOBBYTOWN® store located in _____, _____ (the "Store");

WHEREAS, Franchisor and Franchisee desire to amend certain provisions of the Franchise Agreement as set forth herein;

NOW, THEREFORE, in consideration of the mutual promises and agreements set forth herein and in the Franchise Agreement, the parties hereto hereby agree as follows.

1. **Article IX(B): Indemnification.** The following sentence shall be added to Article IX(B) of the Franchise Agreement: "However, Franchisee shall not be required to indemnify Franchisor for any claims arising out of a breach of the Agreement and Offering Circular or Exhibits or Attachments thereto."

2. **Article XI(F): Transfer by Franchisor**. The provision appearing in Article XI(F) of the Franchise Agreement shall be replaced with the following language: "This Agreement and all rights and obligations hereunder may be transferred in whole or in part by Franchisor at Franchisor's sole discretion; provided, however, that any such successor or other transferee assumes in writing Franchisor's duties to perform all of Franchisor's obligations hereunder and supplies Franchisee with a written copy of a statement to that effect. No Transfer shall be made except to a transferee who, in the good faith and judgment of Franchisor, is willing and able to assume Franchisor's obligations under this Agreement. Upon such Transfer, this Agreement shall remain in full force and effect."

3. **Supersedeas; Ratification.** The terms hereof supersede any inconsistent terms or provisions of the Franchise Agreement. Except as expressly amended herein, the parties hereby ratify and affirm all the terms and provisions of the Franchise Agreement.

IN WITNESS WHEREOF, the parties have entered into this Addendum as of the date written above.

FRANCHISOR
HOBBY TOWN UNLIMITED, INC**.**

By: _____

Print Name: _____

Title: _____

FRANCHISEE
If an Entity:

_____
(Name of Entity)

By: _____

Print Name: _____
Title: _____

By: _____

Print Name: _____
Title: _____

If individual[s]:

By: _____

Print Name: _____

By: _____

Print Name: _____

ADDENDUM TO FRANCHISE AGREEMENT
FOR THE STATE OF NORTH DAKOTA

THIS ADDENDUM TO FRANCHISE AGREEMENT ("Addendum") is made this ___ day of _____, 20___, by and between Hobby Town Unlimited, Inc. ("Franchisor") and _____ ("Franchisee").

WHEREAS, Franchisor and Franchisee have entered into a Franchise Agreement (the "Franchise Agreement") of even date herewith for a HOBBYTOWN® store located in _____, _____ (the "Store");

WHEREAS, Franchisor and Franchisee desire to amend certain provisions of the Franchise Agreement as set forth herein;

NOW, THEREFORE, in consideration of the mutual promises and agreements set forth herein and in the Franchise Agreement, the parties hereto hereby agree as follows.

1. **Article II: Initial Franchise Fee**. The Initial Franchise Fee described in Article II.A. of the Franchise Agreement will be deferred until Franchisor has satisfied its initial obligations to Franchisee under the Franchise Agreement or other documents and Franchisee has commenced doing business pursuant to the Franchise Agreement.

2. **Article XII(G): Claim Period.** The following sentence shall be added to Article XII(G) of the Franchise Agreement: "Notwithstanding the limitation of claims period set forth in this Agreement, the statute of limitations under North Dakota law will apply."

3. **Article XIII: Noncompetition.** The following sentence shall be added to Article XIII of the Franchise Agreement: "Pursuant to Section 9-08-06 of the North Dakota Century Code and Section 51-19-09 of the North Dakota Franchise Investment Law, covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota."

4. **Article XIV(E): Governing Law.** Article XIV(E) is hereby deleted from the Franchise Agreement.

5. **Article XIV(H): Jurisdiction and Venue.** Article XIV(H) is hereby deleted from the Franchise Agreement.

6. **Supersedeas; Ratification.** The terms hereof supersede any inconsistent terms or provisions of the Franchise Agreement. Except as expressly amended herein, the parties hereby ratify and affirm all the terms and provisions of the Franchise Agreement.

IN WITNESS WHEREOF, the parties have entered into this Addendum as of the date written above.

FRANCHISOR
HOBBY TOWN UNLIMITED, INC**.**

By: _____

Print Name: _____

Title: _____

FRANCHISEE
If an Entity:

_____
(Name of Entity)

By: _____

Print Name: _____
Title: _____

By: _____

Print Name: _____
Title: _____

If individual[s]:

By: _____

Print Name: _____

By: _____

Print Name: _____

ADDENDUM TO FRANCHISE AGREEMENT
FOR THE STATE OF VIRGINIA

THIS ADDENDUM TO FRANCHISE AGREEMENT ("Addendum") is made this ___ day of _____, 20___, by and between Hobby Town Unlimited, Inc. ("Franchisor") and _____ ("Franchisee").

WHEREAS, Franchisor and Franchisee have entered into a Franchise Agreement (the "Franchise Agreement") of even date herewith for a HOBBYTOWN® store located in _____, _____ (the "Store");

WHEREAS, Franchisor and Franchisee desire to amend certain provisions of the Franchise Agreement as set forth herein;

NOW, THEREFORE, in consideration of the mutual promises and agreements set forth herein and in the Franchise Agreement, the parties hereby agree as follows:

1. No statement, questionnaire, or acknowledgement signed or agreed to by you 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 us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the parties have entered into this Addendum as of the date written above.

FRANCHISOR
HOBBY TOWN UNLIMITED, INC.
By: _____

Print Name: _____

Title: _____

FRANCHISEE
If an Entity:

_____
(Name of Entity)

By: _____

Print Name: _____
Title: _____

By: _____

Print Name: _____
Title: _____

If individual[s]:

By: _____

ADDENDUM TO FRANCHISE AGREEMENT
FOR THE STATE OF WASHINGTON

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

No statement, questionnaire, or acknowledgement signed or agreed to by you 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 us, any franchise seller, or any other person acting on our

behalf. This provision supersedes any other term of any document executed in connection with the franchise.

FRANCHISOR
HOBBY TOWN UNLIMITED, INC**.**

By: _____

Print Name: _____

Title: _____

FRANCHISEE
If an Entity:

_____
(Name of Entity)

By: _____

Print Name: _____
Title: _____

By: _____

Print Name: _____
Title: _____

If individual[s]:

By: _____

Print Name: _____

By: _____

Print Name: _____

ADDENDUM TO FRANCHISE AGREEMENT
FOR THE STATE OF WISCONSIN

THIS ADDENDUM TO FRANCHISE AGREEMENT ("Addendum") is made this ___ day of _____, 20___, by and between Hobby Town Unlimited, Inc. ("Franchisor") and _____ ("Franchisee").

WHEREAS, Franchisor and Franchisee have entered into a Franchise Agreement (the "Franchise Agreement") of even date herewith for a HOBBYTOWN® store located in _____, _____ (the "Store");

WHEREAS, Franchisor and Franchisee desire to amend certain provisions of the Franchise Agreement as set forth herein;

NOW, THEREFORE, in consideration of the mutual promises and agreements set forth herein and in the Franchise Agreement, the parties hereto hereby agree as follows.

1. **Article III(E): Renewal Option and Article XII: Default; Termination.** The following sentence shall be added to Articles III(E) and XII of the Franchise Agreement: "The Wisconsin Fair Dealership Law supersedes any provisions contained in the Franchise Agreement or any other agreements that are inconsistent with that law."

IN WITNESS WHEREOF, the parties have entered into this Addendum as of the date written above.

FRANCHISOR
HOBBY TOWN UNLIMITED, INC.
By: _____

Print Name: _____

Title: _____

FRANCHISEE
If an Entity:

_____
(Name of Entity)

By: _____

Print Name: _____
Title: _____

By: _____

Print Name: _____
Title: _____

By: _____
Print Name: _____

By: _____
Print Name: _____

ADDENDUM TO FRANCHISE AGREEMENT

THIS ADDENDUM ("Addendum") is made and entered into on _____, 20___, by and between _____ ("Franchisor"), located at _____, and _____ ("Franchisee"), located at _____

Franchisor and Franchisee entered into a Franchise Agreement on _____, 20___, (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 thatpartial interest, Franchisor may exercise such option or right only if the proposedtransferee 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 orpartial), Franchisor will not unreasonably withhold such consent. In the event of anapproved transfer of the (Enter type of) interest or any portion thereof, the transferorwill 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.

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: _____

Print Name: _____

Title: _____

Authorized Representative of FRANCHISEE:

By: _____

Print 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.

EXHIBIT A-1

OPENING SCHEDULE ADDENDUM TO FRANCHISE AGREEMENT

OPENING SCHEDULE ADDENDUM TO FRANCHISE AGREEMENT

THIS OPENING SCHEDULE ADDENDUM TO FRANCHISE AGREEMENT ("Addendum") is made this _____ day of _____, 20____, by and between HOBBY TOWN UNLIMITED, INC. ("Franchisor") and _____ ("Franchisee") in connection with the grant to operate a HOBBYTOWN® store (the "Store"). This Addendum shall amend, supplement, and otherwise become a material part of the existing Franchise Agreement, dated this _____ day of _____, 20____, between Franchisor and Franchisee for a _____ Store ("Agreement").

WHEREAS, the Agreement states that if Franchisee purchases multiple Stores at the same time, Franchisee must open the first Store within one year from the date of the Franchise Agreement for the first Store and thereafter open at least one Store per year until all the additional Stores are opened in accordance with the schedule set forth in each respective Franchise Agreement;

WHEREAS, the Agreement refers to a separate addendum describing the opening schedule applicable to the Store subject to this Agreement;

WHEREAS, Franchisee purchased multiple HobbyTown® Stores at the same time, each of which is subject to separate franchise agreements;

WHEREFORE, Franchisor and Franchisee desire to set forth the following Opening Schedule applicable to the Store subject to this Agreement; and

NOW, THEREFORE, in consideration of the mutual promises and agreements set forth herein and in the Agreement, the parties hereto hereby agree as follows:

1. Franchisee simultaneously purchased _____ Stores.

2. This Agreement is for the _____ Store.

3. Such Store shall be opened _____.

[THIS SPACE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties have entered into this Addendum as of the date written above.

FRANCHISOR
HOBBY TOWN UNLIMITED, INC.

By: _____

Print Name: _____

Title: _____

FRANCHISEE
If an Entity:

_____
(Name of Entity)

By: _____

Print Name: _____
Title: _____

By: _____

Print Name: _____
Title: _____

If individual[s]:

By: _____

Print Name: _____

By: _____
Print Name: _____

EXHIBIT A-2

PROTECTED TERRITORY ADDENDUM TO FRANCHISE AGREEMENT

PROTECTED TERRITORY ADDENDUM
TO FRANCHISE AGREEMENT

THIS PROTECTED TERRITORY ADDENDUM TO FRANCHISE AGREEMENT ("Addendum") is made this _____ day of _____, 20____, by and between HOBBY TOWN UNLIMITED, INC. ("Franchisor") and _____ ("Franchisee") in connection with the grant to operate a HOBBYTOWN® store (the "Store"). This Addendum shall amend, supplement, and otherwise become a material part of the existing Franchise Agreement, dated this _____ day of _____, 20____, between Franchisor and Franchisee for a _____ Store ("Agreement").

WHEREAS, the Franchise Agreement refers to a separate addendum describing the protected territory (the "Protected Territory") assigned to Franchisee once the location of the Store is determined by Franchisee and the site is approved by Franchisor;

WHEREAS, Franchisor and Franchisee have a common interest in identifying specific territorial boundaries in connection with the Store;

WHEREAS, Franchisor and Franchisee desire to set forth such territorial boundaries in this Addendum;

NOW, THEREFORE, in consideration of the mutual promises and agreements set forth herein and in the Franchise Agreement, the parties hereto hereby agree as follows:

1. **Protected Territory.** The Protected Territory granted Franchisee, pursuant to Article III(G) of the Franchise Agreement, shall be the geographical area illustrated in the attached map, which reflects a minimum of a five (5) mile radius around Franchisee's approved HobbyTown® or HobbyTown USA® location.

[THIS SPACE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties have entered into this Addendum as of the date written above.

FRANCHISOR
HOBBY TOWN UNLIMITED, INC.

By: _____

Print Name: _____

Title: _____

FRANCHISEE
If an Entity:

_____
(Name of Entity)

By: _____

Print Name: _____
Title: _____

By: _____

Print Name: _____
Title: _____

If individual[s]:

By: _____

Print Name: _____

By: _____
Print Name: _____

EXHIBIT A-3

GUARANTY AGREEMENT

GUARANTY AGREEMENT

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement dated _____, and any and all amendments and addendums thereto (collectively the "Franchise Agreement"), by and between Hobby Town Unlimited, Inc., a Nebraska corporation ("Franchisor") and _____ ("Franchisee"), as of this __ day of _____, 20__, each of the undersigned (each a "Guarantor" and collectively, the "Guarantors") personally and unconditionally: (a) guarantees to Franchisor, and its successors and assigns, for the term of the Franchise Agreement and thereafter as provided in the Franchise Agreement, including all extensions and renewals thereof, that Franchisee shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Franchise Agreement; and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Franchise Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities.

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

Each of the undersigned consents and agrees that:

(1) Guarantor's liability under this undertaking will be direct and independent of the liability of, and will be joint and several with, Franchisee and the other Guarantors of Franchisee;

(2) Guarantor's liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee, any other Guarantor, or any other person

(3) This Guaranty is a guaranty of payment and performance—not a guarantee of collection. Guarantor shall render any payment or performance required under the Franchise Agreement upon demand if Franchisee fails or refuses punctually to do so;

(4) Guarantor's liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence that Franchisor may grant to Franchisee or to any other person, including the acceptance of any partial payment or performance or the compromise or release of any claims against Franchisee or one or more of any other Guarantors, none of which shall in any way modify or amend this Guaranty, which shall be continuing and irrevocable during the term of the Franchise Agreement;

(5) Guarantor's liability shall not be diminished or relieved by bankruptcy, insolvency or reorganization of Franchisee or any assignee or successor of Franchisee;

(6) This Guaranty will continue in full force and effect for and as to any extension of or modification or amendment to the Franchise Agreement and each Guarantor waives notice of any and all such extensions, modifications or amendments; and

(7) Guarantor shall pay all reasonable attorneys' fees and all costs and other expenses Franchisor incurs in enforcing this Guaranty or any negotiations relative to the obligations hereby guaranteed.

This Guaranty and any dispute, claim, or matter arising out of or relating in any way to this Guaranty shall be construed under the laws of the State of Nebraska, without regard to its conflicts of law rules or the conflicts of law rules of any other jurisdiction. Each of the undersigned irrevocably agrees that: (a) all actions arising under this Guaranty must be commenced in the state or federal court of general jurisdiction located closest to Franchisor's then current corporate headquarters (currently Lincoln, Lancaster County, Nebraska). Each of the undersigned irrevocably waives, to the fullest extent the undersigned may lawfully do so, the defense of an inconvenient forum to the maintenance of such suit, action or proceeding. Each of the undersigned hereby agrees that Franchisor may enforce this Guaranty in the courts of any jurisdiction.

IN WITNESS WHEREOF, each of the undersigned has signed this Guaranty as of the date written above.

GUARANTOR(S)	PERCENTAGE OWNERSHIP IN FRANCHISEE
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

EXHIBIT A-4

SOFTWARE LICENSE AGREEMENT
AND STATE ADDENDA

EXHIBIT A-4

SOFTWARE LICENSE AGREEMENT

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ADDENDA

For the States of California, Illinois, Maryland, Minnesota, Washington, and Wisconsin.

Copyright© April 24, 2024 Hobby Town Unlimited, Inc.

SOFTWARE LICENSE AGREEMENT

THIS SOFTWARE LICENSE AGREEMENT ("Agreement") is made and entered into as of _____, by and between Hobby Town Unlimited Inc. ("**Licensor**") and _____ ("**Licensee**"), for the HOBBYTOWN® store located at _____(the "Premises").

WITNESSETH:

WHEREAS, Licensor, as Franchisor, and Licensee, as Franchisee, have entered into a Franchise Agreement (the "Franchise Agreement") for a HobbyTown® franchise located at the Premises; and

WHEREAS, Licensee desires to acquire from Licensor, and Licensor desires to grant to Licensee, a non-exclusive, non-transferrable license to utilize the Software, defined below, on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual promises and covenants set forth herein and for other good and valuable consideration, the receipt, sufficiency and adequacy of which are mutually acknowledged by each party, it is agreed as follows:

1. DEFINITIONS

1.1 "Commencement Date" shall mean the date that the Software is delivered to Licensee.

1.2 "Consulting Services" shall mean all services provided by Licensor under this Agreement that are not within the definition of Technical Support.

1.3 "Designated System" shall mean the single-user microprocessor or single networked file server at the Premises as specified or approved by Licensor.

1.4 "Developments" shall mean all Software Materials and other materials developed by or for Licensor under this Agreement.

1.5 "Software Materials" shall mean the materials provided by Licensor to instruct and assist Licensee in the use, installation and operation of the Software. The Software Materials may be provided in written or electronic form and may include an installation manual, user manual, operations manual and/or any other materials provided by Licensor to Licensee, as amended from time to time.

1.6 "Software" shall mean the software licensed hereunder and Updates thereof, including the media on which it is written or recorded, and the manuals, diagrams, instructions, logic, documents, and forms, and all other embodiments of Software, any or all of which may be

provided in a cloud-based format or other format designated by Licensor from time to time during the term of this Agreement.

1.7 "Technical Support" shall mean the support services specified in Licensor's standard technical policies in effect at the time such services are rendered.

1.8 "Update(s)" shall mean subsequent releases of the Software which are made available for Software Licenses. Licensor reserves the right to discontinue standard Technical Support and require Licensee to purchase an Update in the future. Updates shall not include any releases, options or fixture products which Licensor licenses separately.

2. SOFTWARE LICENSE

2.1 **Rights Granted.** Subject to the terms and conditions set forth below, Licensor hereby grants to Licensee a non-exclusive and non-transferable license (the "License") to use the Software Materials and one (1) copy of the Software solely for Licensee's own internal business operations of the HobbyTown® Franchise and for no other purpose unless otherwise agreed to by Licensor in writing.

2.2 **Restrictions.**

(a) Licensee shall not copy, adapt, reverse engineer, decompile, disassemble, modify, or otherwise create, attempt to create, permit, allow or assist others to create, in whole or part, the Software or the Software Materials. Licensee shall not copy, use, reproduce, sublicense, distribute or dispose of the Software or the Software Materials, in whole or part, other than as expressly permitted under this Agreement.

(b) All permitted copies made by Licensee in whatever form shall be reproduced with all applicable copyright notices, restrictive rights, legends, proprietary notices and other notices as contained in the Software and as shown on the media.

(c) Licensee shall not use or distribute the Software to operate in or as a time-sharing, outsourcing, service bureau environment, third-party training or consulting, or in any way allow third party access to the Software or Software Materials.

(d) Licensee shall not make available nor distribute all or part of the Software or Software Materials to any third party.

(e) Licensee shall not prevent remote access for ongoing maintenance upgrades and support.

2.3 **Ownership of the Software**. Licensee acknowledges and agrees that the Software and Software Materials are proprietary to Licensor and that Licensor retains all right, title, interest

and ownership in the Software and Software Materials, including without limitation all copyrights, trademarks, patents, trade secrets, trade dress rights and other proprietary rights. Any right not expressly granted to Licensee by this Agreement is hereby expressly reserved by Licensor.

3. SERVICES

3.1 **Technical Support.** Licensor will provide Technical Support services based on Licensor's then-current support policies.

3.2 **Consulting and Training Services**. Licensor will provide consulting and training services agreed to by the parties at Licensor's time and material rates then in effect.

3.3 **Updates.** Licensor reserves the right to cease all Technical Support and all other services for versions of the Software that have been updated and charge a reasonable licensing fee to Licensee for said Update(s) developed in the future.

4. INSTALLATION

4.1 **Installation and Conversion of Data**. Licensee shall allow installation of the Software, and shall install, administer and maintain all hardware and software necessary to operate the Software. Licensee shall also cooperate with Licensor and any third-party consultants with respect to providing data necessary to maintain this Agreement.

4.2 **Acceptance**.

In the event that the Software is defective, Licensee's sole and exclusive remedy shall be to return to Licensor the Software and Software Materials, and all copies thereof, and receive conforming Software and Software Materials.

5. LICENSE FEES AND PAYMENT

5.1 **Fees.** Licensor reserves the right to charge reasonable licensing fees or other additional costs to Licensee for future developments to the Software or Designated System, including, but not limited to, support, training, Updates or other ongoing maintenance which may be necessary to operate either the Software or the Designated System.

5.2 **Payment Terms.**

(a) **Payment.** Payment of all fees and additional costs shall be made by Licensee to Licensor in full without any set-off or deduction on the 10th of the month via ACH or at such other date and/or by such other payment method specified from time to time by Licensor.

(b) **Taxes.** The fees do not include taxes. Licensee shall be responsible for any

applicable sales or use taxes or any value added or similar taxes payable with respect to the License or the Software, or arising out of or in connection with this Agreement. In the event that Licensor pays any such taxes on behalf of Licensee, Licensor shall invoice Licensee for such taxes and Licensee shall reimburse Licensor for such payment.

6. CONFIDENTIALITY

Licensee shall not sell, transfer, publish, disclose, display or otherwise make available any portion of the Software or Software Materials to others. The Software, Software Materials, terms and conditions of this Agreement, and any information of Licensor provided to Licensee shall be deemed proprietary and confidential information of Licensor ("Confidential Information"). Licensee agrees to hold such Confidential Information in strict confidence and secure and protect it from theft, piracy and unauthorized access. Licensee agrees that it shall not reveal or disclose any Confidential Information for any purpose to any other person, firm, corporation or other entity, other than Licensee's employees and agents who need to know such Confidential Information to perform employment responsibilities. Licensee shall inform its employees and agents of their obligations under this Agreement, and shall take such steps as may be reasonable in the circumstances, or as may be reasonably requested by Licensor, to prevent any unauthorized disclosure, copying or use of the Confidential Information. Subject to applicable federal and state laws, if Licensee defaults under this Section 6, it shall constitute a material default by Licensee under the Franchise Agreement.

7. WARRANTIES

7.1 **Limited Warranties.** Licensor warrants for a period of thirty (30) days from the Commencement Date that the Software, unless modified by Licensee, will perform the functions substantially as described in Software Materials provided by Licensor when operated on a Designated System. Licensor will undertake to correct any reported error condition in accordance with its Technical Support policies as requested by Licensee under this Agreement.

7.2 **Limitations of Warranties and Disclaimers.**

THE WARRANTIES IN SECTION 7 ARE EXCLUSIVE AND IN LIEU OF ALL OTHER WARRANTIES. LICENSOR EXPRESSLY DISCLAIMS, AND LICENSEE EXPRESSLY WAIVES, ALL WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION, WARRANTIES OF TITLE, IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, AND ANY WARRANTIES AS TO ANY RESULTS TO BE OBTAINED FROM ANY USE OF THE SOFTWARE OR THE INFORMATION DERIVED THEREFROM, OR ANY SUPPORT SERVICES RENDERED WITH RESPECT THERETO.

WITHOUT IN ANY WAY LIMITING THIS DISCLAIMER OF THE UNIFORM COMMERCIAL CODE WARRANTIES ABOVE, LICENSOR EXPRESSLY DISCLAIMS THE

FOLLOWING:

LICENSOR DOES NOT WARRANT THAT THE SOFTWARE OR SERVICES WILL MEET LICENSEE REQUIREMENTS, OR THAT THE SOFTWARE WILL OPERATE IN THE COMBINATIONS WHICH LICENSEE MAY SELECT FOR USE OR THAT THE OPERATION OF THE SOFTWARE WILL BE UNINTERRUPTED OR ERROR-FREE, OR THAT ALL SOFTWARE ERRORS WILL BE CORRECTED. THE PARTIES AGREE THAT THE SOFTWARE'S FAILURE TO PERFORM IN ACCORDANCE WITH LICENSEE'S REQUIREMENTS SHALL NOT BE CONSIDERED A FAILURE OF THE ESSENTIAL PURPOSE OF THE REMEDIES CONTAINED HEREIN. EXCEPT FOR THE LIMITED WARRANTY STATED IN THIS SECTION, THE ENTIRE RISK OF THE SOFTWARE'S QUALITY AND PERFORMANCE IS WITH LICENSEE.

LICENSOR PROVIDES ANY AND ALL THIRD-PARTY PRODUCTS OR SERVICES ON AN "AS IS" BASIS WITH NO WARRANTY OF ANY KIND; THIS INCLUDES ANY AND ALL THIRD-PARTY SOFTWARE OR HARDWARE THAT MAY BE PROVIDED BY LICENSOR. LICENSOR MAKES NO WARRANTIES OR REPRESENTATIONS, EXPRESS OR IMPLIED, AS TO THE QUALITY, CAPABILITIES, OPERATIONS, PERFORMANCE OR SUITABILITY OF THE THIRD-PARTY SOFTWARE OR EQUIPMENT, INCLUDING THE ABILITY TO INTEGRATE THE SAME WITH THE SOFTWARE. THE QUALITY, CAPABILITIES, OPERATIONS, PERFORMANCE AND SUITABILITY OF THE THIRD-PARTY COMPUTER PROGRAMS OR EQUIPMENT LIE SOLELY WITH LICENSEE AND THE VENDOR OR SUPPLIER OF SUCH THIRD-PARTY COMPUTER PROGRAMS OR EQUIPMENT.

LICENSOR DISCLAIMS ALL LIABILITY FOR THE ACCURACY AND/OR COMPLETENESS OF DATA, INCLUDING BUT NOT LIMITED TO, BUSINESS, INVENTORY, ACCOUNTING, TAX OR OTHER FINANCIAL DATA INITIALLY SUPPLIED, OTHERWISE ENTERED OR MODIFIED BY LICENSEE OR ANY THIRD PARTY, WHETHER MANUALLY OR THROUGH CONVERSION FROM A SCANNER, HAND HELD DIGITAL DEVICE OR OTHER COMPUTER OR PERIPHERAL DEVICE, AND ANY SUCH DATA AS PROCESSED ON LICENSEE'S OR ITS END-USERS' COMPUTER NETWORKS. LICENSEE SHALL BEAR THE ENTIRE RESPONSIBILITY FOR ITS COMPUTER NETWORK, INCLUDING INSTALLATION, PERFORMANCE OF THE SOFTWARE IN COMBINATION WITH OTHER COMPUTER PROGRAMS ON THE NETWORK AND THE BEHAVIOR OF THE DATA ON LICENSEE'S NETWORK.

LICENSOR SHALL NOT BE RESPONSIBLE FOR LICENSEE'S ERRORS IN THE APPLICATION, MANAGEMENT, INPUT, OR REPORTING OF LICENSEE INTERNAL BUSINESS, INVENTORY AND ACCOUNTING, TAX OR OTHER BUSINESS METHODS, INCLUDING BUT NOT LIMITED TO, METHODS OF APPLYING, MANAGING OR MODIFYING DATA RELATED TO PAYMENTS, CREDITS, ACCOUNT INTEREST,

DISCOUNTS, TAXES, SALES, PURCHASES, PRICING, QUOTING AND REPORTING AND RECONCILING ALL OF THE ABOVE WITH LICENSEE'S GENERAL LEDGER AND/OR OTHER ACCOUNTING OR TAX SYSTEMS.

LICENSOR FROM TIME TO TIME PROVIDES DAILY AND OTHER PERIODIC UPDATES TO THE SOFTWARE, INCLUDING PRODUCT PRICE, SOURCE, AVAILABILITY AND DESCRIPTION CHANGES. THERE MAY BE TIMES WHEN LICENSOR HAS CONFLICTING INFORMATION (DUE TO MULTIPLE SOURCES OF INFORMATION AND MULTIPLE SOURCES OF SUPPLY FOR THE SAME ITEMS). THERE MAY BE OCCASIONAL ERRORS WHERE LICENSOR HAS RETAIL OR SALE PRICING THAT MAY BE BELOW PAST OR CURRENT DEALER COST. LICENSOR PROVIDES THIS INFORMATION WITHOUT ANY REPRESENTATION OR WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, AND DISCLAIMS ANY LIABILITY RELATED TO THE INFORMATION DESCRIBED IN THIS PARAGRAPH. LICENSEE MAY CHOOSE WHETHER TO USE OR NOT USE THIS INFORMATION IN ITS DISCRETION; PROVIDED THAT NOTHING IN THIS SECTION LIMITS LICENSOR'S ABILITY UNDER ANY FRANCHISE AGREEMENT WITH REGARD TO RETAIL PRICING OF CERTAIN ITEMS.

8. REMEDIES

8.1 **Exclusive Remedies**. For any breach of the warranties contained herein, Licensee's exclusive remedy, and Licensor's entire liability, shall be the correction of Software errors which cause the breach of the warranty, or if Licensor is unable to make the Software operate as warranted, Licensor shall replace the Software.

8.2 **Limitation of Liability.**

IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES, OR DAMAGES FOR LOSS OF PROFITS, REVENUE, DATA OR USE, INCURRED BY EITHER PARTY OR ANY THIRD PARTY, WHETHER IN AN ACTION IN CONTRACT OR TORT, EVEN IF THE OTHER PARTY OR ANY OTHER PERSON HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. LICENSOR'S LIABILITY FOR DAMAGES HEREUNDER SHALL IN NO EVENT EXCEED THE AMOUNT OF FEES PAID BY LICENSEE TO LICENSOR UNDER THIS AGREEMENT DURING THE PRECEDING TWELVE (12) MONTH PERIOD, AND IF SUCH DAMAGES RESULT FROM LICENSEE'S USE OF THE SOFTWARE OR SERVICES, SUCH LIABILITY SHALL BE LIMITED TO FEES FOR THE RELEVANT SOFTWARE OR SERVICES GIVING RISE TO THE LIABILITY, PRORATED OVER A FIVE-YEAR TERM FROM THE COMMENCEMENT DATE OF THE APPLICABLE LICENSE OR THE DATE OF PERFORMANCE OF THE APPLICABLE SERVICES.

THE PROVISIONS OF THIS SECTION ALLOCATE THE RISKS UNDER THIS AGREEMENT BETWEEN LICENSOR AND LICENSEE. LICENSOR'S PRICING REFLECTS THIS ALLOCATION OF RISK AND THE LIMITATION OF LIABILITY SPECIFIED HEREIN.

LICENSOR AND LICENSEE EXPRESSLY AGREE THAT THESE TERMS HAVE BEEN FULLY NEGOTIATED, THAT THE LIMITS OF LIABILITY SPECIFIED HEREIN ARE REASONABLE UNDER THE CIRCUMSTANCES, AND THAT ALL SUCH LIMITS HAVE BEEN FREELY AGREED TO BY THE PARTIES.

8.3 **Irreparable Harm; Injunction.** Licensee acknowledges and agrees that in the event Licensee breaches this Agreement, Licensor will suffer irreparable injuries not compensated by money damages and therefore shall not have an adequate remedy at law. In the event Licensee breaches any of its confidentiality obligations herein, Licensor shall be entitled to immediately terminate this Agreement and the License granted hereunder. In addition, Licensor is entitled to obtain a preliminary and final injunction for any breaches of this Agreement without the necessity of posting any bond or undertaking in connection therewith to prevent any further breach of these confidentiality obligations or further unauthorized use of the Confidential Information. This remedy is separate and apart from any other remedy Licensor may have under this Agreement.

9. TERM AND TERMINATION

9.1 **Term.** The term of the License shall commence on the Commencement Date and shall continue for as long as Licensee is a franchisee of Licensor and has not defaulted on any provision of Licensee's Franchise Agreement with Licensor, unless sooner terminated as provided herein (the "Term").

9.2 **Termination.** Licensor may terminate this Agreement or any License upon written notification to Licensee upon the occurrence of any of the following events:

(a) Licensee fails to pay any sums payable pursuant to this Agreement or otherwise fails to comply with any term or condition of this Agreement.

(b) Licensee fails to comply with any term or condition of the Franchise Agreement or any other agreement with Licensor with respect to the Franchise.

9.3 **Return of Software Upon Termination.** At the termination or expiration of the License granted hereunder, Licensee shall (a) cease using the applicable Software and (b) certify under oath to Licensor within one month after expiration or termination that Licensee has uninstalled the software from all POS systems. This requirement applies to PC's laptops, tablets, or other hardware in which the software has been installed.

10. MISCELLANEOUS

10.1 **Governing Law.** This Agreement shall be governed by the laws of the State of Nebraska, and shall be deemed to be executed in Lincoln, Nebraska.

10.2 **Jurisdiction.** Any legal action or proceeding relating to this Agreement shall be instituted in any state or federal court in Lancaster County, Nebraska. Licensor and Licensee agree to submit to the jurisdiction of, and agree that venue is proper in, the aforesaid courts in any such legal action or proceeding.

10.3. **Binding Effect.** This Agreement shall be binding upon the parties hereto and their heirs, successors and assigns, but no assignment can be made by Licensee except as provided herein. If Licensee transfers its interest in the Franchise Agreement with the approval of Licensor, this Agreement shall be deemed to be transferred by Licensee to the transferee of the Franchise Agreement regardless of whether a formal assignment document is executed.

10.4 **Notices.** All notices or other communications required to be given hereunder shall be in writing and delivered by U.S. mail, certified, return receipt requested, postage prepaid, or by a nationally recognized overnight delivery service, and addressed as provided below or as otherwise requested by the receiving party. Notices delivered by mail shall be effective upon their receipt by the party to whom they are addressed.

If to Licensor:

Hobby Town Unlimited, Inc.
1133 Libra Drive
Lincoln, Nebraska 68512

If to Licensee, to the address of the Premises.

10.5 **Severability.** In the event that any of the terms of this Agreement are declared to be invalid or void by any court of competent jurisdiction, such term or terms shall be null and void and shall be deemed severed from this Agreement and all the remaining terms of this Agreement shall remain in full force and effect.

10.6 **Waiver**. The waiver by either party of any default or breach of this Agreement shall not constitute a waiver of any other or subsequent default or breach. Except for actions for nonpayment or breach of Licensor's proprietary rights in the Software, no action, regardless of form, arising out of this Agreement may be brought by either party more than one (1) year after the cause of action has been accrued.

10.7 **Entire Agreement**. This Agreement constitutes the complete agreement between the parties and supersedes all prior or contemporaneous agreements or representations, written or

oral, concerning the subject matter of this Agreement. This Agreement may not be modified or amended except in writing, signed by a duly authorized representative of each party; and no other act, document, usage or custom shall be deemed to amend or modify this Agreement.

IN WITNESS WHEREOF, the parties have entered into this Agreement as of the date first written above.

LICENSOR
HOBBY TOWN UNLIMITED, INC**.**

By: _____

Print Name: _____

Title: _____

LICENSEE
If an Entity:

_____
(Name of Entity)

By: _____

Print Name: _____
Title: _____

By: _____

Print Name: _____
Title: _____

If individual[s]:

By: _____
Print Name: _____

By: _____

Print Name: _____

ADDENDUM TO SOFTWARE LICENSE AGREEMENT
FOR THE STATE OF CALIFORNIA

THIS ADDENDUM TO SOFTWARE LICENSE AGREEMENT ("Addendum") is made this ___ day of _____, 20___, by and between Hobby Town Unlimited, Inc. ("Licensor") and _____ ("Licensee").

WHEREAS, Licensor and Licensee have entered into a Software License Agreement (the "Software License Agreement") of even date herewith for a HOBBYTOWN® store located in _____, _____ (the "Store");

WHEREAS, Licensor and Licensee desire to amend certain provisions of the Software License Agreement as set forth herein;

NOW, THEREFORE, in consideration of the mutual promises and agreements set forth herein and in the Software License Agreement, the parties hereto hereby agree as follows.

1. **Section 10.1: Governing Law.** The following provision appears in Section 10.1 of the Software License Agreement and may not be enforceable under California law as it requires application of the laws of Nebraska: "10.1 **Governing Law.** This Agreement shall be governed by the laws of the State of Nebraska, and shall be deemed to be executed in Lincoln, Nebraska."

2. **Section 10.2: Jurisdiction.** The following provision appears in Section 10.2 of the Software License Agreement and may not be enforceable under California law as it requires application of the laws of Nebraska: "10.2 **Jurisdiction.** Any legal action or proceeding relating to this Agreement shall be instituted in any state or federal court in Lancaster County, Nebraska. Licensor and Licensee agree to submit to the jurisdiction of, and agree that venue is proper in, the aforesaid courts in any such legal action or proceeding."

3. **Supersedeas; Ratification.** The terms hereof supersede any inconsistent terms or provisions of the Software License Agreement. Except as expressly amended herein, the parties hereby ratify and affirm all the terms and provisions of the Software License Agreement.

IN WITNESS WHEREOF, the parties have entered into this Addendum as of the date written above.

LICENSOR
HOBBY TOWN UNLIMITED, INC**.**

By: _____

Print Name: _____

Title: _____

LICENSEE
If an Entity:

_____
(Name of Entity)

By: _____

Print Name: _____
Title: _____

By: _____

Print Name: _____
Title: _____

If individual[s]:

By: _____

Print Name: _____

By: _____

Print Name: _____

ADDENDUM TO SOFTWARE LICENSE AGREEMENT
FOR THE STATE OF ILLINOIS

THIS ADDENDUM TO SOFTWARE LICENSE AGREEMENT ("Addendum") is made this ___ day of _____, 20___, by and between Hobby Town Unlimited, Inc. ("Licensor") and _____ ("Licensee").

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

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

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

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

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

LICENSOR
HOBBY TOWN UNLIMITED, INC.

By: _____

Print Name: _____

Title: _____

LICENSEE
If an Entity:

_____
(Name of Entity)

By: _____

Print Name: _____
Title: _____

By: _____

Print Name: _____
Title: _____

If individual[s]:

By: _____
Print Name: _____

By: _____
Print Name: _____

ADDENDUM TO SOFTWARE LICENSE AGREEMENT
FOR THE STATE OF MARYLAND

THIS ADDENDUM TO SOFTWARE LICENSE AGREEMENT ("Addendum") is made this ___ day of _____, 20___, by and between Hobby Town Unlimited, Inc. ("Franchisor") and _____ ("Franchisee").

WHEREAS, Franchisor and Franchisee have entered into a Software License Agreement (the "Software License Agreement") of even date herewith for a HOBBYTOWN store located in _____, _____ (the "Store");

WHEREAS, Franchisor and Franchisee desire to amend certain provisions of the Software License Agreement as set forth herein;

NOW, THEREFORE, in consideration of the mutual promises and agreements set forth herein and in the Software License Agreement, the parties hereto hereby agree as follows.

1. **Section 10.1: Governing Law.** The following sentence shall be added to Section 10.1 of the Software License Agreement: "The law regarding franchise registration and other matters of local concern will be governed by the laws of the State of Maryland."

2. **Section 10.2: Jurisdiction.** The following paragraph shall be added to Section 10.2 of the Software License Agreement: "Licensee may sue in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise."

3. **Section 7: Warranties.** The following shall be added to Section 7 of the Software License Agreement: "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. **Supersedeas; Ratification.** The terms hereof supersede any inconsistent terms or provisions of the Software License Agreement. Except as expressly amended herein, the parties hereby ratify and affirm all the terms and provisions of the Software License Agreement.

IN WITNESS WHEREOF, the parties have entered into this Addendum as of the date first above written.

Dated: _____

_____
Franchisee

Printed Name: _____

Dated: _____

_____
Franchisee

Printed Name: _____

HOBBY TOWN UNLIMITED, INC.,
Franchisor

Dated: _____

By: _____

Its: _____

ADDENDUM TO SOFTWARE LICENSE AGREEMENT
FOR THE STATE OF MINNESOTA

THIS ADDENDUM TO SOFTWARE LICENSE AGREEMENT ("Addendum") is made this ___ day of _____, 20___, by and between Hobby Town Unlimited, Inc. ("Licensor") and _____ ("Licensee").

WHEREAS, Licensor and Licensee have entered into a Software License Agreement (the "Software License Agreement") of even date herewith for a HOBBYTOWN® store located in _____, _____ (the "Store");

WHEREAS, Licensor and Licensee desire to amend certain provisions of the Software License Agreement as set forth herein;

NOW, THEREFORE, in consideration of the mutual promises and agreements set forth herein and in the Software License Agreement, the parties hereto hereby agree as follows.

1. **Section 10.1: Governing Law; Section 10.2: Jurisdiction.** The following sentence shall be added to Sections 10.1 and 10.2 of the Software License Agreement: "Pursuant to Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J., this section shall not in any way abrogate or reduce any rights of Licensee as provided for in Minnesota Statutes 1984, Chapter 80C, including the right to submit matters to the jurisdiction of the courts in Minnesota."

2. **Supersedeas; Ratification.** The terms hereof supersede any inconsistent terms or provisions of the Software License Agreement. Except as expressly amended herein, the parties hereby ratify and affirm all the terms and provisions of the Software License Agreement.

IN WITNESS WHEREOF, the parties have entered into this Addendum as of the date written above.

LICENSOR
HOBBY TOWN UNLIMITED, INC.

By: _____

Print Name: _____

Title: _____

LICENSEE
If an Entity:

_____
(Name of Entity)

By: _____

Print Name: _____
Title: _____

By: _____

Print Name: _____
Title: _____

If individual[s]:

By: _____
Print Name: _____

By: _____

Print Name: _____

ADDENDUM TO SOFTWARE LICENSE AGREEMENT
FOR THE STATE OF WASHINGTON

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

No statement, questionnaire, or acknowledgement signed or agreed to by you 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 us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.

Dated: _____

_____
Franchisee

Printed Name: _____

Dated: _____

_____
Franchisee

Printed Name: _____

HOBBY TOWN UNLIMITED, INC.,
Franchisor

Dated: _____

By: _____

Its: _____

ADDENDUM TO SOFTWARE LICENSE AGREEMENT
FOR THE STATE OF WISCONSIN

THIS ADDENDUM TO SOFTWARE LICENSE AGREEMENT ("Addendum") is made this ___ day of _____, 20___, by and between Hobby Town Unlimited, Inc. ("Licensor") and _____ ("Licensee").

WHEREAS, Licensor and Licensee have entered into a Software License Agreement (the "Software License Agreement") of even date herewith for a HOBBYTOWN® store located in _____, _____ (the "Store");

WHEREAS, Licensor and Licensee desire to amend certain provisions of the Software License Agreement as set forth herein;

NOW, THEREFORE, in consideration of the mutual promises and agreements set forth herein and in the Software License Agreement, the parties hereto hereby agree as follows.

1. **Section 9: Term and Termination.** The following sentence shall be added to Section 9 of the Software License Agreement: "The Wisconsin Fair Dealership Law supersedes any provisions contained in the Franchise Agreement or any other agreements that are inconsistent with that law."

IN WITNESS WHEREOF, the parties have entered into this Addendum as of the date written above.

LICENSOR
HOBBY TOWN UNLIMITED, INC.

By: _____

Print Name: _____

Title: _____

LICENSEE
If an Entity:

_____
(Name of Entity)

By: _____

Print Name: _____
Title: _____

By: _____

Print Name: _____
Title: _____

If individual[s]:

By: _____

Print Name: _____

By: _____

Print Name: _____

EXHIBIT B

STATE REGULATORY AUTHORITIES

EXHIBIT B
STATE REGULATORY AUTHORITIES

CALIFORNIA	CONNECTICUT	FLORIDA	HAWAII
Dept. of Financial Protection and Innovation 320 West 4th Street, Suite 750 Los Angeles, CA 90013-2344 (866) 275-2677	Connecticut Dept. of Banking Securities and Business Investments Division 260 Constitution Plaza Hartford, CT 06103-1800 (860) 240-8233 (800) 831-7225	Florida Dept. of Agriculture and Consumer Services Division of Consumer Services P.O. Box 6700 2005 Apalachee Parkway Rhodes Bldg. Tallahassee, FL 32314-6700 (800) 435-7352	Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division King Kalakaua Building 335 Merchant Street, Rm. 203 Honolulu, HI 96813 (808) 586-2744
ILLINOIS	**INDIANA**	**IOWA**	**KENTUCKY**
Franchise Bureau Office of Attorney General 500 S. Second Street Springfield, IL 62706 (217) 782-1090 (217) 782-4465	Indiana Securities Division Franchise Section Secretary of State, Room E-111 302 W. Washington St. Indianapolis, IN 46204 (317) 232-6681	Iowa Securities Bureau 340 Maple Des Moines, IA 50319-0066 (515) 281-4441	Office of Attorney General Consumer Protection Division 1024 Capitol Center Drive Frankfort, KY 40601 (502) 696-5389
MARYLAND	**MICHIGAN**	**MINNESOTA**	**NEBRASKA**
Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-7042	Michigan Attorney General's Office Consumer Protection Division Attn: Franchise Section 525 W. Ottawa Street Lansing, MI 48933 (517) 373-1160	Minnesota Dept. of Commerce Market Assurance Division 85 7th Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1638	Dept. of Banking and Finance 1526 K Street, Suite 300 P.O. Box 95006 Lincoln, NE 68508 (402) 471-3445
NEW YORK	**NORTH DAKOTA**	**OREGON**	**RHODE ISLAND**
NYS Department of Law Investor Protection Bureau 28 Liberty Street 21st FL. New York, NY 10005 (212) 416-8222	Office of Securities Commissioner 600 E. Blvd., 5th Floor Bismarck, ND 58505-0510 (701) 328-4712	Dept. of Consumer and Business Services Div. of Finance/Corp. Securities Labor and Industries Bldg. Salem, OR 97310 (503) 378-4140	Department of Business Regulation Securities Division 1511 Pontiac Avenue John O. Pastore Complex-68-2 Cranston, RI 02920-4407 (401) 462-9527
SOUTH DAKOTA	**TEXAS**	**UTAH**	**VIRGINIA**
Department of Labor and Regulation Division of Insurance Securities Regulation 124 S. Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563	Secretary of State Statutory Document Section 1019 Brazos Austin, TX 78701 (512) 475-1769	Utah Dept. of Commerce Division of Consumer Protection SM Box 146704 160 East 300 South Salt Lake City, UT 84114-6704 (801) 530-6601	State Corporation Commission Div. of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, VA 23219 (804) 371-9051
WASHINGTON	**WISCONSIN**	**FEDERAL TRADE COMMISSION**	
Washington Department of Financial Institutions Securities Division PO Box 41200 Olympia, WA 98504-1200 (360) 902-8760	Dept. of Financial Institutions Division of Securities 4822 Madison Yards Way North Tower 345 W. Washington Ave. Madison, WI 53705 (608) 266-1064	Bureau of Consumer Protection Division of Marketing Practices Pennsylvania Avenue at 6th Street, NW Washington, D.C. 20580 (202) 326-3128	

EXHIBIT C

AUDITED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2023, 2022 AND 2021

Hobby Town Unlimited, Inc.

Lincoln, Nebraska

December 31, 2023, 2022, and 2021

Financial Statements
and
Independent Auditor's Report

HBE

CPAs & Consultants | Wealth Management

Hobby Town Unlimited, Inc.

Years ended December 31, 2023, 2022, and 2021

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HBE

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Hobby Town Unlimited, Inc.
Lincoln, Nebraska

Opinion

We have audited the accompanying financial statements of Hobby Town Unlimited, Inc. (a Nebraska corporation), which comprise the balance sheets as of December 31, 2023, 2022, and 2021, and the related statements of earnings, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Hobby Town Unlimited, Inc. as of December 31, 2023, 2022, and 2021, 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 audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Hobby Town Unlimited, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note K to the financial statements, in 2023, the entity adopted new accounting guidance ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326).* Our opinion is not modified with respect to this matter.

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 Hobby Town Unlimited, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

7140 Stephanie Lane | P.O. Box 23110 | Lincoln, NE | 68542-3110 | p: 402.423.4343 | f: 402.423.4346
1314 Andrews Drive | Norfolk, NE | 68701 | p: 402.379.9294 | f: 402.379.2338
1121 N 102nd Court, #100 | Omaha, NE | 68114 | p: 402.895.5050 | f: 402.895.5723

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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 Hobby Town Unlimited, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hobby Town Unlimited, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Lincoln, Nebraska
April 16, 2024

Hobby Town Unlimited, Inc.

BALANCE SHEETS

December 31,

ASSETS

	2023	2022	2021
CURRENT ASSETS			
Cash and cash equivalents (note A)	$ 198,486	$ 182,359	$ 408,124
Accounts receivable (note A)	1,712,107	1,961,396	1,792,205
Inventory (note A)	2,276,435	2,714,871	2,286,228
Prepaid expenses	109,312	149,538	147,854
Total current assets	4,296,340	5,008,164	4,634,411
PROPERTY AND EQUIPMENT, net (notes A and B)	2,979,487	3,087,434	3,228,703
INTANGIBLE ASSETS, net (notes A and C)	87,328	228,063	330,581
OTHER ASSETS			
Cash value of life insurance	54,980	-	-
	$ 7,418,135	$ 8,323,661	$ 8,193,695

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES			
Accounts payable	$ 1,383,562	$ 1,748,117	$ 1,627,907
Accrued wages and vacation	96,354	88,478	79,708
Current maturities of notes payable (note D)	335,599	430,168	322,088
Line of credit (note E)	543,000	793,867	575,000
Gift card liability (note A)	229,436	152,346	99,956
Unearned franchise fees, current (note A)	54,850	50,175	42,675
Deposits payable (note A)	124,289	80,177	54,778
Total current liabilities	2,767,090	3,343,328	2,802,112
LONG-TERM OBLIGATIONS			
Notes payable, less current maturities (note D)	3,431,321	3,784,574	3,268,668
Unearned franchise fees, less current maturities (note A)	198,750	191,500	160,675
Total long-term obligations	3,630,071	3,976,074	3,429,343
Total liabilities	6,397,161	7,319,402	6,231,455
STOCKHOLDERS' EQUITY			
Common stock, par value $.01 per share, 10,000,000 shares authorized; 1,216,266 (2023 and 2022) and 1,473,080 (2021), issued and outstanding	12,163	12,163	14,731
Additional paid-in capital	659,510	659,510	560,786
Retained earnings	349,301	332,586	1,386,723
Total stockholders' equity	1,020,974	1,004,259	1,962,240
	$ 7,418,135	$ 8,323,661	$ 8,193,695

See accompanying notes to financial statements.

Hobby Town Unlimited, Inc.

STATEMENTS OF EARNINGS

Years ended December 31,

	2023	2022	2021
Operating revenues			
Inventory sales	$ 10,405,586	$ 12,681,303	$ 13,081,687
Cost of sales	9,587,267	11,931,612	12,330,419
Inventory gross profit	818,319	749,691	751,268
Royalty fees	3,641,179	3,875,323	4,366,932
Franchise fees	57,081	51,677	65,850
Marketing and accounting	727,497	908,067	944,093
	4,425,757	4,835,067	5,376,875
Direct expenses	50,588	66,007	76,500
Other gross profit	4,375,169	4,769,060	5,300,375
Total gross profit	5,193,488	5,518,751	6,051,643
Operating expenses			
Advertising and marketing	10,023	15,667	22,271
National marketing	223,979	363,112	395,656
Amortization	140,735	144,549	40,928
Contract labor	68,123	93,299	90,945
Electronic payment processing	63,776	31,518	20,210
Depreciation	107,947	107,947	112,812
Employee benefits	183,808	250,455	281,947
Equipment leases	30,795	21,915	45,913
Insurance	193,396	170,246	132,732
Internet and web	-	1,287	-
Meals and entertainment	9,869	12,786	8,019
Payroll and payroll taxes	2,674,276	2,540,694	2,416,622
Professional fees	283,184	205,341	112,143
Repairs and maintenance	48,547	29,673	26,832
Software licenses	162,068	252,351	201,959
Supplies	32,782	28,571	28,963
Taxes and licenses	122,662	96,887	82,327
Telephone and communications	27,792	27,676	27,917
Travel	50,096	64,651	37,713
Utilities	33,606	25,455	23,613
Miscellaneous	90,942	41,838	20,900
	4,558,406	4,525,918	4,130,422
Operating income	635,082	992,833	1,921,221
Other income (expense)			
Interest income	63	328	298
Interest expense	(146,617)	(168,938)	(143,881)
Contributions	(3,188)	(1,405)	(2,523)
Other income	139,509	61,398	61,449
Total other expense	(10,233)	(108,617)	(84,657)
NET EARNINGS	$ 624,849	$ 884,216	$ 1,836,564

See accompanying notes to financial statements.

Hobby Town Unlimited, Inc.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Years ended December 31,

	Common Stock	Additional Paid-In Capital	Retained Earnings	Total
Balances at December 31, 2020	$ 14,731	$ 560,786	$ 286,699	$ 862,216
Distributions	-	-	(736,540)	(736,540)
Net earnings	-	-	1,836,564	1,836,564
Balances at December 31, 2021	14,731	560,786	1,386,723	1,962,240
Distributions	-	-	(720,761)	(720,761)
Stock issued	532	249,468	-	250,000
Stock repurchased	(3,100)	(150,744)	(1,217,592)	(1,371,436)
Net earnings	-	-	884,216	884,216
Balances at December 31, 2022	12,163	659,510	332,586	1,004,259
Distributions	-	-	(608,134)	(608,134)
Net earnings	-	-	624,849	624,849
Balances at December 31, 2023	$ 12,163	$ 659,510	$ 349,301	$ 1,020,974

See accompanying notes to financial statements.

Hobby Town Unlimited, Inc.

STATEMENTS OF CASH FLOWS

Years ended December 31,

	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Net earnings	$ 624,849	$ 884,216	$ 1,836,564
Adjustments to reconcile net earnings to net cash flows provided by operating activities			
Depreciation	107,947	107,947	112,812
Amortization	140,735	144,549	40,928
(Increase) decrease in assets			
Accounts receivable	249,289	(169,191)	(224,843)
Inventory	438,436	(428,643)	(822,920)
Prepaid expenses	40,226	(1,684)	(69,325)
Cash value of life insurance	(54,980)	-	-
Increase (decrease) in liabilities			
Accounts payable	(364,555)	120,210	339,689
Accrued wages and vacation	7,876	8,770	(3,789)
Gift card liability	77,090	52,390	38,587
Unearned franchise fees	11,925	38,325	(33,350)
Deposits payable	44,112	25,399	42,577
Total adjustments to net earnings	698,101	(101,928)	(579,634)
Net cash provided by operating activities	1,322,950	782,288	1,256,930
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of intangible assets	-	(8,709)	(261,457)
CASH FLOWS FROM FINANCING ACTIVITIES			
Advances (payments) on line of credit	(250,867)	218,867	380,000
Payments on long-term obligations	(447,822)	(407,758)	(306,002)
Proceeds from long term obligations	-	1,031,744	-
Repurchase of stock	-	(1,371,436)	-
Sale of stock	-	250,000	-
Distributions paid	(608,134)	(720,761)	(736,540)
Net cash used by financing activities	(1,306,823)	(999,344)	(662,542)
Net increase (decrease) in cash and cash equivalents	16,127	(225,765)	246,126
Cash and cash equivalents, beginning of year	182,359	408,124	161,998
Cash and cash equivalents, end of year	$ 198,486	$ 182,359	$ 408,124
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Line of credit converted to long-term note payable	$ -	$ -	$ 500,000
Interest paid	$ 146,617	$ 168,938	$ 143,881

See accompanying notes to financial statements.

Hobby Town Unlimited, Inc. (the Company), was founded in 1985. The Company sells franchise rights for the operation of hobby goods stores and provides inventory and services to the franchisees. The franchises currently operate in 36 states.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting. The accompanying financial statements of the Company have been prepared on the accrual basis of accounting.

Cash and Cash Equivalents. For purposes of the statements of cash flows, the Company considers all highly liquid investments with a maturity of three months or less to be cash equivalents. Based on management's review of historical data in addition to current conditions and forecasts, the Company has not recognized an expected credit loss.

Accounts Receivable. Receivables represent the Company's present right to consideration that is unconditional. Trade accounts receivable are reported at the amount management expects to collect on balances outstanding at year-end.

Accounts receivable due from customers are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. In the event of an overdue customer account balance, the customer is placed on COD or pre-pay until such time as the account is current. Payments of accounts receivable are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified, are applied to the earliest unpaid invoices.

Allowance for credit losses is based on management's review of historical losses based on aging receivables. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant. The Company believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses as the company's customers have remained consistent since the Company's inception. Based on management's review, the Company has not recognized an expected credit loss.

At December 31, 2023, 2022, 2021, and 2020 the accounts receivable balance was $1,712,107, $1,961,396, $1,792,205 and $1,567,362, respectively.

Contract Balances. Contract liabilities include consideration due or paid by a customer prior to when the Company transfers goods or services and represent the Company's obligation to the customer. Contract liabilities are included in the balance sheet as gift card liability, unearned franchise fees and deposits payable.

Inventory. Inventory is stated at the lower of cost or net realizable value. Cost is determined by the first-in, first-out (FIFO) method. Inventory consists primarily of hobby goods and various items held for re-sale to franchise stores. The Company provides reserves against inventories that management believes to be excessive, slow moving, or obsolete to state such inventories at net realizable value.

Property and Equipment and Depreciation. Property and equipment are recorded at cost less accumulated depreciation. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives computed on both accelerated and straight-line methods. It is the Company's policy to capitalize property and equipment over $5,000. Lesser amounts are expensed. The estimated useful lives by asset class follow:

Buildings	39 years
Equipment and fixtures	3-10 years

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Intangible Assets. Internally developed software is placed in service when the software is ready for its intended use, regardless of whether the software will be placed in service in planned stages that may extend beyond the reporting period. Amortization is calculated on the straight-line method over estimated useful lives of 3 years.

Revenue Recognition. The Company recognizes revenue when it satisfies performance obligations by transferring control over products or services to customers. The following is a description of the Company's principal sources of revenue:

Wholesale and Retail Inventory Sales

The Company supplies franchise stores with inventory for operations. Revenue is recognized upon shipment to the franchise store. The Company generates retail revenues primarily from the sale of products to customers through their website, which is also recognized upon shipment to the customer.

Shipping and handling activities are part of the performance obligation to transfer the product. Costs related to shipping of product are recorded as incurred and classified in cost of sales in the statements of earnings.

Sales taxes collected from customers are presented on a net basis and as such are excluded from revenue.

Royalty Revenue

Royalty fees are calculated as a percentage of gross sales each month. Fees for participation in the national marketing program is also calculated as a percentage of monthly sales. Under the franchise agreements, advertising contributions paid by franchisees must be spent on advertising, marketing and related activities. Franchise royalties, as well as the marketing contributions, represent sales-based royalties that are related entirely to the Company's performance obligation under the franchise agreement and are recognized as franchise sales occur.

Franchise Fees

Franchise fees consist of initial and successor franchise fees. Franchise fees are recognized as revenue on a straight-line basis over the term of the respective franchise agreement, usually ten years. The franchise agreements generally consist of an obligation to assist in store set up, training, and the right to use intellectual and proprietary property.

Marketing and Accounting

The Company earns revenue from other management support of its franchise stores. Performance obligations include the use of proprietary point of sales software and accounting services. Franchise stores are billed monthly for these services and the Company recognizes revenue as earned monthly.

Gift Cards

The Company sells gifts cards to its customers, which do not have expiration dates. The gift cards are accounted for by recognizing a liability at the time the gift cards are sold and relieving the liability and recognizing revenue upon redemption. In addition, the Company recognizes revenue for the amount of gift cards expected to go unredeemed (commonly referred to as gift card breakage) under the redemption method. This method records gift card breakage as revenue on a proportional basis over the redemption period based on the historical gift card breakage rate, which is based on historical redemption patterns. The Company recognizes revenue on the remaining unredeemed gift cards based on determining that the likelihood of the gift card being redeemed is remote and that there is no legal obligation to remit the unredeemed gift cards to relevant jurisdictions.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Deposits Payable. Income related to the Company's annual convention is recognized in the year the event occurs. Any payments received in advance are recorded as deposits payable.

Advertising Costs. The Company expenses non-direct response advertising costs when incurred. The financial statements include non-direct response advertising costs of $10,023, $15,667, and $22,271 for the years ended December 31, 2023, 2022, and 2021, respectively.

Income Taxes. The Company has elected to be treated as a Subchapter S corporation under the Internal Revenue Code. Accordingly, no provision has been made for income taxes as the liability, if any, is that of the stockholders personally and not that of the Company.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United State of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B - PROPERTY AND EQUIPMENT

Property and equipment consists of:

	2023	2022	2021
Land	$ 150,305	$ 150,305	$ 150,305
Buildings	3,502,470	3,502,470	3,502,470
Equipment and fixtures	430,107	430,107	484,065
	4,082,882	4,082,882	4,136,840
Less accumulated depreciation	(1,103,395)	(995,448)	(908,137)
	$ 2,979,487	$ 3,087,434	$ 3,228,703

The financial statements include depreciation expense of $107,947, $107,947, and $112,812 for the years ended December 31, 2023, 2022, and 2021, respectively.

NOTE C - INTANGIBLE ASSETS

Intangible assets consist of the following:

Software costs	$ 1,088,172	$ 1,088,172	$ 1,025,505
Less accumulated amortization	(1,000,844)	(860,109)	(694,924)
	$ 87,328	$ 228,063	$ 330,581

The financial statements include amortization expense of $140,735, $144,549, and $40,928 for the years ended December 31, 2023, 2022, and 2021, respectively.

NOTE C - INTANGIBLE ASSETS - CONTINUED

Amortization expense for the years following December 31, 2023 is as follows:

Year ending December 31,	
2024	$ 86,481
2025	847
	$ 87,328

NOTE D - NOTES PAYABLE

Notes payable consists of the following:

		2023	2022	2021
(a)	Note payable, bank	$ 2,251,150	$ 2,386,292	$ 2,506,632
(b)	Note payable, former shareholder	547,736	601,410	-
(c)	Note payable, former shareholder	618,714	655,272	690,663
(d)	Note payable, bank	58,089	228,578	393,461
(e)	Note payable, bank	291,231	343,190	-
		3,766,920	4,214,742	3,590,756
	Less current maturities	(335,599)	(430,168)	(322,088)
		$ 3,431,321	$ 3,784,574	$ 3,268,668

(a) Note payable, bank, was due in monthly interest-only payments at 3.75% through the sale of the Company's former building on March 31, 2017. Beginning in April 2017, the Company began making regular monthly payments of $17,787 including interest at 3.75% and payments were due through December 2020. On December 31, 2020, the loan was refinanced. Under the new terms, monthly payments of $17,264 including interest of 3.5%, are due through November 1, 2025, with a final balloon payment due on December 1, 2025. The loan is guaranteed by a former shareholder.

(b) The company has a note payable to a former shareholder of $631,744 for the repurchase of Company stock. Monthly payments are $6,396 including interest at 4%. The note will mature on May 31, 2032.

(c) The Company had a line of credit with a former shareholder, maturing on December 31, 2019. Interest was based on the prime rate and was to be paid monthly. The interest rate at December 31, 2021 was 5%. The amount payable was refinanced on January 1, 2020, converting the line of credit to a note payable of $817,000 maturing on December 1, 2044. Interest is based on the prime rate and is to be paid monthly.

(d) On April 1, 2021, the Company converted a portion of the line of credit with the bank to a note payable of $500,000, payable in 36 monthly installments of $14,618 including interest at 3.25% per annum. The final payment is due April 10, 2024. The note is secured by the assets of the Company.

(e) On May 6, 2022, the Company obtained a note payable, with a bank for $400,000 that will mature on May 6, 2029. The note is payable in 83 monthly installments of $5,639 plus interest of 4.85%.

NOTE D - NOTES PAYABLE - CONTINUED

Maturities of notes payable for the years following December 31, 2022 are as follows:

Year ending December 31,	
2024	$ 335,599
2025	286,504
2026	297,737
2027	309,380
2028	321,489
Thereafter	2,216,211
	$ 3,766,920

NOTE E - LINE OF CREDIT

Line of credit, bank, has a maximum amount of $1,500,000 for the years ended December 31, 2023, 2022, and 2021. The interest rate at December 31, 2023 was 3.75%. The note is secured by substantially all Company assets and guaranteed by a shareholder. The amount outstanding at December 31, 2023, 2022, and 2021 was $543,000, $793,867, and $575,000. The line of credit matures January 5, 2024.

NOTE F - EMPLOYEE BENEFIT PLAN

The Company has a retirement savings plan for eligible employees. Employees are eligible to participate in the plan if they have been employed by the Company for 30 days, have attained 21 years of age, and work at least 20 hours per week. Employees may elect to contribute up to the maximum annual deferral limit. Effective September 2018 the Company elected to provide a discretionary matching contribution. Effective September 2021 the Company elected to change their contributions to an amount equal to 100% of the eligible employees' first 3% of contributions. The Company contributed $54,645, $48,474 and $14,996 for the years ended December 31, 2023, 2022 and 2021, respectively.

NOTE G - RELATED PARTY TRANSACTIONS

The Company has notes payable and a line of credit to a bank that are guaranteed by a former shareholder. See Notes D and E.

The Company has a note payable with a former shareholder for the repurchase of Company stock. See Note D.

The Company has a note payable to a former shareholder. See Note D.

NOTE H - CONTRACT BALANCES

The following tables provide information about the changes in the contract liabilities for the years ended December 31, 2023, 2022, and 2021.

	2023	2022	2021
Contract liabilities, beginning of year	$ 474,198	$ 358,084	$ 310,270
Recognition of revenue included in beginning balance	(530,708)	(441,981)	(367,603)
Collection of customer prepayments	663,835	558,095	415,417
Contract liabilities, end of year	$ 607,325	$ 474,198	$ 358,084

NOTE I - CONCENTRATIONS

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of checking accounts and money market accounts at financial institutions. Accounts at each institution are insured by the FDIC up to $250,000. At December 31, 2023 and 2022 bank balances did not exceed federally insured limits. At December 31, 2021, the bank accounts exceeded federally insured limits by $55,456. At December 31, 2023, 2022 and 2021, the Company has one non-federally insured STFIT account with a balance of $5,080, $5,017 and $150,296, respectively. The Company has not experienced any losses on such accounts.

NOTE J – STOCK SALE

On October 24, 2023, the Company's shareholders sold all issued shares to one organization.

NOTE K – NEW ACCOUNTING STANDARD

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326).* ASU 2016-13 significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. ASU 2016-13 and all subsequently issued amendments, collectively "ASC 326," is effective for annual reporting periods beginning after December 15, 2022. Financial assets held by the Company that are subject to the guidance in ASC 326 were cash and cash equivalents and accounts receivable.

On January 1, 2023, the Company adopted ASC 326. The impact of the adoption was not considered material to the financial statements and primarily resulted in enhanced disclosures only. The Company's accounting policies in note A have been updated to reflect the impact of the standard.

NOTE L - SUBSEQUENT EVENTS

Subsequent events have been evaluated through the audit report date, the date the financial statements were available to be issued.

Subsequent to year end, the line of credit in Note E was extended to March 2024 and paid in full in April 2024.

EXHIBIT C-1

UNAUDITED FINANCIAL STATEMENTS
AS OF MAY 31, 2024

These Financial Statements Have Been Prepared without an Audit. Prospective Franchisees or Sellers of Franchises Should be Advised that No Independent Certified Public Accountant Has Audited These Figures or Expressed an Opinion with Regard to their Content or Form.

HobbyTown
Balance Sheet
Friday, May 31, 2024

ASSETS

Current Assets		
Cash In Bank	$277,335.88	
Petty Cash Fund	157.90	
Accounts Receivable	443,027.82	
Inventory	2,159,581.14	
Prepaid Expenses	35,437.01	
Total Current Assets		***$2,915,539.75***
Property & Equipment		
Furniture & Equipment	1,518,278.67	
Land	150,304.66	
Building	3,502,469.78	
Less: Accumulated Depreciation	2,186,817.80	
Net Property & Equipment		***$2,984,235.31***
Other Assets		
Cash Value Life Insurance	54,979.87	
Net Other Assets		***$54,979.87***
Total Assets		***$5,954,754.93***

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities		
Accounts Payable	$330,569.46	
L.T. Debt, Current Portion	255,870.18	
Deposits	191,237.30	
Prepaid Revenue	552,269.38	
Marketing Fund	(560.40)	
Total Current Liabilities		***$1,329,385.92***
Long-Term Liabilities		
Long Term Debt	3,335,966.80	
Total Long-Term Liabilities		***$3,335,966.80***
Total Liabilities		***$4,665,352.72***
Equity		
Common Stock	12,162.67	
Additional Paid In Capital	659,510.00	
Retained Earnings	349,302.06	
Net Income (Loss)	267,713.66	
Total Equity		***$1,288,688.39***
Total Liabilities and Stockholders' Equity		***$5,954,041.11***

HobbyTown
Company Operations
Income Statement - Current & Year-to-Date
For the Five Months Ending Friday, May 31, 2024

	May	***%***	***YTD***	***%***
Revenue				
Warehouse	$117.33	0.04	$1,516,394.16	47.06
Royalty Fees	241,972.35	80.49	1,418,644.40	44.03
Web Site License Revenue	11,800.00	3.92	56,439.04	1.75
NMP	33,150.18	11.03	164,252.93	5.10
POS Lease	9,847.67	3.28	49,733.35	1.54
Accounting Services	3,750.00	1.25	15,090.00	0.47
Store Inv Counts	0.00	0.00	1,200.00	0.04
Stores Visits	0.00	0.00	290.47	0.01
Total Revenue	***300,637.53***	***100.00***	***3,222,044.35***	***100.00***
Cost of Sales				
Warehouse	0.00	0.00	1,356,739.05	42.11
Azure	9,720.15	3.23	49,092.09	1.52
Accounting Services	1,722.00	0.57	11,004.38	0.34
Total Cost of Sales	***11,442.15***	***3.81***	***1,416,835.52***	***43.97***
Gross Profit	***289,195.38***	***96.19***	***1,805,208.83***	***56.03***
Expenses				
Advertising Expense	788.32	0.26	24,317.23	0.75
National Marketing	0.00	0.00	26,900.25	0.83
Advertising Production	0.00	0.00	20,000.00	0.62
Bank Service Charges	0.00	0.00	12,053.87	0.37
Contract Labor	4,439.94	1.48	29,808.84	0.93
Pymt Processing Fees	135.60	0.05	22,176.05	0.69
Dues & Subscriptions	6,873.70	2.29	24,591.91	0.76
Employee Benefits	9,875.40	3.28	66,788.21	2.07
Leases & Rentals	1,553.91	0.52	10,963.08	0.34
Insurance, Business	0.00	0.00	41,105.99	1.28
Interest Expense	11,166.93	3.71	66,230.80	2.06
Marketing Expense	0.00	0.00	45.33	0.00
Meals & Entertainment	1,139.64	0.38	5,894.17	0.18
Miscellaneous Expense	40.00	0.01	3,444.67	0.11
Payroll	221,276.17	73.60	850,135.87	26.38
Payroll Taxes	14,692.36	4.89	64,992.53	2.02
Postage	0.00	0.00	135.16	0.00
Professional Fees	29,219.63	9.72	98,203.40	3.05
Repairs & Maintenance	1,794.09	0.60	12,458.28	0.39
Software Licenses	7,199.40	2.39	53,247.61	1.65
Supplies	2,809.35	0.93	5,186.00	0.16
Taxes	(1,292.00)	(0.43)	11,628.84	0.36
Communications	2,379.61	0.79	12,209.14	0.38
Travel	6,162.32	2.05	26,606.80	0.83
Utilities	1,161.17	0.39	10,688.61	0.33
Total Expenses	***321,415.54***	***106.91***	***1,499,812.64***	***46.55***
Operating Income (Loss)	***(32,220.16)***	***(10.72)***	***305,396.19***	***9.48***
Other (Income) & Expenses				
Store Rev. Share HT.com	7,080.00	2.35	33,658.05	1.04
Other (Income) & Expenses	0.00	0.00	(2,109.05)	(0.07)

HobbyTown
Company Operations
Income Statement - Current & Year-to-Date
For the Five Months Ending Friday, May 31, 2024

	May	***%***	***YTD***	***%***
Depreciation & Amortization	16,515.76	5.49	82,578.80	2.56
Undistributed	(623,686.51)	(207.45)	(76,445.27)	(2.37)
Total Other (Income) & Expenses	***(600,090.75)***	***(199.61)***	***37,682.53***	***1.17***
Net Income (Loss)	***567,870.59***	***188.89***	***267,713.66***	***8.31***

HobbyTown
Company Operations
Statement of Cash Flows
For the Five Months Ending Friday, May 31, 2024

	May	***YTD***
CASH FLOWS FROM OPERATING ACTIVITES		
Net Income (Loss)	$567,870.59	$267,713.66
Add Back Depreciation and Amortization	16,515.76	82,578.80
(Increase) / Decrease in Assets:		
Accounts Receivable	18,939.17	1,269,078.94
Inventory	0.00	116,853.97
Prepaid Expenses	(1,373.88)	73,875.35
Increase / (Decrease) in Liabilities:		
Accounts Payable	(560,173.38)	(1,149,345.91)
Accrued Expenses	0.00	(560.40)
Unearned Revenue & Franchisee Deposits	42,850.10	136,182.12
Net Cash Provided by Operating Activities	84,628.36	796,376.53
CASH FLOWS FROM INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Acquired Loan Obligations	0.00	1,415,676.44
Repayment of Loan Obligations	22,923.83	2,133,758.71
Net Cash Used in Financing Activities	(22,923.83)	(718,082.27)
Net Increase (Decrease) in Cash & Cash Equivalents	***$61,704.53***	***$78,294.26***
Beginning Cash Balance	215,789.25	198,485.70
Ending Cash Balance	277,493.78	277,493.78
Net Change in Cash Balance	***$61,704.53***	***$79,008.08***

EXHIBIT D
REGISTERED AGENTS FOR SERVICE OF PROCESS

ALABAMA	CALIFORNIA	COLORADO	CONNECTICUT
National Registered Agents, Inc. 2 North Jackson Street, Suite 605 Montgomery, AL 36104	National Registered Agents, Inc. 330 N Brand Blvd., Suite 700 Glendale, CA 91203	National Registered Agents, Inc. 7700 E. Arapahoe Rd., Suite 220 Centennial, CO 80112-1268	Secretary of State's Office 30 Trinity Street Hartford, CT 06106
FLORIDA	**GEORGIA**	**HAWAII**	**ILLINOIS**
National Registered Agents, Inc. 1200 South Pine Island Road Plantation, FL 33324	National Registered Agents, Inc. 289 S. Culver St. Lawrenceville, GA 30046-4805	Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division King Kalakaua Building 335 Merchant Street, Rm. 203 Honolulu, HI 96813	IL Attorney General's Office 500 S. Second Street Springfield, IL 62706
INDIANA	**KANSAS**	**MARYLAND**	**MASSACHUSETTS**
Secretary of State Room E-111 302 W. Washington St. Indianapolis, IN 46204 National Registered Agents, Inc. 334 North Senate Avenue Indianapolis, IN 46204-1708	National Registered Agents, Inc. of Kansas 112 SW 7th Street, Suite 3C Topeka, KS 66603	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020	National Registered Agents, Inc. 155 Federal Street, Suite 700 Boston, MA 02110
MINNESOTA	**NEBRASKA**	**NEW JERSEY**	**NEW YORK**
Commissioner of Commerce 85 7th Place East, Suite 500 St. Paul, MN 55101-2198	Thomas A. Walla 1133 Libra Drive Lincoln, NE 68512	National Registered Agents, Inc. 820 Bear Tavern Road West Trenton, NJ 08628	Secretary of State 99 Washington Avenue Albany, NY 12231
NORTH DAKOTA	**OHIO**	**PENNSYLVANIA**	**SOUTH DAKOTA**
Securities Commissioner State Capitol 600 E. Blvd., 5th Floor Bismarck, ND 58505	National Registered Agents, Inc. 4400 Easton Commons Way Suite 125 Columbus, OH 43219	National Registered Agents, Inc. 600 N 2nd Street Suite 401 Harrisburg, PA 17101-1071	Department of Labor and Regulation Division of Insurance Securities Regulation 124 S. Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563 National Registered Agents, Inc. 319 S. Coteau Street Pierre, SD 57501

TEXAS	UTAH	VIRGINIA	WASHINGTON
National Registered Agents, Inc. 1999 Bryan Street, Suite 900 Dallas, TX 75201-3136	National Registered Agents, Inc. 1108 E. South Union Avenue Midvale, UT 84047	Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219	Washington Dept. of Financial Institutions Securities Division 150 Israel Rd SW Tumwater, WA 98501
WISCONSIN			
Administrator of Division of Securities, 4th Floor P.O. Box 1768 345 W. Washington Ave. Madison, WI 53701-1768			

For all other states, the Company's registered agent and office for service of process is:

Thomas A. Walla
1133 Libra Drive
Lincoln, NE 68512

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EXHIBIT E

TABLE OF CONTENTS
FROM CONFIDENTIAL OPERATIONS MANUAL
AS OF APRIL 24, 2024

Operations Manual **Index**

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EXHIBIT F

DISCLOSURE DOCUMENT ADDENDA

Disclosure Document Addenda for the states of California, Illinois, Indiana, Maryland, Minnesota, New York, North Dakota, Virginia, Washington, and Wisconsin follow this page.

Additional Addenda disclosures concerning the agreements You must sign can be found at the end of Exhibits A and A-4. If You or Your HobbyTown®/ HobbyTown USA® store are located in one of the above-identified states, You should read Your state's Addenda as it applies to Your transaction with the Company.

ADDENDUM TO DISCLOSURE DOCUMENT
FOR THE STATE OF CALIFORNIA

THIS ADDENDUM TO DISCLOSURE DOCUMENT ("Addendum") is made this day of_____, 20__, by and between Hobby Town Unlimited, Inc. ("Franchisor") and_____("Franchisee").

WHEREAS, Franchisee has received a Franchise Disclosure Document (the "Disclosure Document"), within the required disclosure period as indicated on the Receipt page, of even date herewith;

WHEREAS, Franchisor and Franchisee desire to amend certain provisions of the Disclosure Document as set forth herein;

NOW, THEREFORE, in consideration of the mutual promises, disclosures and agreements set forth herein and in the Disclosure Document, the parties hereto hereby agree as follows.

1. **Cover Page**. The following sentence shall be added to the cover page of the Disclosure Document: "THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT."

2. **Item 3: Litigation**. The following sentence shall be added to Item 3 of the Disclosure Document: "Neither the Company, nor any person or franchise broker in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in that association or exchange."

3. **Item 5 and Item 7: Initial Fees**. Payment of the Initial Franchise Fee described in Item 5 and Item 7 of the Disclosure Document will be postponed until all of Franchisor's pre-opening obligations to Franchisee have been met and Franchisee is opened for business.

4. **Item 17: Renewal, Termination, Transfer and Dispute Resolution**. The following sentence shall be added to Item 17 of the Disclosure Document: "California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the laws of California, California law will control."

5. **Item 17(r): Post-Termination Noncompetition Covenant**. The Franchise Agreement contains a covenant not to compete, which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

6. **Item 17(v) and (w): Choice of Forum and Law.** The Franchise Agreement requires application of the laws of Nebraska. These provisions may not be enforceable under California law.

7. **Supersedeas; Ratification.** The terms hereof supersede any inconsistent terms, provisions or disclosures of the Disclosure Document. Except as expressly amended herein, the parties hereby ratify and affirm all the terms, provisions and disclosures of the Disclosure Document.

IN WITNESS WHEREOF, the parties have entered into this Addendum as of the date written above.

Dated: _____

_____
Franchisee

Printed Name: _____

Dated: _____

_____
Franchisee

Printed Name: _____

HOBBY TOWN UNLIMITED, INC.,
Franchisor

Dated: _____

By: _____

Its: _____

ADDENDUM TO DISCLOSURE DOCUMENT
FOR THE STATE OF ILLINOIS

THIS ADDENDUM TO DISCLOSURE DOCUMENT ("Addendum") is made this ___ day of _____, 20___, by and between Hobby Town Unlimited, Inc. ("Franchisor") and _____ ("Franchisee").

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

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

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

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

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

The Initial Franchise Fee described in Article II.A of the Franchise Agreement will be deferred until Franchisor has satisfied its pre-opening obligations to Franchisee and Franchisee has commenced business operations. The Illinois Attorney General's Office imposed this deferral requirement due to Franchisor's financial condition.

Dated: _____

_____
Franchisee

Printed Name: _____

Dated: _____

_____
Franchisee

Printed Name: _____

HOBBY TOWN UNLIMITED, INC.,
Franchisor

Dated: _____

By: _____

Its: _____

ADDENDUM TO DISCLOSURE DOCUMENT
FOR THE STATE OF INDIANA

THIS ADDENDUM TO DISCLOSURE DOCUMENT ("Addendum") is made this day of _____, 20___, by and between Hobby Town Unlimited, Inc. ("Franchisor") and _____ ("Franchisee").

WHEREAS, Franchisee has received a Franchise Disclosure Document (the "Disclosure Document"), within the required disclosure period as indicated on the Receipt page, of even date herewith;

WHEREAS, Franchisor and Franchisee desire to amend certain provisions of the Disclosure Document as set forth herein;

NOW, THEREFORE, in consideration of the mutual promises, disclosures and agreements set forth herein and in the Disclosure Document, the parties hereto hereby agree as follows.

1. **Item 17: Renewal, Termination, Transfer and Dispute Resolution.** The following sentence shall be added to Item 17 of the Disclosure Document: "With respect to franchises governed by Indiana law, the Company will comply with Indiana Code, Title 23, Article 2, Chapter 2.7, Section 3, which requires the Company to provide You with at least 90 days' notice of any termination of a franchise or election not to renew a franchise."

2. **Item 17(r): Non-competition covenants after the franchise is terminated or expires.** The following sentence shall be added to Item 17(r) of the Disclosure Document: "Post termination covenant not to compete may not exceed three (3) years and may not extend beyond Your exclusive territory."

3. **Supersedeas; Ratification.** The terms hereof supersede any inconsistent terms, provisions or disclosures of the Disclosure Document. Except as expressly amended herein, the parties hereby ratify and affirm all the terms, provisions and disclosures of the Disclosure Document.

IN WITNESS WHEREOF, the parties have entered into this Addendum as of the date written above.

Dated: _____ _____
Franchisee

Printed Name: _____

Dated: _____ _____
Franchisee

Printed Name: _____

HOBBY TOWN UNLIMITED, INC.,
Franchisor

Dated: _____

By: _____

Its: _____

ADDENDUM TO DISCLOSURE DOCUMENT
FOR THE STATE OF MARYLAND

THIS ADDENDUM TO DISCLOSURE DOCUMENT ("Addendum") is made this ___ day of _____, 20___, by and between Hobby Town Unlimited, Inc. ("Franchisor") and _____ ("Franchisee").

WHEREAS, Franchisee has received a Franchise Disclosure Document (the "Disclosure Document"), within the required disclosure period as indicated on the Receipt page, of even date herewith;

WHEREAS, Franchisor and Franchisee desire to amend certain provisions of the Disclosure Document as set forth herein;

NOW, THEREFORE, in consideration of the mutual promises, disclosures and agreements set forth herein and in the Disclosure Document, the parties hereto hereby agree as follows.

1. **Item 17(v): Renewal, Termination, Transfer and Dispute Resolution; Choice of Forum.** The following paragraph is hereby added to Item 17(v) of the Disclosure Document: "You may sue in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise."

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

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.

ADDENDUM TO DISCLOSURE DOCUMENT
FOR THE STATE OF MINNESOTA

THIS ADDENDUM TO DISCLOSURE DOCUMENT ("Addendum") is made this ___ day of _____, 20___, by and between Hobby Town Unlimited, Inc. ("Franchisor") and _____ ("Franchisee").

WHEREAS, Franchisee has received a Franchise Disclosure Document (the "Disclosure Document"), within the required disclosure period as indicated on the Receipt page, of even date herewith;

WHEREAS, Franchisor and Franchisee desire to amend certain provisions of the Disclosure Document as set forth herein;

NOW, THEREFORE, in consideration of the mutual promises, disclosures and agreements set forth herein and in the Disclosure Document, the parties hereto hereby agree as follows.

1. **Item 5 and Item 7: Initial Fees**. Payment of the Initial Franchise Fee described in Item 5 and Item 7 of the Disclosure Document will be postponed until all of Franchisor's pre-opening obligations to Franchisee have been met and Franchisee is opened for business.

2. **Item 13: Trademarks.** The following sentence shall be added to Item 13 of the Disclosure Document: "The Company will protect Your right to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify You from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name."

3. **Item 17: Renewal, Termination, Transfer and Dispute Resolution.** The following sentences shall be added to Item 17 of the Disclosure Document: "Pursuant to Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J., this section will not in any way abrogate or reduce any of Your rights as provided for in Minnesota Statutes 1984, Chapter 80C, including the right to submit matters to the jurisdiction of the courts in Minnesota. With respect to franchises governed by Minnesota law, the Company will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that You be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement."

4. **Supersedeas.** The terms hereof supersede any inconsistent terms, provisions or disclosures of the Disclosure Document.

IN WITNESS WHEREOF, the parties have entered into this Addendum as of the date written above.

Dated: _____

_____
Franchisee

Printed Name: _____

Dated: _____

_____
Franchisee

Printed Name: _____

HOBBY TOWN UNLIMITED, INC.,
Franchisor

Dated: _____

By: _____

Its: _____

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ADDENDUM TO DISCLOSURE DOCUMENT
FOR THE STATE OF NEW YORK

THIS ADDENDUM TO DISCLOSURE DOCUMENT ("Addendum") is made this ___ day of _____, 20___, by and between Hobby Town Unlimited, Inc. ("Franchisor") and _____ ("Franchisee").

WHEREAS, Franchisee has received a Franchise Disclosure Document (the "Disclosure Document"), within the required disclosure period as indicated on the Receipt page;

WHEREAS, Franchisor and Franchisee desire to amend certain provisions of the Disclosure Document as set forth herein;

NOW, THEREFORE, in consideration of the mutual promises, disclosures and agreements set forth herein and in the Disclosure Document, the parties hereto hereby agree as follows.

1. Franchisor represents that this Disclosure Document does not knowingly omit any material fact or contain any untrue statement of a material fact.

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

   INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT B 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.

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

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

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

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

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

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

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

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

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

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

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

7. Franchise Questionnaires and Acknowledgements—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. Receipts—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 earlier of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

Dated: _____

_____
Franchisee

Printed Name: _____

Dated: _____

_____
Franchisee

Printed Name: _____

HOBBY TOWN UNLIMITED, INC.,
Franchisor

Dated: _____

By: _____

Its: _____

ADDENDUM TO DISCLOSURE DOCUMENT
FOR THE STATE OF NORTH DAKOTA

THIS ADDENDUM TO DISCLOSURE DOCUMENT ("Addendum") is made this ___ day of _____, 20___, by and between Hobby Town Unlimited, Inc. ("Franchisor") and _____ ("Franchisee").

WHEREAS, Franchisee has received a Franchise Disclosure Document (the "Disclosure Document"), within the required disclosure period as indicated on the Receipt page, of even date herewith;

WHEREAS, Franchisor and Franchisee desire to amend certain provisions of the Disclosure Document as set forth herein;

NOW, THEREFORE, in consideration of the mutual promises, disclosures and agreements set forth herein and in the Disclosure Document, the parties hereto hereby agree as follows.

1. **Item 5 and Item 7: Initial Fees**. The Initial Franchise Fee described in Item 5 and Item 7 of the Disclosure Document will be deferred until Franchisor has satisfied its initial obligations to Franchisee under the Franchise Agreement or other documents and Franchisee has commenced doing business pursuant to the Franchise Agreement.

2. **Item 17: Renewal, Termination, Transfer and Dispute Resolution.** Portions of Item 17 are hereby amended as follows:

    a. **Item 17(q): Non-competition covenants during the term of the franchise.** The following sentence shall be added to Item 17(q) of the Disclosure Document: "Pursuant to Section 9-08-06 of the North Dakota Century Code and Section 51-19-09 of the North Dakota Franchise Investment Law, covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota."

    b. **Item 17(r): Non-competition covenants after the franchise is terminated or expires.** The following sentence shall be added to Item 17(r) of the Disclosure Document: "Pursuant to Section 9-08-06 of the North Dakota Century Code and Section 51-19-09 of the North Dakota Franchise Investment Law, covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota."

    c. **Item 17(v): Choice of Forum.** Item 17(v) is hereby deleted from the Disclosure Document.

d. **Item 17(w): Choice of Law.** Item 17(w) is hereby deleted from the Disclosure Document.

3. **Supersedeas; Ratification.** The terms hereof supersede any inconsistent terms, provisions or disclosures of the Disclosure Document.

IN WITNESS WHEREOF, the parties have entered into this Addendum as of the date written above.

Dated: _____

_____
Franchisee

Printed Name: _____

Dated: _____

_____
Franchisee

Printed Name: _____

HOBBY TOWN UNLIMITED, INC.,
Franchisor

Dated: _____

By: _____

Its: _____

ADDENDUM TO DISCLOSURE DOCUMENT
FOR THE COMMONWEALTH OF VIRGINIA

THIS ADDENDUM TO DISCLOSURE DOCUMENT ("Addendum") is made this ___ day of _____, 20___, by and between Hobby Town Unlimited, Inc. ("Franchisor") and _____ ("Franchisee").

WHEREAS, Franchisee has received a Franchise Disclosure Document (the "Disclosure Document"), within the required disclosure period as indicated on the Receipt page, of even date herewith;

WHEREAS, Franchisor and Franchisee desire to amend certain provisions of the Disclosure Document as set forth herein;

NOW, THEREFORE, in consideration of the mutual promises, disclosures, and agreements set forth herein and in the Disclosure Document, the parties hereby agree to the following additional disclosures:

1. In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, **the following statement is added to Item 17.h.:**

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

2. No statement, questionnaire, or acknowledgement signed or agreed to by you 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 us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the parties have entered into this Addendum as of the date first above written.

Dated: _____

_____
Franchisee

Printed Name: _____

Dated: _____

_____
Franchisee

Printed Name: _____

HOBBY TOWN UNLIMITED, INC.,
Franchisor

Dated: _____

By: _____

Its: _____

ADDENDUM TO DISCLOSURE DOCUMENT
FOR THE STATE OF WASHINGTON

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

To resolve an investigation by the Washington Attorney General and without admitting any liability, we have entered into an Assurance of Discontinuance ("AOD") with the State of

Washington, where we have agreed to remove from our form franchise agreement a provision which restricts a franchisee from soliciting and/or hiring the employees of our other franchisees, which the Attorney General alleges violates Washington state and federal antitrust and unfair practices laws. We have agreed, as part of the AOD, to not enforce any such provisions in any existing franchise agreement, to request that our Washington franchisees amend their existing franchise agreements to remove such provisions, and to notify our franchisees about the entry of the AOD.

No statement, questionnaire, or acknowledgement signed or agreed to by you 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 us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the parties have entered into this Addendum as of the date first above written.

Dated: _____

_____
Franchisee

Printed Name: _____

Dated: _____

_____
Franchisee

Printed Name: _____

HOBBY TOWN UNLIMITED, INC.,
Franchisor

Dated: _____

By: _____

Its: _____

ADDENDUM TO DISCLOSURE DOCUMENT
FOR THE STATE OF WISCONSIN

THIS ADDENDUM TO DISCLOSURE DOCUMENT ("Addendum") is made this ___ day of _____, 20___, by and between Hobby Town Unlimited, Inc. ("Franchisor") and _____ ("Franchisee").

WHEREAS, Franchisee has received a Franchise Disclosure Document (the "Disclosure Document"), within the required disclosure period as indicated on the Receipt page, of even date herewith;

WHEREAS, Franchisor and Franchisee desire to amend certain provisions of the Disclosure Document as set forth herein;

NOW, THEREFORE, in consideration of the mutual promises, disclosures and agreements set forth herein and in the Disclosure Document, the parties hereto hereby agree as follows.

Item 17: Renewal, Termination, Transfer and Dispute Resolution. The following sentence shall be added to Item 17 of the Disclosure Document: "The Wisconsin Fair Dealership Law supersedes any provisions contained in the Franchise Agreement or any other agreements that are inconsistent with that law."

IN WITNESS WHEREOF, the parties have entered into this Addendum as of the date written above.

Dated: _____

_____
Franchisee

Printed Name: _____

Dated: _____

_____
Franchisee

Printed Name: _____

HOBBY TOWN UNLIMITED, INC.,
Franchisor

Dated: _____

By: _____

Its: _____

EXHIBIT G

STORE ADDRESS LIST
AS OF DECEMBER 31, 2023

Address	City	ST	Zip	Phone	Owner Name
Ambassador Plaza 312 Schillinger Rd., Suite Q	Mobile	AL	36608	(251) 633-8446	Rob & Kari Baker
2755 Lakewood Village Drive	North Little Rock	AR	72116	(501) 812-0113	Brice & Julie Briscoe
340 N McKinley St, Suite 107	Corona	CA	92879	(951) 272-4020	Amanda Hamilton
5404 N. Blackstone Avenue	Fresno	CA	93710	(559) 557-4500	Eric Vasutin
2099 S 10th Street	San Jose	CA	95112	(408) 293-5555	Eric Vasutin
72750 Dinah Shore Drive 106	Palm Desert	CA	92211	(760) 345-8808	Jing Li & Jane Wu
41377 Margarita Rd., Ste F104	Temecula	CA	92591	(951) 699-7492	Justin & Denella Morgan
9747 Mission Gorge Road	Santee	CA	92071	(619) 334-0030	Mark Focareta
3507 Tully Road, Suite 90	Modesto	CA	95356	(209) 408-0521	Russell Coon
Citadel Crossing 839 N. Academy Blvd	Colorado Springs	CO	80909	(719) 637-0404	Corey Bosworth
7981 S. Broadway	Littleton	CO	80122	(702) 459-7387	Corey Bosworth
1915 S Havanna	Aurora	CO	80014	(303) 341-0414	Fred Beardslee
3355 S Wadsworth Blvd Suite G115	Lakewood	CO	80227	(303) 988-5157	Fred Beardslee
9120 Wadsworth Blvd	Westminster	CO	80021	(303) 431-0482	Justin & Lois Mueller
709 Main Street	Alamosa	CO	81101	(719) 937-2570	Mathew & Tammy Abbey
Fairfield Shopping Center 847 Post Rd.	Fairfield	CT	06824	(203) 256-0773	Chris, Bill & Dorenda Nolte
590 Eden Cir	Bear	DE	19701	(302) 595-4238	Rich & Brandi Lemley
1365 N. Dupont Hwy	Dover	DE	19901	(302) 538-7569	Rich & Brandi Lemley
6105 Wesley Grove Boulevard	Wesley Chapel	FL	33544	(813) 964-5447	Anthony Inniss
Capital Plaza 1812 Thomasville Rd	Tallahassee	FL	32303	(850) 671-2030	Michael & Vanessa Brodhead
Regency Square 2488 W. Brandon Blvd.	Brandon	FL	33511	(813) 655-6366	Steve & Carole Raimondi
2567 Countryside Blvd. Suite #8	Clearwater	FL	33761	(727) 953-3700	Terry Richardson
4107 River Watch Parkway	Martinez (Augusta)	GA	30907	(706) 855-5003	Dusty Germo
4125 GA-20, Suite P	Buford	GA	30518	(770) 418-0850	Dusty Germo
840 Ernest W Barrett Pkwy NW, Suite 650	Kennesaw	GA	30144	(770) 426-8800	Mike & Karin Murray
7607 Veterans Pkwy	Columbus	GA	31909	(706) 577-8872	Steve, Janice & Mason Smith
1701 SE Delaware Ave Suite 100	Ankeny	IA	50021	(515) 964-0443	Heather Bos and David Bos

Address	City	ST	Zip	Phone	Owner Name
7849 W. Emerald Street	Boise	ID	83704	(208) 917-7789	Christopher and Stacia Cope
Brookside Plaza 549 Waukegan Rd	Northbrook	IL	60062	(847) 205-5588	Jean-Pierre Deheeger
3782 N Alpine Rd	Rockford	IL	61114	(815) 282-0727	John Curtis
15601 S 94th Ave	Orland Park	IL	60462	(708) 349-8697	Steven & Kimberley Noel
341 Randall Road	Batavia	IL	60510	(630) 587-1256	Summer Davis and Jeremy Dale
Schaumburg Marketplace 251 W. Golf Rd	Schaumburg	IL	60195	(847) 490-0900	Summer Davis and Jeremy Dale
2200 E Morgan Ave	Evansville	IN	47711	(812) 473-1500	Aaron Boggess
8265 Center Run Drive	Indianapolis	IN	46250	(317) 845-4106	Derrick Johnson & Dustin Collins
12990 State Rd. 23	Granger	IN	46530	(574) 217-7715	Jing Li, Ryan Ramsey & Bobby Kmitta
8131 E Kellogg Drive, Suite 13C	Wichita	KS	67207	(316) 683-7222	Matt Riggins
2345 Russellville Rd.	Bowling Green	KY	42101	(270) 904-6100	Aaron Boggess
1555 E New Circle Road, Suite 122	Lexington	KY	40509	(859) 277-5664	Brian Miller and Ray Miller
Eastgate Shopping Center 12615 Shelbyville Road	Louisville	KY	40243	(502) 254-5755	Bryce & Sara Crabb
454 Prospect Blvd	Frederick	MD	21701	(301) 694-7395	Richard Benjamin
21770 W. 11 Mile Road	Southfield	MI	48076	(248) 864-5277	Marvin Ballinger
4879 Miller Truck Hwy. Suite B	Hermantown	MN	55811	(218) 723-7114	Jeff, Janette & Wes Smrcka
6265 N Oak Traffic Way	Kansas City	MO	64118	(816) 459-9590	Eric Jones
900 E Battlefield Rd Suites 152-160	Springfield	MO	65807	(417) 887-1517	Tim & Anita Weyers
129 Bleachery Blvd. Suite 1	Asheville	NC	28805	(828) 298-4445	Bob & Mary Barrett
3833 Ramsey Street	Fayetteville	NC	28311	(910) 436-3700	Greg & Sharon Steiner
168-W Norman Station Blvd.	Mooresville	NC	28117	(704) 799-9332	Jack Hunt
1826 HWY 70 SE	Hickory	NC	28602	(828) 315-9658	Jaime Warren
3255 Cornhusker Hwy, Suite B5	Lincoln	NE	68504	(402) 261-6714	Dan & Chelsy Schmidt
4107 Pioneer Woods Dr. Suite 108	Lincoln	NE	68506	(402) 434-5040	Dan & Chelsy Schmidt
8070 S. 84th Street	LaVista	NE	68128	(402) 597-1888	John Taulborg
10020 Scott Circle	Omaha	NE	68122	(402) 498-8888	John Taulborg
201 Wilmar Avenue, Suite D	Grand Island	NE	68803	(308) 382-3451	Matt Riggins

Address	City	ST	Zip	Phone	Owner Name
Apple Tree Mall 4 Orchard View Drive	Londonderry	NH	03053	(603) 432-4881	Minesh & Jigna Patel
1256 Indian Head Rd., #29	Toms River	NJ	08755	(848) 238-7631	Randy Holt
2 Dwight Park Dr	Syracuse	NY	13209	(315) 453-2291	Bruce Throne
34 Chenango Ave N	Clinton	NY	13323	(315) 557-5054	Mike Gordon & Kim Miller
2400 West 4th Street	Ontario	OH	44906	(419) 529-4343	Arnie Clawson
12108 Montgomery Road	Cincinnati	OH	45249	(513) 697-8224	Brian Miller and Ray Miller
7900 Plaza Blvd.	Mentor	OH	44060	(440) 974-2116	Brian Miller and Ray Miller
6492 East Main Street	Reynoldsburg	OH	43068	(614) 868-3700	Brian Miller and Ray Miller
West View Plaza 348 County Road 410	South Point	OH	45680	(740) 894-6303	Brian Miller and Ray Miller
4121 Talmadge Road	Toledo	OH	43623	(419) 469-2973	Terry Richardson
Normandy Creek Shopping Center 2236 W. Main St	Norman	OK	73069	(405) 292-5850	Gary & Robin Cahill
North Oaks Shopping Center 813 West Danforth Rd	Edmond	OK	73003	(405) 844-8697	Justin & Stephanie Houde
6808 South Memorial Drive, Suite 116	Tulsa	OK	74133	(918) 307-2000	Justin & Stephanie Houde
Argyle Square 25699 SW Argyle Ave. Unit F	Wilsonville	OR	97070	(503) 685-7333	Jesse and Iveta Herro
10317 SE 82nd Avenue	Happy Valley	OR	97086	(971) 222-2688	Kenny McKinney
2202A Gettysburg Rd	Camp Hill	PA	17011	(717) 737-7223	Stuart and David Kranzel
5311 Bush River Road	Columbia	SC	29212	(803) 736-0959	Dusty Germo
1710 S Western Ave	Sioux Falls	SD	57105	(605) 274-6229	Paul Reiter- Ryan Reiter (Manager)
3607 N Roan Street	Johnson City	TN	37601	(423) 610-1010	Bob & Mary Barrett
11145 Turkey Dr	Knoxville	TN	37934	(865) 675-1975	Ryan Wilson and Angela Phillips
French Quarter Shopping Center 4566 S. Broadway	Tyler	TX	75703	(903) 509-3000	Abraham Eastman
Parmer Crossing 2500 W. Parmer Lane, Suite 80	Austin	TX	78727	(512) 246-8904	Doug Dodson
7021 82nd Street	Lubbock	TX	79424	(806) 368-7921	Keith & Rose Butler
3303 N. Central Expressway Suite 220	Plano	TX	75023	(972) 424-8493	Peter Zellmer
4322 West Waco Drive	Waco	TX	76710	(254) 732-4477	Rossana Costa & Ronald Perkins
6060 East Mockingbird Lane, Suite 870	Dallas	TX	75206	(214) 987-4744	Ted Sparrow
746 Grapevine HWY	Hurst	TX	76054	(817) 581-1027	Ted Sparrow

Address	City	ST	Zip	Phone	Owner Name
1112 W Arbrook Blvd	Arlington	TX	76015	(817) 538-5088	Ted Sparrow
500 East Round Grove Rd Suite 125	Lewisville	TX	75067	(972) 315-3700	Ted Sparrow
Rockwall Crossing 935 East Interstate 30	Rockwall	TX	75087	(972) 771-1233	Ted Sparrow
215 W St George Blvd	St. George	UT	84790	(435) 429-6936	David & Dawn Flippo
Chancellor Center 4143 Plank Rd	Fredericksburg	VA	22407	(540) 786-5138	Michael Dayton
5007 Victory Blvd, F1	Yorktown	VA	23693	(757) 890-4515	Scott & Kelly Dayton
9900 W Broad Street, Suite B	Richmond	VA	23060	(804) 270-2250	Scott & Kelly Dayton
Loehmann's Plaza 4000 Virginia Beach Blvd #196	Virginia Beach	VA	23452	(757) 306-4760	Scott & Kelly Dayton
Centerpointe Retail Center 8720 N. E. Centerpointe Dr., Suite 219	Vancouver	WA	98665	(360) 823-0904	Bridgette Plett & Aaron Parsons
10868 Myhre Place, Suite 105	Silverdale	WA	98383	(360) 698-0312	Chris Hall
The Village at Everett Mall 1130 S.E. Everett Mall Way, Suite F	Everett	WA	98208	(425) 355-8086	Dave Mansius & Jonathan Rosen
Bakerview Square 410 W Bakerview Rd, #103	Bellingham	WA	98226	(360) 752-2240	Glenn Serl
Center Towers 1360 N Louisiana, Suite G	Kennewick	WA	99336	(509) 783-9130	Jeremy Mansius
Parkway Plaza South 17774 Southcenter Parkway	Tukwila	WA	98188	(206) 575-0949	Jonathan Rosen
9632 N Newport Hwy	Spokane	WA	99218	(509) 465-3267	Matt & June Hobson
7425 166th Avenue Ne	Redmond	WA	98052	(425) 558-0312	Travis & Maritess Walters
2785 S Oneida Street	Green Bay	WI	54304	(920) 490-9996	Andrew Roever
807 Oregon St	Oshkosh	WI	54902	(920) 426-1840	Robert Mazza
1708 S 108th St	West Allis	WI	53214	(414) 771-5215	Tony Waterman/ Diane Waterman

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	July 9, 2024
Illinois	June 11, 2024
Indiana	June 5, 2024
Maryland	July 10, 2024
Michigan	September 22, 2023 as amended November 10, 2023
Minnesota	June 25, 2024
New York	
North Dakota	June 1, 204
South Dakota	May 28, 2024
Virginia	May 28, 2024
Washington	September 7, 2023 as amended December 8, 2023
Wisconsin	May 7, 2024

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

EXHIBIT H

RECEIPT FORMS

RECEIPT

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain English. Read this Disclosure Document and all agreements carefully.

If Hobby Town Unlimited, Inc. offers You a franchise, it must provide this Disclosure Document to You 14 calendar-days (10 business days under Michigan law) before You sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. Under Iowa law, Hobby Town Unlimited, Inc. must provide this Disclosure Document to You at the earlier of Your first personal meeting with Hobby Town Unlimited, Inc., or 14 days prior to the earlier of Your execution of a Contract imposing a binding legal obligation on You or Your payment of any consideration in connection with the offer or sale of the franchise. New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting or ten (10) business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Hobby Town Unlimited, Inc. does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law or state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and Your State's regulatory agency found in Exhibit B.

Hobby Town Unlimited, Inc.'s sales agents for this offering are: (1) Robert Wilke, Timothy Van Ert, David Gaines, and Celeste Vanderlip, all of whom are officers or employees of Hobby Town Unlimited, Inc. and may be reached at 1133 Libra Drive, Lincoln, NE 68512 or (402) 434-5065 or sales@hobbytown.com; and (2) Ashley Fechner, Amie Hawk, Hannah Miller, and Kara Stark, all of whom are employees of Franchise FastLane, LLC and may be reached at 14301 FNB Pkwy, Suite 312, Omaha, NE 68154 or (531) 333-3278.

The registered agent authorized to receive service of process in Your state is disclosed in Exhibit D.

Issuance date: April 24, 2024.

I received a Disclosure Document dated April 24, 2024, which included the following Exhibits:

A.	Franchise Agreement and State Addenda	C.	Audited Financial Statements
A-1.	Opening Schedule addendum to Franchise Agreement	C-1.	Unaudited Financial Statements
		D.	Agents for Service of Process
A-2.	Protected Territory Addendum to Franchise Agreement	E.	Table of Contents from Confidential Operations Manual
A-3.	Guaranty Agreement	F.	Disclosure Document Addenda
A-4	Software License Agreement and State Addenda	G.	Store Address List
		H.	Receipt Forms
B.	State Administrators		

_____	Your name (Please print)_____
Date	Your signature_____
_____	Your name (Please print)_____
Date	Your signature_____

(YOUR COPY: You may sign, date, and keep this receipt page for Your records.)

RECEIPT

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain English. Read this Disclosure Document and all agreements carefully.

If Hobby Town Unlimited, Inc. offers You a franchise, it must provide this Disclosure Document to You 14 calendar-days (10 business days under Michigan law) before You sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. Under Iowa law, Hobby Town Unlimited, Inc. must provide this Disclosure Document to You at the earlier of Your first personal meeting with Hobby Town Unlimited, Inc., or 14 days prior to the earlier of Your execution of a Contract imposing a binding legal obligation on You or Your payment of any consideration in connection with the offer or sale of the franchise. New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting or ten (10) business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Hobby Town Unlimited, Inc. does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law or state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and Your State's regulatory agency found in Exhibit B.

Hobby Town Unlimited, Inc.'s sales agents for this offering are: (1) Robert Wilke, Timothy Van Ert, David Gaines, and Celeste Vanderlip, all of whom are officers or employees of Hobby Town Unlimited, Inc. and may be reached at 1133 Libra Drive, Lincoln, NE 68512 or (402) 434-5065 or sales@hobbytown.com; and (2) Ashley Fechner, Amie Hawk, Hannah Miller, and Kara Stark, all of whom are employees of Franchise FastLane, LLC and may be reached at 14301 FNB Pkwy, Suite 312, Omaha, NE 68154 or (531) 333-3278.

The registered agent authorized to receive service of process in Your state is disclosed in Exhibit D.

Issuance date: April 24, 2024.

I received a Disclosure Document dated April 24, 2024, which included the following Exhibits:

A.	Franchise Agreement and State Addenda	C.	Audited Financial Statements
A-1.	Opening Schedule addendum to Franchise Agreement	C-1.	Unaudited Financial Statements
		D.	Agents for Service of Process
A-2.	Protected Territory Addendum to Franchise Agreement	E.	Table of Contents from Confidential Operations Manual
A-3.	Guaranty Agreement	F.	Disclosure Document Addenda
A-4	Software License Agreement and State Addenda	G.	Store Address List
		H.	Receipt Forms
B.	State Administrators		

_____	Your name (Please print)_____
Date	Your signature_____
_____	Your name (Please print)_____
Date	Your signature_____

(HOBBY TOWN'S COPY: You should sign, date, and return this receipt page to **Hobby Town Unlimited, Inc.** at **1133 Libra Drive | Lincoln, NE 68512 | Attn: Robert Wilke**)

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