

FRANCHISE DISCLOSURE DOCUMENT



Sportball Systems USA, LLC
a Delaware limited liability company
39 Glen Cameron Road, Unit 8
Thornhill, Ontario, Canada L3T 1P1
(877) 678-5437
Website Address: www.sportball.ca
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Qualified franchisees will operate a Sportball franchised business (a “**Sportball Business**”) offering non-competitive sports programs for children from the ages of 16 months to 12 years old, using our proprietary methods and protocols developed by our founders in recognition of the need to help children develop fundamental movement skills in their formative years.

The total investment necessary to open and begin operating a Sportball Business is ~~\$50,200~~49,450 to ~~\$68,250~~66,750, which includes ~~\$40,950~~200 to ~~\$43,000~~41,500 that must be paid to us and/or our affiliates. If you already operate a Sportball Business, the total investment necessary to open and begin operating another Sportball Business is ~~\$40,200~~39,450 to ~~\$58,250~~56,750, which includes \$30,950 to \$33,000 that must be paid to us and/or our affiliates.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact ~~Myriam Brenner~~Mark Gelgor at 39 Glen Cameron Road, Unit 8, Thornhill, Ontario, Canada L3T 1P1, tel. (877) 678-5437.

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, DC 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.

Issuance Date: ~~August 10, 2020~~July 20, 2021

HOW TO USE THIS FRANCHISE DISCLOSURE DOCUMENT

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

QUESTION	WHERE TO FIND INFORMATION
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 E.
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 D 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 Sportball 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 Sportball franchisee?	Item 20 or Exhibit E 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 A.

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

SPECIAL RISKS TO CONSIDER ABOUT *THIS* FRANCHISE

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

Out-of-State Dispute Resolution. The franchise agreement requires you to resolve disputes with us by mediation and litigation in New York. Out of state mediation and litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate and litigate in New York than in your own state.

Minimum Royalty Fees. You must make minimum royalty fee payments regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

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

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

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EXHIBITS:

A: List of State Administrators/Agents for Service of Process	F: List of Franchisees Who Have Left The System
B: State Specific Addenda	G: Table of Contents of Manual
C: Franchise Agreement	H: Franchisee Disclosure Acknowledgment Statement
D: Financial Statements	I: Form of General Release
E: List of Franchisees	J: Coaching Agreement

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

Franchisor

The Franchisor is Sportball Systems USA, LLC, and for ease of reference, it will be referred to as “we”, “us” or “Sportball,” which is the name that you will use for your business. We refer to the person or entity who buys the franchise as “you” throughout the Disclosure Document. If you are a corporation or other form of business entity, certain provisions of the Franchise Agreement also apply to your owners and will be noted.

We are a Delaware limited liability company that was formed on October 27, 2006. Our franchisees will do business as “Sportball.” Our principal business address is 39 Glen Cameron Road, Unit 8, Thornhill, Ontario, Canada L3T 1P1 (tel: (877) 678-5437)). We have not offered franchises before in this or in any other lines of business. We have been selling “Sportball” franchises since 2007.

We are engaged in the business of granting and supporting franchises to franchisees under the “Sportball” trade name and trademark. We do not operate Sportball Businesses of the type being offered in this Disclosure Document.

Our Parents, Predecessors and Affiliates

Our parent and affiliate entities are noted below.

Sportball Systems Inc., an Ontario corporation established on December 4, 1998 (our “ <u>Parent</u> ”)	Our Parent was established to develop and support the “Sportball” franchise network in Canada, and to license certain intellectual property to us and to other affiliated entities. The Parent also offers and sells franchised Sportball Businesses in Canada. The Parent is jointly owned by MSI and 501.
Marcella Sport Inc., an Ontario corporation established on October 11, 1996 (“ <u>MSI</u> ”)	MSI is a holding company co-owned by Carmella Gelgor and Mark Gelgor. MSI owns an interest in our Parent and SB Ltd, and also owns all of IP Owner.
5014144 Ontario Limited, an Ontario corporation established on May 1, 2019 (“ <u>501</u> ”)	501 is a holding company co-owned by Jon Mallinick. 501 owns an interest in our Parent and SB Ltd. 501’s principal business address is 305-65 Harbour Square, Toronto, M5J 2L4, Ontario, Canada.
Sportball Ltd., an Ontario corporation established on August 24, 2005 (“ <u>SB Ltd</u> ”)	SB Ltd operates company-owned Sportball Businesses in Canada.
Sportball Canada Inc. is an Ontario corporation established on December 12, 1995 (“ <u>IP Owner</u> ”)	The IP Owner owns the “Sportball” trademarks and other intellectual property (including our proprietary system). IP Owner licenses the Marks and the System to us for our use and licensing to our franchisees.

Our Parent and each of our other affiliates have their offices co-located with us at 39 Glen Cameron Road, Unit 8, Thornhill, Ontario L3T 1P1 Canada. And, except as indicated above, none of these entities offers franchises or operates businesses of the kind that are offered under this disclosure document.

Our agents for service of process are attached as Exhibit A to this Disclosure Document.

Sportball Businesses

Our mission is to promote physical literacy, confidence, self-esteem and teamwork through our non-competitive sports instruction programs using our proprietary “**Sportball Method**.” Our approach is based on the philosophy that recognizes the importance of children developing fundamental movement skills in the early years and, as part of the Sportball Method, we combine our non-competitive, carefully designed sports programs, customized sports equipment and a positive, encouraging and fun environment to focus on improving gross motor skills, physical strength, fitness, social skills and self-esteem.

We offer and grant qualified candidates the opportunity to develop and operate one or more franchised Sportball Businesses using our “**System**,” which includes the Sportball Method (including our proprietary protocols and techniques), our business operating systems and our “**Proprietary Marks**” (including the trademark “Sportball” and certain other trademarks, service marks, trade names, logos and commercial symbols that we may periodically designate). Using our System, each Sportball Business will offer non-competitive sports programs for children from the ages of 16 months to 12 years old.

A new franchisee will enter into a franchise agreement with us (the “**Franchise Agreement**”) that sets out your rights and obligations in the operation of the Sportball Business (or the “**Franchised Business**”) and use of the Proprietary Marks and System, including our proprietary Sportball Method, training programs and materials, marketing and advertising support and operational systems. Our current form of Franchise Agreement is attached to this Disclosure Document as Exhibit C. Each Franchise Agreement will be between you and us and, in most circumstances, each of your owners will guarantee your obligations to us. You will follow the currently prescribed enrollment, scheduling, accounting, banking and business procedures set out in the Manual, as it may be periodically amended.

As a franchisee, you will offer Sportball Business programs to the public from one or more locations in your contractually-designated territory that you own, lease, or otherwise have the right to use on a full or part-time basis. Your Sportball locations must conform to local and state childcare safety regulations, including schools, community centers and retail spaces. You must operate the Sportball Business according to our System, including class formats, Sportball Method, business procedures, standards and specifications. You will be required to maintain an administrative office space with a dedicated telephone/fax line and high speed internet access. We recommend that the administrative office initially be located at your home. The following is a brief description of the programs currently offered at Sportball Businesses:

Sportball Programs:

- The Sportball Business offers programs for children ranging in age from 16 months through 12 years.
- Sportball programs focus on eight popular ball sports: hockey, soccer, basketball, baseball, volleyball, tennis, football, and golf. Children are taught the fundamental skills of each sport and have the opportunity to practice and refine these skills individually and in game situations.

- Creative games and activities are also integrated into classes, which allow children to interact with peers while learning skills essential for sport.
- Sportball offers drop-off programs (ages three to 12) and parent and child programs (ages 16 months to three years) year round. Program sessions generally run for six to 13 weeks and are held once a week for an hour. Children are placed in age-appropriate classes.

Multi-Sport Programs

- “Multi-Sport programs focus on skill development in eight popular sports: soccer, hockey, baseball, basketball, tennis, volleyball, football and golf. Children learn, rehearse, and refine sports skills in a positive, encouraging, and non-competitive atmosphere.
- Multi-Sport programs are carefully designed to focus on the child’s gross motor development. Through creative instruction, customized sports equipment, and positive encouragement, we help children develop balance, strength, coordination, stamina, and timing.
- Multi-Sport programs for pre-school and primary school children are held once a week for one hour, or 45 minutes for junior programs (ages 16 months to 24 months) and parent and child programs (ages two to three). Classes are programmed Monday to Sunday year round based on demand.

Sportball Birthday Parties

- Parties generally are one hour or one and one-half hours in length. Parties consist of sports and fun games that encourage the full participation of all children. Traditional birthday celebrations follow after the sports and games. Parties are run by Sportball coaches and generally do not require a minimum number of children. For children ages one to three, parent assistance and participation is required. Drop-off parties are available for children three and older.

Camps

- Camps operate seasonally and generally run for three hours in the morning or afternoon, or full day for six hours. Parents can register their children to attend for multiple weeks (or even for the entire summer). Sports include: soccer, hockey, basketball, baseball, volleyball, tennis, football, and golf. Camps include Multi-Sport programs and arts and crafts, music, cooperative games, snack time and theme days. Camps are run outdoors or indoors depending on the location and weather.

Soccer Programs

- Sportball soccer programs are non-competitive, skill-based, and provide children with the opportunity to learn how to play soccer with the help of experienced coaches. Programs focus on the fundamental skills of soccer including: throw-ins, kicking, dribbling and goalie skills. Children are taught to apply soccer skills successfully and confidently in soccer games.
- Soccer classes are offered outdoors during the summer, spring and fall months. For safety reasons, parents are required to remain at the field.

Sportball Fitkids

- “Sportball Fitkids” programs consist of activities that improve agility, stability, flexibility, endurance and core strength. By incorporating fundamental movement skills, this program will improve overall fitness and health. Classes include age-appropriate exercises, fun relays, exciting high energy games and good health tips.

Special Events

- Special events are targeted at schools, businesses, community groups and other child-orientated organizations. High-energy Sportball coaches attend special events to play sports and games with the children. Special events typically run for one to two hours.

School Programs

- Sportball provides lunchtime and after-school programs and physical education programs for schools.

Free Demonstrations

For those who are not familiar with the Sportball program, you will conduct free half-hour demonstrations at selected locations.

Sportball Coaches

Sportball coaches are generally young adults aged 18 to 35. Many coaches are studying or have related degrees in fields such as kinesiology, early childhood education, recreational management, physical education, and/or related experience working with children. You will enter into a “**Coaching Agreement**” with each of your coaches, the form of which we will periodically prescribe and which is currently attached to this Disclosure Document as Exhibit J.

You will need to thoroughly screen each member of the coaching team that you engage to work in your Sportball Business. Coaches are required to pass police screening and/or vulnerable sector checks, where available, for working with children and also must be first aid and CPR certified.

All coaches undergo ongoing training in the Sportball Method. Coaches are allocated programs to teach independently after they have passed a training course and meet our standards for teaching. Coaching techniques and policies are monitored to ensure that children receive the highest quality programming.

Market and Competition

There is a competitive market for the services offered by a Sportball Business, which is geared toward families and other children’s care givers who seek physical education and sports activities for their children, in addition to schools and community centers that provide children’s programs. Some of your competition in the market for children’s physical education and sports activities will be from well-known and established franchised businesses such as those operated under the brands *19 Sports*, *Soccer Shots*, *Gymboree*, *Little Gym*, and *My Gym*. You also will compete with other activity programs directed at young children, including single sport leagues (such as little league baseball and soccer), martial arts programs, educational programs (focused, for example, on computers, math and science and language programs for children), programs focused

on movement and athletics (such as parent-child playgroups, gymnastic programs and dance programs), programs based on performing arts, including drama, music and dance, and all other types of programs and activities directed to the market for children's activities. We encourage you to survey your local market to determine the number of competitors, the numbers and types of programs, facilities, ages of children they service, the fees charged, and the perceived quality and reputation of these competing programs.

Industry Specific Laws

You must comply with all local, state, and federal laws that apply to your Sportball Business operations, including for example health, sanitation, no-smoking, EEOC, OSHA, discrimination, employment, and sexual harassment laws. The Americans with Disability Act of 1990 requires readily accessible accommodation for disabled persons. ~~In 2020, due to the global coronavirus pandemic, some government agencies have ordered (or suggested) that businesses temporarily close and/or have otherwise severely limited the manner in which businesses may operate.~~ You will be required to comply with all applicable federal, state, and local laws and regulations in connection with the operation of your Sportball Business.

In addition, you will be subject to various federal, state, and local laws pertaining to the operation of a business offering programs to children (depending upon the jurisdiction, regulations governing children's educational and general enrichment programs, day care centers, day camps, fire and building safety and health). If your local jurisdiction requires a teaching certificate in order to offer our programs, you or your staff must have a current teaching certificate. Some localities may have laws requiring background checks for persons working with children (and we require you to arrange for background and criminal checks on your prospective employees to be undertaken at your (or your employees') expense). We strongly urge you to consult with local counsel to determine your obligations under these, and any other, laws.

ITEM 2 BUSINESS EXPERIENCE

Carmella Gelgor: President and Director
Ms. Gelgor has been our President and a member of our Board of Directors since October 2006. She co-founded Sportball Canada Inc. in 1995 and currently serves as its Vice President and Director. She also co-founded Sportball Systems Inc. in 1998 and currently serves as its President and Director.

Mark Gelgor: Operations Director and Director
Mr. Gelgor has been Operations Director and a member of our Board of Directors since October 2006. He co-founded Sportball Canada Inc. in 1995 and currently serves as its President and Operations Director. He also co-founded Sportball Systems Inc. in 1998 and currently serves as its Vice-President and Director.

Jon Mallinick: Director
Mr. Mallinick has served as a member of our Board of Directors since October 2006. He was our Director of Development from October 2006 to December 2019. He has served as Director of Development for Sportball Systems Inc. from its inception in 1998 to December 2019.

~~Jason D'Rocha: Director of Training and Franchise Development
Mr. D'Rocha has served as our and SB Ltd's Director of Training and Franchise Development since May 2016. Before that, he has served us and SB Ltd in numerous capacities, including as Director of Training and Customer Experience from May 2014 to May 2016, Director of Training from May 2008~~

~~to May 2014, Director of Adapted Programs from June 2005 to May 2008, and as a Coach from October 2004 to June 2008.~~

ITEM 3 LITIGATION

In August 2020, we entered into a Consent Order with the California Department of ~~Business Oversight~~ [Financial Protection and Innovation](#) following its conclusion that we inadvertently granted two franchise agreements in California, 8 and 10 years earlier, with franchisees (that later transferred their franchises to buyers) at times when we did not realize we were not registered. The Consent Order also claimed that we did not retain certain documents relating to those earlier transactions. Under the Consent Order, we paid a \$5,000 civil penalty and agreed, among other things, to amend our document retention policies and comply with the California Franchise Investment Law.

Except for the action described above, no litigation is required to be disclosed in this Disclosure Document.

ITEM 4 BANKRUPTCY

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

ITEM 5 INITIAL FEES

Initial Franchise Fee

If you are approved to enter into a Franchise Agreement, then when you sign the Franchise Agreement, you will have to pay an initial franchise fee to us.

The initial franchise fee is \$38,000, but if you are an existing franchisee and are entering into a second or additional Franchise Agreement with us, the initial franchise fee is \$28,000. The initial franchise fee is nonrefundable, payable to us and deemed earned in full upon receipt. The initial franchise fee is uniformly applied.

Purchase of Sportball Equipment and Clothing

Before the first session, you must purchase from us, at a cost ranging from \$2,000 to \$2,500, an initial inventory of Sportball equipment for use in your Franchised Business. This includes a full set of equipment required to conduct programs. As your Sportball Business grows, you will be required to purchase additional sets of equipment as additional coaches are hired. Before the first session, you must also purchase from us, at a cost ranging from \$200 to \$1,000, an initial inventory of Sportball clothing for use in your Franchised Business. The amounts you pay to purchase equipment and clothing are non-refundable.

Initial Advertising and Promotional Materials Package

~~You must purchase directly from us a package of initial advertising materials. We have developed these materials to help market Sportball to potential program partners. Your payment for these materials will range from \$750 to \$1,500 and is non-refundable.~~

There are no other payments to or purchases from us or our affiliates that you must make before you begin operating your Franchised Business. Unless otherwise indicated, all initial payments to us are uniform.

ITEM 6 OTHER FEES

Type Of Fee	Amount	When Due	Remarks
Royalty Fee (Note 1, Note 2)	8% of Gross Sales. After the second year of operation, there is a minimum royalty fee of \$6,000 per year. See Note 2	By the 15th day of every month for the preceding calendar month	We will, through the Database Management and Reporting System (defined below), receive all payments from participants for your programs for online registrations by credit card and will withhold from any payments to you all Royalty Fees.
Advertising Fund Contribution (Note 3)	Currently 1% of Gross Sales. See Note 3	Payable at the same time and in the same manner as the Royalty Fees	See Item 11 for a description of the Advertising Fund.
Online Registration Transaction Fees (Note 4)	1% of transaction (to a maximum of \$5 per transaction for invoices)	Payable monthly to third-party software provider providers	See Note 4.
Paysafe Card Processing: Online Credit Card Transaction Fees (Note 5)	\$.30 per credit card transaction for online registration plus 2.75% of the charged amount	Payable monthly to third-party software provider	See Note 5.
Stripe Card Processing: Online Credit Card Transaction Fees (Note 5)	\$.30 per credit card transaction for online registration plus 2.9% of the charged amount	Payable monthly to third-party software provider	See Note 5.

Type Of Fee	Amount	When Due	Remarks
Technology Fee 1) Cloud based content management platform for marketing materials 2 Cloud based communications and marketing software 3) Microsoft email addresses 34) Learning management system maintenance and upkeep	Lump sum of \$360 annually Currently no cost. Lump sum of either \$61.20 or \$192 annually depending on the plan you choose Lump sum of \$360 annually	As incurred	These amounts are paid to us or a third party providerproviders to cover these technology expenses. We are currently "beta testing" a new marketing and content management platform, which is at no cost. We anticipate that this may replace our current content management platform.
Additional Initial Training Attendees	No fee paid to us for up to two individuals attending our training program. \$500 per person for additional trainees. Costs and expenses of attending training.	As incurred	We do not charge a training fee for two individuals to attend our initial management training program and coach certification program. You may send up to two individuals to each. If you send more than two individuals, you must pay us a training fee for each additional individual. You will bear the cost of any wages, benefits, travel, lodging and meal expenses incurred by you and your attendees during initial training
Replacement Management Training	\$1,500 per attendee, plus travel and accommodation expenses;	At time of training	If you request that we provide replacement management personnel training, you must pay this fee for each individual attending such training.

Type Of Fee	Amount	When Due	Remarks
Additional Training	\$500 per day.	As incurred	You may ask us to provide on-site <u>or virtual</u> training in addition to that which we will provide to you in connection with the initial training programs. If we are able to do so, you must pay this fee as well as our out-of-pocket expenses. Additionally, if we determine that you are not operating the Franchised Business according to our standards and you are in default of the Franchise Agreement, we may require you and/or your employees to complete additional training at the Franchised Business or a location that we designate, <u>(or virtually)</u> , at your expense, which include our then-current per diem training charges and our out-of-pocket expenses for any training conducted at your Franchised Business.
Renewal Fee	\$5,000	At time of renewal	
Transfer Fee	\$7,500	At time of transfer	
Interest	1.5% per month or the highest applicable rate, whichever is less	On demand	Payable on any amounts owed to us or our affiliates that is overdue
Audit Fees	Cost of audit plus interest on underpayment.	On demand	If an audit is required due to your failure to provide reports, or if an audit reveals an understatement of any amount by 2% or more, you must pay any understated amount to us plus interest, and you must reimburse the costs of the audit. We retain our other rights under the Franchise Agreement and applicable law, including the right to terminate your Franchise Agreement

Type Of Fee	Amount	When Due	Remarks
Indemnification	Will vary under circumstances	When incurred	You must defend, indemnify and hold us and our affiliates and various other parties harmless from all losses, damages, liability, costs and expenses etc. of any kind arising in whole or in part from the operation of your Business or any violation of your Franchise Agreement with us.
Costs and Attorneys' Fees	Will vary under circumstances	As incurred	You must reimburse us for our costs in enforcing the terms of your Franchise Agreement with us
Insurance Administrative Fee	Will vary under circumstances	As incurred	If you do not procure or maintain the required insurance, we have the right to procure such insurance on your behalf and to charge the premiums to you, along with a reasonable fee for our expenses in so acting (\$500/day, pro rated for the time we spend to procure such insurance for you), plus attorneys' fees if applicable.
Convention Fee	If and when we hold an annual convention, will not exceed \$500 per day per attendee	As incurred	We do not currently have an annual convention, but may do so in the future. You and your Certified Coaches must attend the conventions and meetings that we may periodically require and pay this fee for each attendee, along with the other costs of attendance (including travel, room and board, and your employees' wages, benefits and other expenses).

Notes to Item 6 chart:

Note 1: All fees are uniformly applied to new system franchisees and are non-refundable. However, in instances in which it was appropriate to do so, we have waived some or all of these fees for particular franchisees.

Note 2: "Gross Sales" means all revenue from the sale of all Services and products and all other income of every kind and nature related to, derived from, or originating from the Franchised Business (whether or not permitted under this Agreement), including barter and the proceeds of any business interruption insurance policies, whether for cash or credit, and regardless of theft, or of collection in the case of credit. In certain locations (such as certain community centers), registration revenue is collected by a third party and remitted net of rent or a percentage share of revenue held by the third party; and in those cases, the net revenue shall be regarded as "Gross Sales." Gross Sales excludes: (a) any legitimate and reasonable discounts and/or refunds that you provide to

participants; and (b) sales taxes or other taxes that you collect from your participants and actually pay to the appropriate taxing authorities.

Note 3: We have the right (but not the obligation) to establish, maintain, and administer a System wide marketing and promotional fund (the “**Advertising Fund**”). If we establish and maintain an Advertising Fund, you must contribute an amount equal to 1% of Gross Sales of the Franchised Business, which we may increase at any time with three months’ written notice, to 2% of Gross Sales (the “**Advertising Fund Contribution**”).

Note 4: We require you to use ~~a one or more~~ web-based database and management reporting ~~system~~systems hosted by ~~a~~ third-party software ~~licensor. This~~licensors. These software ~~application~~includes applications include an online registration program you must use for all program registrations, as well as for parties, events and other contracts. Each third-party software applies to a different category of software for your Franchised Business.

Note 5: Credit transactions are cleared through the software licensor and registration fees collected online on your account are remitted to us less the fees described above. We then remit to you the net amount received from the software licensor on your account, less Royalty Fees and Advertising Fund Contributions (which we will withhold), on or about the 15th of each Month following the Month funds are received.

ITEM 7 ESTIMATED INITIAL INVESTMENT

Item	Estimated Cost	Method Of Payment	When Due	To Whom Paid
Franchise Fee (Note 2)	\$38,000	Lump Sum	On signing the Franchise Agreement	Us
Rent Deposit, pre-paid rent, utility and phone deposits (Note 3)	\$0 to \$250	As arranged	As arranged	Third Parties
Insurance initial payment (Note 4)	\$2,000 to \$3,000	As arranged	As arranged	Insurance provider
Signage (Note 5)	\$250 to \$500	Lump sum	Upon ordering	Vendors
Printing/Business Supplies/and Office Equipment /Software and Internet Access (Note 6)	\$2,500 to \$4,000	As arranged	As arranged	Vendors
Initial Market Advertising and Promotion (Note 7)	\$750 to \$1,500	Lump sum	Upon signing Franchise Agreement	Us
Pre-Opening Payroll (Note 8 <u>7</u>)	\$1,000 to \$3,000	As arranged	As arranged	Coaches, employees
Training Expenses (Note 9 <u>8</u>)	\$1,000 to \$3,000	As arranged	As arranged	Hotels, airlines, etc.

Item	Estimated Cost	Method Of Payment	When Due	To Whom Paid
Additional Funds – 3 Months (Note 40 <u>9</u>)	\$1,000 to \$5,000	As arranged	As arranged	Not Applicable
Professional Fees (Note 44 <u>10</u>)	\$1,000 to \$5,000	As arranged	As arranged	Lawyer, Accountant and Consultant
Permits and Licenses (Note 42 <u>11</u>)	\$500 to \$1,500	As arranged	As arranged	Government authorities
Sportball Equipment Package (Note 43 <u>12</u>)	\$2,000 to \$2,500	Lump sum	Upon signing Franchise Agreement	Us
Sportball Clothing (Note 44 <u>13</u>)	\$200 to \$1,000	Lump sum	As incurred	Us
Totals (Note 45 <u>14</u>)	\$50,200 <u>49,450</u> to \$68,250 <u>66,750</u>			

In general, none of the expenses listed in the above chart are refundable, except any security deposits you must make may be refundable and the initial franchise fee is partially refundable in certain circumstances (see Item 5). We do not finance any portion of your initial investment.

Although we do not expect you to do so, if you would like to operate a Sportball Business out of a retail location, then your initial investment costs and expenses will be higher (and will include higher rent, utility and deposit costs than as reflected above, leasehold improvements, acquisition of furniture, fixtures and equipment, and other expenses associated with the retail location).

Note 1: The totals in each of the tables above set out the estimated initial investment for a “Sportball” Franchised Business. The above figures do not take into account any possibility of reduced costs. We strongly encourage you to consult your own tax and accounting professionals and advisors to determine the correct treatment of taxes and expenses.

Note 2. The initial franchise fee and certain expenses are discussed in detail in Item 5. Except as detailed in Item 5, the initial franchise fee is non-refundable. If you are an existing franchisee and are entering into a second or additional Franchise Agreement with us, the initial franchise fee is \$28,000.

Note 3. The low end of this range assumes you have access to program locations for which payment is made for hourly use of space. The upper end of the range assumes there are deposits to be paid in advance. All program locations established in the designated territory rented by the hour, day or otherwise, are subject to our acceptance. You also must have an administrative office with a dedicated telephone/fax line and internet access. We recommend that this office be located in your home.

Note 4. You will need to obtain the insurance coverage as may be reasonably required by us or your landlord. This amount represents the estimate for the insurance premium. Item 8 of this Disclosure Document and the Franchise Agreement specifies the required amounts necessary for your Franchised Business.

Note 5. This amount represents the estimated costs for outdoor signage at Sportball locations. Where permitted you must display Sportball signage at program locations 15 minutes before and after, and at all times while classes are offered. All signage must be consistent with our standards and guidelines.

Note 6. This is an estimate of the cost of the design and replication of pre-printed materials; such as, business cards, letterhead and envelopes, brochures, and postcards. All of these items must include our approved artwork and otherwise meet our specifications as set forth in the Manual. The initial design of these items must be approved by us and purchased from an approved vendor. You will need to own or lease office equipment, including telephone, computer, a computer printer, a photocopier, and telecommunications equipment compatible with our licensed online database and management reporting system and any other required software, hardware, and internet specifications.

Note 7. ~~The package includes brochures and materials to help market Sportball to potential program partners. This expenditure will be credited toward your local marketing and advertising expenditure requirement.~~ This amount represents expenses associated with initial staff meetings, training for Coaches and administrative staff.

~~Note 8. This amount represents expenses associated with initial staff meetings, training for Coaches and administrative staff.~~

~~Note 9.~~ Note 8. This figure includes the cost for transportation, meals and other expenses associated with pre-opening training and travel to required portions of Business and Administrative Training and Coach Certification for two (2) individuals. The Business and Administrative Training and Coach Certification Training requires up to 80 hours of online and/or individual participation. These expenses will increase if you send additional attendees to Business and Administrative Training or Coach Certification, as you are also responsible for covering their expenses. More information regarding initial training can be found in Item 11 of this Disclosure Document.

Note ~~10~~9. This is an estimate of funds needed to cover your business expenses during your first three months of operation from the date you open for business. These figures are only estimates and we cannot assure you that you will not have additional expenses when launching your Franchised Business. This three-month period does not necessarily mean that you will “break even” or that you will reach any certain financial position. The anticipated expenses are our estimate of an average of what you may expect. The actual amount of additional funds you will need to operate for the three month period will depend on various factors, including your management skills, economic conditions, the competition in your Territory, the level of sales that you may achieve and your ability to manage expenses during this period and various other factors.

Note ~~11~~10. These are estimates for fees to be charged by your lawyer to review the Disclosure Document and the Franchise Agreement, and other documentation, to advise you, and to incorporate a business entity on your behalf to sign the Franchise Agreement and fees to be charged by your accountant and/or financial advisor.

Note ~~12~~11. This amount represents the estimated fees you will pay to apply for various permits and licenses. The applications and fees required will depend upon the regulations of the governing agencies in your area.

Note ~~13~~12. As noted in Item 5, before opening, each Sportball Business must purchase certain designated equipment. You may be required to purchase additional equipment if you operate from multiple locations initially.

Note ~~14~~¹³. Coaches are required to wear Sportball approved clothing with a Sportball logo.

Note ~~15~~¹⁴. We relied on our experience to compile these estimates. You should review these figures carefully with a business advisor before making any decision to purchase the franchise. We do not offer direct or indirect financing to franchisees for any items. Finally, you are encouraged to visit existing franchisees who may be willing to answer any questions you might have with respect to the foregoing estimates.

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

General

While your Franchised Business will focus on the provision of Services, you will also offer certain approved products from your Franchised Business. To insure that the highest degree of quality and service is maintained, you must operate the Franchised Business in strict conformity with the methods, standards, and specifications as we may periodically prescribe in the Manual or otherwise in writing.

At all times during the term of the Franchise Agreement, you must:

- sell or offer for sale only the services, items, and products that we have approved, using only the materials, equipment and techniques that we have approved for you to offer at your Franchised Business;
- sell or offer for sale all the Services and products, employing the techniques that we specify;
- not deviate from our standards and specifications, including manner of maintenance of your equipment and products; and
- stop using and offering any services, products or equipment that we disapprove.

If you deviate (or propose to deviate) from our standards and specifications, whether or not we have approved, the deviation will become our exclusive property.

You must buy all products, equipment, supplies, materials (such as packaging), and other products used or offered for sale at the Franchised Business only from suppliers (including manufacturers, distributors, and other sources) that we have approved in writing (and see below regarding restrictions for Proprietary Items). When considering whether to approve any particular possible supplier, we will consider (among others) the following factors: whether the supplier can show, to our reasonable satisfaction, the ability to meet our then-current standards and specifications; whether the supplier has adequate quality controls and capacity to supply the System's needs promptly and reliably; and whether the supplier's approval would enable the System, in our sole opinion, to take advantage of marketplace efficiencies. You may not buy items from any supplier that we have not yet approved in writing, and you must stop buying items from any supplier who we approve, but later disapprove. As explained above, we have the right to designate only one supplier for certain items (which supplier may be us or one of our affiliates). We (or our affiliates) may derive revenue from your purchases of products or other items.

Your Coaches must be Sportball-certified by successfully completing Sportball Coach Training. You may not use any Coaches other than Sportball-certified Coaches to teach Sportball programs, classes or individuals. Sportball Coaches must teach Sportball programs in accordance with the System and the Sportball Method. You must offer only those programs and classes through

the Sportball Franchise as we have approved and in the format and using the names, methods, and materials we prescribe. Any exceptions must be approved by us before their actual implementation. For some programs you may be required to provide registrants with Sportball branded clothing or sports related materials. You will purchase these items from us or our designated supplier.

We may require that certain items that you offer at your Franchised Business be produced in accordance with our proprietary standards and specifications (and/or those of our affiliates) (our "Proprietary Items"). We may also require that you purchase and offer branded non-proprietary private-label products at your Franchised Business. In order to maintain the high standards of quality and uniformity associated with Proprietary Items, and other products bearing the Proprietary Marks, you must purchase those Proprietary Items and products, as well as any packaging bearing the Proprietary Marks (and any other products we may now or in the future designate), only from us, our affiliates, and/or our approved suppliers, and not to offer or sell any other such products at or from your Franchised Business.

If you want to buy any products (other than the Proprietary Items), or any other items from an unapproved supplier, you first must submit to us a written request asking for our approval to do so. You may not purchase from any proposed new supplier until we have reviewed and, if we think it is appropriate, approved in writing the proposed new supplier. Among other things, we will have the right to require that our representatives be permitted to inspect the proposed new supplier's facilities, and that samples from that supplier be delivered either to us or to an independent laboratory that we designate for testing. Either you or the proposed new supplier must pay us a charge (which will not exceed the reasonable time and cost of the inspection and the actual cost of the tests). We also may require that the proposed new supplier comply with certain other requirements that we may deem appropriate, including for example payment of reasonable continuing inspection fees and administrative costs, or other payment to us by the supplier on account of their dealings with you or other franchisees, for use, without restriction (unless otherwise instructed by the supplier) and for services that we may render to our suppliers. We reserve the right, at our option, to periodically re-inspect the facilities and products of any approved supplier and to revoke our approval if the supplier does not continue to meet any of our then-current criteria.

We estimate that we will be able to notify you of our approval or disapproval of a proposed new supplier within 30 business days after receipt of your written request and any additional information that we may request about the proposed supplier, although the Franchise Agreement does not specify how long our evaluation process may take. This is only an estimate and the actual approval time may be shorter or longer than 30 days.

The Franchise Agreement also provides that you may not use any item bearing our trademarks without our prior written approval as to those items.

We estimate that your purchases of the products from approved or designated suppliers will be approximately 5% to 6% of your initial investment and approximately 10% to 20% of your ongoing operating purchases for your Franchised Business.

You must allow us or our agents, at any reasonable time, to inspect products and equipment and to remove samples of items or products, without payment, in amounts reasonably necessary for inspection or testing by us or a third party to determine whether those samples meet our then-current standards and specifications. We may require you to bear the cost of that testing if we did not previously approve in writing the supplier of the item or if the sample that we take from your Franchised Business fails to conform to our specifications.

Required Purchases from Us

During our fiscal year ended December 31, ~~2020~~2019, we did not receive any revenues from franchisees for purchases of products or services, but our affiliate, SB Ltd, received revenues in the amount of ~~\$35,410,27,823~~ from franchisee purchases of products (which represented 1.4~~6~~% of SB Ltd's total ~~2020~~2019 revenues ~~of \$2,529,330~~). Except as noted above, neither we nor our affiliates received any revenues from franchisee purchases of goods and services (whether required or not) during our last fiscal year.

There are no approved suppliers in which any of our officers owns an interest. We do not provide material benefits to you based upon your use of designated or approved sources or your purchase of particular products or services.

Purchasing or Distribution Cooperatives and Purchase Arrangements

We may establish strategic alliances or preferred vendor programs with suppliers that are willing to supply some products or services to some or all of the Sportball Businesses in our System. If we do establish those types of alliances or programs, we may limit the number of approved suppliers with whom you may deal, we may designate sources that you must use for some or all products and services, and we may refuse to approve proposals from franchisees to add new suppliers if we believe that action would be in the best interests of the System or the franchised network of Sportball Businesses.

Currently, there are no purchasing or distribution cooperatives in existence. There are no negotiated purchase arrangements in effect at this time.

We have the right to collect and retain all manufacturing allowances, marketing allowances, rebates, credits, monies, payments or benefits (collectively, "**Allowances**") offered by suppliers to you or to us (or our affiliates) based upon your purchases of products, equipment, and other goods and services. These Allowances include those based on System-wide purchases of products, equipment and other items. The amount of Allowances varies from supplier to supplier.

Computer System

You must purchase and install computer hardware as we may periodically specify. You must also use such computer software programs in the operation of your Business that we may specify, including our customized relationship management software, which is available only from our designated supplier. We may require you to sign a software license agreement in connection with your use of designated software.

Insurance

Under the Franchise Agreement, you must obtain and maintain at least the following insurance coverages:

- comprehensive general liability insurance, written on an occurrence basis, extended to include contractual liability, products and completed operations, and personal and advertising injury, with a combined bodily injury and property damage limit of at least \$3,000,000 in the aggregate and \$1,000,000 per occurrence;
- Property damage liability insurance with a limit of at least \$100,000, and medical expenses of at least \$25,000 for each occurrence;

- Statutory workers' compensation insurance and employer's liability insurance as well as such other insurance as may be required by statute or rule of the state in which you are located and operated;
- Automobile liability insurance with limits of not less than \$1,000,000 for purchased or leased vehicles used in connection with the Franchised Business; and
- any other insurance coverage that is required by federal, state, or municipal law.

Each insurance policy required under the Franchise Agreement must be primary and noncontributory and must be issued by an issuer we approve, who must have a rating of at least "A-" in the most recent *Key Rating Guide* published by the A.M. Best Company (or another rating that we reasonably designate if A.M. Best Company no longer publishes the Key Rating Guide) and must be licensed to do business in the state in which the Franchised Business is located. For purposes of System uniformity, we currently recommend obtaining these insurance policies from the following insurance broker, although you are free to obtain this insurance from a source of your choosing: RPS Bollinger Sport & Leisure Insurance (contact: Will Kroulis - Will_Kroulis@rpsins.com Tel: 973 921 8076). All liability and property damage policies must name us as additional insureds and must provide that each policy cannot be cancelled unless we are given thirty days' prior written notice.

We may periodically increase required coverage limits or require additional or different coverage to reflect inflation, identification of new risks, changes in the law or standards of liability, higher damage awards and other relevant changes in circumstances. You must deliver to us (and in the future maintain on file with us) valid and current certificates of insurance showing that all required insurance is in full force and effect. The requirements specified in the Franchise Agreement are only minimums and you are encouraged to review whether additional coverage may be appropriate in your market and for your business.

ITEM 9 FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document.

Obligation	Section in Franchise Agreement	Item In Disclosure Document
A. Site selection and acquisition/lease	§§ 1.2 and 1.5	Items 11 and 12
B. Pre-opening purchases/leases	§ 4.7	Items 7 and 8
C. Site development and other pre-opening requirements	§§ 3.2 and 5.2	Items 6, 7 and 11
D. Initial and ongoing training	§§ 3.1, 5.1, 6, and 16.5.8	Items 6 and 11
E. Opening	§ 5.1 and 8.2	Item 11
F. Fees	§§ 2.2.6, 4, 13.1, 13.2, and 16.5.9	Items 5, 6 and 7

Obligation	Section in Franchise Agreement	Item In Disclosure Document
G. Compliance with standards and policies/operating manual	§§ 3.3, 5, 8, and 10	Item 8
H. Trademarks and proprietary information	§§ 1.1 and 9	Items 13 and 14
I. Restriction on products/services offered	§§ 7.1, 7.2, and 8.4	Item 8 and 16
J. Warranty and customer service requirements	§ 8.3	Not applicable
K. Territorial development and sales quotas	§§ 1.4	Item 12
L. Ongoing product service purchases	§ 7	Items 8 and 11
M. Maintenance, appearance, and remodeling requirements	§§ 2.2.2, 5, 8.6, 8.7, and 16.5.5	Items 6 and 17
N. Insurance	§ 15	Items 7 and 8
O. Advertising	§ 13	Items 6 and 11
P. Indemnification	§ 21.4 and Exhibit B	Item 6
Q. Owners participation / management / staffing	§§ 8.3, 8.9, and 19.1	Item 15
R. Records and reports	§§ 3.6, 4.2 and 12	Items 9 and 11
S. Inspections and audits	§§ 7.1.5, 8.4.3, 8.10, and 12	Item 6, 11 and 13
T. Transfer	§§ 8.9 and 16	Items 9 and 17
U. Renewal	§ 2.2	Item 17
V. Post-termination obligations	§ 18	Item 17
W. Non-compete agreements	§ 19	Item 17
X. Dispute resolution	§ 27	Item 17
Y. Taxes/permits	§§ 8.6 and 20	Item 1

Obligation	Section in Franchise Agreement	Item In Disclosure Document
Z. Other (personal guarantee)	Exhibit B	Not applicable

ITEM 10 FINANCING

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

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

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

Pre-Opening Obligations:

Before you open your Franchised Business under the Franchise Agreement:

- (1) We will provide to you (or to your Operating Principal (defined below)), as well as your Specially-Trained Management Personnel (defined below), our ~~standard initial~~customized franchise training program ~~at our headquarters or another location that we designate. The training program will be a combination of in-person and virtual training.~~ We will make this training available for up to two individuals. You may ~~send~~include more, but at your own expense. (Training is also discussed below in this Item 11 under the subheading "Training.") *Franchise Agreement, Sections 3.1, 6.2.*
- (2) We will provide ~~such~~online and on site pre-opening and opening supervision and assistance that we think is advisable, and as may be described in the Manual. *Franchise Agreement, Section 3.2.*
- (3) We will afford you access to our "**Database Management Reporting ~~System~~Systems**" that we license from ~~a third party~~parties, which will enable you to, among other things, download and print class lists, medical information, emergency contact information and other pertinent information; maintain a historical record of all registrants, and the number of registrants at each location for each season; administer all registration for programs, camps, birthday parties, special events and all other Sportball activities; and provide you with details of all payments received for your programs. *Franchise Agreement, Section 3.7.*
- (4) We will lend you (or provide you with access to), for the duration of the Franchise Agreement, one copy of the Manual (which is more fully described in Item 14 below). *Franchise Agreement, Section 3.3.* ~~There are 737 pages in the Manual.~~There are 852 pages in the Manual. We will also provide you with access to our online learning management system (currently called "Efront"), for the duration of the Franchise Agreement, inclusive of manuals, lesson plans, workshops, courses, quizzes, audiobooks, videos, and other training materials and operational resources.

We are not required by the Franchise Agreement to furnish any other service or assistance to you before the opening of your Franchised Business.

Post-Opening Obligations:

We are required by the Franchise Agreement to provide certain assistance and service to you. During the operation of your Franchised Business:

- (1) We will provide you periodic assistance in the marketing, management, and operation of the Franchised Business at the times and in the manner that we determine. *Franchise Agreement, Section 3.6.*
- (2) We will review and have the right to approve or disapprove all marketing materials that you propose to use. *Franchise Agreement, Section 3.4.*
- (3) We will administer the Advertising Fund. *Franchise Agreement, Section 3.5.*

Neither the Franchise Agreement, nor any other agreement, requires us to provide any other assistance or services to you during the operation of the Franchised Business.

Training

Before opening your Franchised Business, you (or if you are an entity, your Operating Principal) must attend and successfully complete, to our satisfaction, the initial training program we offer for Sportball Business franchisees at our headquarters in Thornhill, Ontario or another location that we specify ~~(or online)~~. You may ~~send~~include up to one additional individual (including the Specially Trained Management Personnel) ~~to~~in the initial management training program. If you ask to ~~send~~include more than two individuals ~~to~~in the initial management training program, you must pay us a training fee in the amount of \$500 for each individual to be trained (so long as training for these individuals takes place simultaneously with the training we provide for the other two individuals), with payment to be made in full before training starts. For replacement training for a Specially Trained Management Personnel, you must pay us a training fee in the amount of \$1,500 for each individual to be trained, with payment to be made in full before training starts.

The term “**Specially-Trained Management Personnel**” means you (or the Operating Principal) and any other individuals who have successfully completed our initial and ongoing training requirements and possess the qualifications necessary to the management and/or service roles that each such performs in the Franchised Business.

Before opening your Franchised Business, we will provide up to 40 hours of Sportball coach certification training for up to two of your coaches (one of whom must be you or your Operating Principal) at our offices in Thornhill, Ontario (or another location that we may designate in the U.S.). You (or the Operating Principal) must attend coach certification training as a coach. A coach that successfully completes this training will be a “**Certified Coach**.” You must ~~send~~include at least one individual to become a Certified Coach. At our discretion, any part of this training may be provided through online training using ~~the Manual~~“Efront” and other materials we may prescribe. Any coaches you hire to offer Services must successfully complete training to our satisfaction and become a Certified Coach. If you ask to ~~send~~include more than two individuals ~~to~~in the initial coach certification training, you must pay us a training fee in the amount of \$500 for each individual to be trained (so long as training for these individuals takes place simultaneously with the training we provide for the other two individuals), with payment to be made in full before training starts. For replacement coach certification training, we will provide such training at a cost of \$1,500 for up to two individuals to attend such training, with payment to be made in full before training starts.

We alone have the right to judge whether a person has successfully completed training. If you or your personnel fail to complete initial training to our satisfaction, you or they may repeat the course or may send a substitute to the next available scheduled training session; however, we will have no obligation to extend the opening deadline for the Franchised Business for this purpose, and we reserve the right to terminate the Franchise Agreement if your Operating Principal and any other required personnel are unable in our opinion to have successfully ~~complete~~completed training. We have the right to charge you a training fee for repeated initial training.

Additionally, you may ask us to provide online or on-site training in addition to that which we will provide to you in connection with the initial training program or the opening of the Franchised Business. If we are able to do so, then you must pay then-current per diem training fee as well as our out-of-pocket expenses.

If any of you (or the Operating Principal) or other Specially-Trained Management Personnel cease active management or employment at the Franchised Business, then you must train a qualified replacement (who must be reasonably acceptable to us) not more than 30 days after the end of the former person's full-time employment or management responsibilities. The replacement must successfully complete the initial training program, to our reasonable satisfaction, as soon as it is practical to do so.

We may require that any or all of the Specially-Trained Management Personnel attend refresher courses, seminars, and other training programs periodically.

We will bear the cost of all training (instruction and required materials) (except for additional and replacement training, as noted above and in Item 6). You will bear all other expenses incurred in attending training, such as the costs of transportation, lodging, meals, wages, and worker's compensation insurance (see Items 6 and 7 of this disclosure document).

The subjects covered in the initial training program are described below.

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Sportball Coach Certification Training	Approximately 40 hours total		Toronto, Ontario, online, or another location we select
Business and Administrative Training	Approximately 40 hours total		Toronto, Ontario, online, or another location we select
TOTAL	Approximately 80 hours total		

The training materials we use in the initial training program include our confidential operations ~~Manual~~resources any other information that we believe will be beneficial to our franchisees in the training process. Training is conducted as frequently as we determine it necessary in order to hold a training class.

~~Jason D'Rocha and Mark Gelgor, each of~~ whose biographical information is included in Item 2 above and ~~each of whom have~~who has over ~~12~~25 years of experience with us and with the subjects taught, will supervise the initial training programs. ~~They~~He may work with and will supervise other individuals who will provide instruction during initial training.

The initial training program takes place online and at our offices in Thornhill, Ontario (or at other locations we select, ~~including online~~) at least once every three months or more often as we deem necessary. The initial training program must be successfully completed before operating the Sportball Business, at a minimum, by you or, if you are an entity, your Operating Principal.

Marketing

As described in Item 6 above, throughout the term of the Franchise Agreement, you will be required to make a monthly Advertising Fund Contribution in the amount of 1% of Gross Sales of the Franchised Business (which we may increase at any time with three months' written notice, to 2% of Gross Sales). You must also spend, on an annual basis, at least 1% your Franchised Business' annual Gross Sales on local marketing and promotion.

We have not formed an advertising council or other advisory body composed of franchisees to assist us on marketing policies, but we reserve the right to do so in the future. As described below, we are not required to spend any particular amount on marketing in the area where your Franchised Business is located.

The Advertising Fund

We have the sole right to determine how the Advertising Fund creates, places, and pays for marketing. We (or our designee, which might be a corporate subsidiary or a marketing agency) will maintain and administer the Advertising Fund, as follows:

- (a) We or our designee will direct all marketing programs, with sole discretion over the concepts, materials, and media used in these programs and the placement and allocation of the programs. The source for marketing materials used by the Advertising Fund may be both in-house and regional or national advertising agencies. The Advertising Fund is intended to maximize general public recognition (building the *Sportball* brand), acceptance, and use of the System. Neither we nor our designee are obligated to make expenditures for you that are equivalent or proportionate to your contribution, or to ensure that any particular franchisee benefits directly or pro rata from expenditures by the Advertising Fund.
- (b) The Advertising Fund, including all contributions to the fund and all amounts that it earns, will be used exclusively to meet the costs of maintaining, administering, staffing, directing, conducting, and preparing advertising, marketing, public relations and promotional programs and materials. The Advertising Fund will also be used for other activities that we believe will enhance the System's image. This includes, among other things: the costs of preparing and conducting media advertising campaigns on radio, television, cable, and other media; direct mail advertising; developing and implementing website, social networking/media, search optimization, and other electronic marketing strategies; marketing surveys and other public relations activities; employing marketing personnel (including salaries for personnel directly engaged in consumer-oriented marketing functions), advertising and/or public relations agencies to assist therein; purchasing and distributing promotional items, conducting and administering visual merchandising, point of sale, and other merchandising programs; engaging individuals as spokespersons and celebrity endorsers; purchasing creative content for local sales

materials; reviewing locally-produced ads; preparing, purchasing and distributing door hangers, free-standing inserts (FSI's), coupons, brochures, and trademarked apparel; market research; conducting sponsorships, sweepstakes and competitions; engaging mystery shoppers for Sportball Businesses and their competitors; paying association dues (including the International Franchise Association), establishing third-party facilities for customizing local advertising; purchasing and installing signage; and providing promotional and other marketing materials and services to the Sportball Businesses operated under the System), as well as making loans (at reasonable interest rates); and providing rebates or reimbursements to franchisees for local expenditures on products, services, or improvements that we have approved in advance. The Advertising Fund may take out and pay interest on loans for marketing purposes.

- (c) The Advertising Fund, all contributions, and any earnings, will be used exclusively to meet the costs of marketing and any other activities that we believe will enhance the System's image and, in our sole discretion, promote general public awareness of and favorable support for the System.
- (d) We will withhold your Advertising Fund Contribution through the Database Management and Reporting System in the same manner as you must pay Royalty Fees. All sums you pay to the Advertising Fund will be accounted for separately from our other monies and will not be used to defray any of our expenses, except for the reasonable costs and overhead, if any, as we may incur in activities reasonably related to the direction and implementation of the Advertising Fund and marketing programs for you and the System (for example, costs of personnel for creating and implementing, advertising, merchandising, promotional and marketing programs). The Advertising Fund and its earnings will not otherwise inure to our benefit or be used to solicit the sale of franchises. We or our designee will maintain separate bookkeeping accounts for the Advertising Fund. We do not currently prepare an annual audited financial statement for the Advertising Fund, but we may do so in the future.
- (e) The Advertising Fund is not and will not be our asset.
- (f) Although the Advertising Fund is intended to be of perpetual duration, we maintain the right to terminate the Advertising Fund. The Advertising Fund will not be terminated, however, until all monies in the Advertising Fund have been expended for marketing purposes. If amounts are unspent in the Advertising Fund at fiscal year-end, those amounts will be carried over by the Fund for expenditure in the following year(s).
- (g) The Advertising Fund is not audited. A statement of the Advertising Fund's operations, as shown on our books, will be prepared annually, and that statement will be made available to you upon request.

Our current policy is that company-owned Sportball Businesses will contribute to the Advertising Fund. If we elect to have any of our Sportball Businesses contribute to the Advertising Fund, we will have the same rights for our contributing Sportball Businesses as our franchisees have for their Sportball Businesses. We reserve the right to change our policy at any time.

None of the amounts collected or held by the Advertising Fund may be used for marketing that is principally a solicitation for the sale of franchises. We may receive payment for providing goods and services to the Advertising Fund, such as personnel, staff, office space, supplies, and other general and administrative costs that we incur on the Advertising Fund's behalf.

For the fiscal year ended December 31, ~~2020~~2019, the Advertising Fund's expenditures were:

~~8%~~ ~~on advertising creative content~~
~~213%~~ on web creative content
~~2259%~~ on web maintenance
~~2327%~~ on social media consulting
~~451%~~ on ~~employee allocation~~other expenses

Local Advertising and Promotion

You must spend, on an annual basis, at least 1% your Franchised Business' annual Gross Sales on local marketing and promotion by direct mail and print advertising, internet advertising and promotion focused on your market, public relations assistance, and other forms of advertising and promotion as we may approve. You must provide to us such documentation as necessary or that we may require in order to show us that you have made these required local marketing and promotion expenditures.

Certain criteria will apply to any local advertising and promotional activities that you conduct. All of your local advertising and promotion must be dignified, must conform to our standards and requirements, and must be conducted in the media, type, and format that we have approved. You may not use any marketing or promotional plans that we have not approved in writing. You must submit to us samples of all proposed plans and materials (unless, within the previous six months, we prepared or already approved the plans or materials). If we do not give our response (whether approval or disapproval) to the proposed plans or materials within fourteen days, we will have been deemed to disapprove the plans or materials.

All copyrights in and to marketing and promotional materials you develop (or that are developed for you) will become our sole property. You must sign the documents (and, if necessary, require your staff, including your Coaches, to sign the documents) that we deem necessary to implement this provision.

As used in the Franchise Agreement, the term "**local advertising and promotion**" refers to only the direct costs of purchasing and producing marketing materials (such as camera-ready marketing and point of sale materials), media (space or time), promotion, and your direct out-of-pocket expenses related to costs of marketing and sales promotion in your local market or area. Local advertising and promotion also includes associated advertising agency fees and expenses, postage, shipping, telephone, and photocopying costs. "Advertising and promotion" does not, however, include any of the following:

- (a) Salaries, incentives or discounts offered to your employees, and your employees expenses;
- (b) Charitable, political or other contributions or donations; and
- (c) The value of discounts provided to customers.

Online Sites (as defined below) are considered as "marketing" under the Franchise Agreement, and are subject (among other things) to our review and prior written approval before they may be used (as described above). As used in the Franchise Agreement, the term "**Online Site**" means one or more related documents, designs, pages, or other communications that can be accessed through electronic means, including, for example, the Internet, World Wide Web,

webpages, microsites, social networking sites (including Facebook, Twitter, LinkedIn, YouTube, Instagram, Pinterest, etc.), blogs, vlogs, applications to be installed on mobile devices (including iOS and Android apps), and other applications, etc., and that refers to the Franchised Business, Proprietary Marks, us, or the System. In connection with any Online Site, the Franchise Agreement provides that you may not establish an Online Site, nor may you offer, promote, or sell any products or services, or make any use of the Proprietary Marks, through the Internet without our prior written approval. As a condition to granting consent, we will have the right to establish any requirement that we deem appropriate, including for example a requirement that your only presence on the Internet will be through one or more webpages that we establish on our website.

Computer Requirements

We require our franchisees to purchase a computer system. You must meet our requirements concerning the computer system, including: (a) back office systems; (b) systems to store data, audio, video (including managed video security surveillance), telephone, voice messaging, retrieval, and transmission systems for use at Sportball Businesses, between or among Sportball Businesses, and between or among the Franchised Business, and you, and us; (c) physical, electronic, and other security systems and measures; (d) printers and other peripheral devices; (e) archival back-up systems; and (f) internet access mode (e.g., form of telecommunications connection) and speed (collectively, all of the above are referred to as the “**Computer System**”). You may not install any non-business or unapproved software, hardware, or firmware on your Computer System.

We have the right to develop or have developed for us, or to designate: (a) computer software programs and accounting system software that you must use in connection with the Computer System (“**Required Software**”), which you must install; (b) updates, supplements, modifications, or enhancements to the Required Software, which you must install; (c) the tangible media upon which you must record data; and (d) the database file structure of your Computer System.

The minimum configuration and specifications for your Computer System will be included in the Manual and you will be provided those details during your new franchisee orientation process. You must have, at a minimum, the latest version of Microsoft Office that has the following components: Microsoft Word, Microsoft Excel, and Microsoft Outlook. The approximate cost of the computer hardware and software can range from \$2,920 to \$4,550. Your hardware may be purchased from the vendor of your choice.

You must have access to a high speed internet connection.

We recommend, but do not require, that you maintain an on-site maintenance service contract for your computer system. We may require you to upgrade and/or update your computer system. The frequency could be annually or bi-annually, and they would be at your cost. There are no contractual limitations on our ability to require you to upgrade/update your computer, but we will not require upgrades and/or updates that are unreasonable. We estimate the annual cost to update and maintain the computer hardware and software to be from \$700 to \$3,500.

We license from ~~a third-party parties~~ web-based database and management reporting ~~system~~systems. We will provide access to the database and management reporting system to enable you to download and print class lists, allergy lists, emergency contact information and other pertinent information; maintain a historical record of all registrants and the number of registrants at each location for each season; administer all registrations for programs, camps, birthday parties, special events and all other Sportball activities; and provide you with details of all payments received for your programs, and deposit payment to your bank account.

All franchisees must use the web-based database and management reporting ~~system~~systems to register participants and invoice third parties, where applicable. Online payments made by registrants for your account are remitted to us less the transaction fees described below and we, in turn, remit the balance to you (less Royalty Fees and Advertising Fund Contributions) on a monthly basis with a covering statement either by check or direct deposit at our option. The current transaction fees are 1% of revenue transacted up to a maximum of \$5 per transaction or invoice, plus \$.30 per credit card transaction and 2.75% or 2.9%, as the case may be, of the amount of any credit transaction. These fees are subject to change based on the fees charged to us by the software licensor.

Length of Time to Open and Site Selection

You are required to maintain an administrative office for the operation and administration of the Sportball Franchise located within the territory in which you are granted the right to operate the Sportball Franchise. You do not need to operate your Franchised Businesses out of a retail location.

You must enter all locations at which you will conduct programs for your Sportball Business in our Sportball location registration database. You are responsible for establishing Sportball locations, but each proposed location is subject to our review and, at our option, acceptance. Sportball locations may be indoors or outdoors in schools, church halls, community centers, commercial or retail spaces, or any other place where Sportball programs can be conducted safely and in compliance with all applicable laws and regulations. Sportball locations may be seasonal. Some may operate only in the summer or only during the school year. Program locations may offer a range of classes daily up to seven days a week, or a small number of classes on one day a week. Our designation of a site as acceptable will be based on such factors as size, location, traffic patterns, access, parking, layout, ceiling height, appropriateness for Sportball activities, availability (both in terms of times of day and over extended periods) and the terms of any proposed lease, daily or hourly rental, or purchase agreement. Upon request, you must submit to us a form of the lease and any rental or purchase agreement to be executed, plus demographic or other information we may need to judge the site. If the facilities you propose are not acceptable, you may not operate Sportball programs there and must locate another site.

You must complete our initial training program within three months after you sign the Franchise Agreement. You must open the administrative office of your Franchised Business (which we recommend be initially located in your home), and begin offering classes and programs at your program location(s), within two months following your successful completion of the initial training program. The typical length of time between signing a Franchise Agreement and offering Sportball programs to the public is two to three months, but is not to exceed five months. Conditions that affect the length of time are: your ability to locate acceptable sites and program partners, negotiate rental agreements, our training schedules and successful completion by you and your Coaches of all required training, school year schedules and the ability to obtain necessary business licenses. If you fail to open Sportball location(s) within five months after the effective date of the Franchise Agreement, we have the right to terminate the Franchise Agreement. If we terminate the Franchise Agreement, you will not receive any refunds from us for fees you have paid before your termination.

ITEM 12 TERRITORY

Your Territory is the geographic area in which you are authorized to operate your Business. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

During the term of the Franchise Agreement, so long as you remain in compliance with the terms of the Franchise Agreement, we will not establish nor license anyone else to establish, another Sportball Business at any location within the "Protected Territory" that is designated in your Franchise Agreement. We (and our affiliates) retain all other rights. Accordingly, we will have the right (among other things), on any terms and conditions that we deem advisable, and without granting you any rights, to do any or all of the following:

- Establish, and franchise others to establish, Sportball Businesses to serve participants anywhere outside the Protected Territory.
- Provide, and license others to provide, Services and products to, and/or establish Sportball Businesses at any Large Account (defined below), whether the participants associated with the Large Account are inside or outside the Protected Territory.
- Establish, and license others to establish, any businesses offering any products and services (including businesses that provide sports programs for infants and children), whether or not under the System or using the Proprietary Marks, whether those businesses are located inside or outside of the Protected Territory.
- Acquire (or be acquired) and then operate any business of any kind, whether located inside or outside the Protected Territory.
- Sell and distribute, or license others to sell and distribute, directly or indirectly, any products from any location or to any purchaser (including, but not limited to, the sale of items at wholesale and to purchasers in the Protected Territory through mail order, and on the Internet, under our Proprietary Marks or as private-labeled items), so long as these sales are not made from a Sportball Business operated inside the Protected Territory (excluding any Large Account).

The term "**Large Account**" means any participant, or group of participants, that together have multiple affiliated outlets that we designate based upon our determination that these businesses in multiple locations are of strategic importance to us. We will have the right to negotiate the terms and conditions of all Services and products to be provided to Large Account customers.

As noted above, we will have the right to sell and distribute products and services by any method or channel of distribution other than through a Sportball Business located in your Protected Territory (including for example through the Internet, mail order). We will not compensate you for sales we may make in these alternative distribution channels.

You will maintain your non-exclusive rights to your Territory even if the population of the Territory increases. There is no minimum sales quota, provided that you are able to generate sufficient Gross Sales to meet the minimum Royalty Fee and other fees due (see Item 6). You will not have any options, rights of first refusal, or similar rights to acquire additional franchises or other rights, whether inside the Protected Territory or elsewhere.

If you are in default under the Franchise Agreement and we have the right to terminate the Franchise Agreement for such default, we will also have the right to take any lesser action instead of terminating the Franchise Agreement, including modifying, or eliminating completely, the Protected Territory.

You may offer, advertise, and market the Services and products of the Franchised Business, and directly solicit customers, inside (but only inside) your Protected Territory, except as otherwise

noted below. The terms “direct solicitation” and “directly solicit” include, but are not limited to, solicitation in person, by telephone, by mail, by e-mail or other electronic means, advertising, marketing, and by distribution of brochures, business cards or other materials.

You may not directly solicit customers located outside of the Protected Territory unless you receive our prior written consent to do so. We will review and we have the right to approve or deny each such request on a case-by-case basis. We also reserve the right at any time to withdraw any consent previously provided.

If we grant our consent for you to directly solicit customers outside of your Protected Territory, you may only perform such direct solicitation, and accept customers from or offer Services and products from the Franchised Business, outside of the Protected Territory if you do so in compliance with our requirements (including the conditions if any that we place on your solicitation of customers outside the Protected Territory).

Upon your request, and only if we determine that it is appropriate, we have the right to grant (or deny) permission for you to directly solicit customers from areas located outside the Protected Territory, provided that those customers are not within the protected territory of another Sportball Business (an “**Open Area**”). We will have the right (for example, if another Sportball Business opens to serve an Open Area) to require that you stop directly soliciting customers from within that area and that you immediately stop offering Services and products from the Franchised Business to any customers in that area.

If any of your advertising within the Protected Territory is in media that will or may reach a significant number of persons outside of the Protected Territory, you must notify us and obtain our prior written consent. We may periodically establish rules and policies in the Manuals and otherwise in writing regarding such advertising, including, as an example, that such advertising include the contact information for all of the Sportball Businesses that are affected by the advertising.

Except for the Sportball Businesses operated by us or our affiliates, neither we nor any parent or affiliate has established, or presently intends to establish, other franchised or company-owned Sportball Business which sell our proprietary products or services under a different trade name or trademark, but we reserve the right to do so in the future, without first obtaining your consent.

If you lease (rather than own) the site of any location at which you will perform Services on a temporary (either certain hours/day or certain days/week), those locations must meet our specifications and criteria as set out in our Manual. If you lease or own a location on a more permanent basis (weekly or monthly) at which you will perform Services, then you must submit to us a copy of your proposed lease (or purchase agreement) for our prior written review. For any lease we have approved, you must provide us with written notice of your default of any such lease and you agree, subject to any landlord’s consent, that we will have the right (but not the obligation, in either case) to cure any default of the lease, and/or assume any such lease.

ITEM 13 TRADEMARKS

The trademarks directly listed below are those owned by our affiliate, IP Owner.

Your use of the Marks is subject to the trademark license provisions contained in the Franchise Agreement. We have the right to change the list of marks that you are licensed and authorized to use in operating your Franchise, subject to the terms and conditions of the Franchise

Agreement. As of the date of this Disclosure Document, IP Owner has registered the following marks with the U.S. Patent & Trademark Office (USPTO) on its Principal Register:

Mark	Registration Number	Date of Registration
SPORTBALL	3,081,153	April 18, 2006

IP Owner filed, and intends to file when due, an affidavit of use and an affidavit of incontestability, as well as a renewal application, for the registrations listed above.

Your right to use the Proprietary Marks is limited to the uses that are authorized under the Franchise Agreement, and any unauthorized use of the Proprietary Marks will infringe upon our rights. You may not use any Proprietary Marks: (1) as part of any corporate name or other business name; (2) with any prefix, suffix, or other modifying words, terms, designs, or symbols, or in any modified form; (3) in connection with performing or selling any unauthorized services or products; (4) as part of any domain name, electronic address or search engine or in any other manner in connection with an Online Site without our prior written approval; (5) in any H.R. document (such as a paystub, paycheck, employment application, etc.); or (6) in any way that we do not expressly authorize in writing. You must identify yourself as the independent owner and operator of your Franchised Business in the manner we specify (such as on invoices, order forms, receipts, employment agreements, and contracts). You must also use the trademark registration notices that we require, and obtain any assumed business name registrations that applicable law requires.

On April 4, 2007, we entered into a license agreement with IP Owner that licensed to us the use of the Proprietary Marks (the “**License Agreement**”). Under the License Agreement, IP Owner granted us a non-exclusive, royalty-free right to use, and to license others to use, the Proprietary Marks in the United States for the purpose of operating and franchising Sportball Businesses. The License Agreement is perpetual, but is terminable by IP Owner upon 30 days’ notice to us. If the License Agreement is terminated, we will not be able to continue to use the Proprietary Marks and must assign your license to use the Proprietary Marks to IP Owner, but you will be permitted to continue to use the Proprietary Marks following that assignment to the IP Owner.

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, and no pending infringement, opposition, or cancellation proceeding, or any pending material litigation, involving the Proprietary Marks. Except as described above in this Item 13, no agreement significantly limits our rights to use or license the Proprietary Marks in any state in a manner material to the franchise, and we know of no superior prior rights or infringing uses that could materially affect your use of the Proprietary Marks in any state.

You must promptly notify us of any unauthorized use of the Proprietary Marks, any challenge to the validity of the Proprietary Marks, or any challenge to our ownership of, right to use and to license others to use, or your right to use, the Proprietary Marks. We have the right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement. We have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks. You must render the assistance we require to protect and maintain our interests in any litigation or proceeding or otherwise to protect and maintain our interests in the Proprietary Marks. We will defend you against any third party claim, suit, or demand arising out of your use of the Proprietary Marks. If we determine that you have used the Proprietary Marks in compliance with the Franchise Agreement, we will bear the cost of defense, including the cost of any judgment or settlement, as well as your out of pocket costs (except that you will bear the salary costs of your employees). If we determine that you have not used the Proprietary

Marks in compliance with the Franchise Agreement, you must bear the cost of defense, including the cost of any judgment or settlement, and you must promptly reimburse us for those amounts. If there is any litigation due to your use of the Proprietary Marks, you must execute all documents and do all things as may be necessary to carry out a defense or prosecution, including becoming a nominal party to any legal action.

If it becomes advisable at any time in our sole judgment for you to modify or discontinue using any Proprietary Mark or for you and the Franchised Business to use one or more additional or substitute trade or service marks, you will have to immediately comply with our directions. You must immediately cease using any discontinued marks and must immediately begin using any substituted marks (including in your marketing materials). Neither we nor our affiliates will have any obligation to reimburse you for any expenditures you make because of any discontinuance or modification.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Patents

No patents are material to the operation of your Franchised Business.

Copyrights

We (or our affiliates, in some cases) claim copyright protection covering various materials used in our business and the development and operation of Sportball Businesses, including the Manual, Program Materials, marketing and promotional materials, and similar materials. We have not registered these materials with the United States Registrar of Copyrights but we are not required to do so.

There are no currently effective determinations of the United States Copyright Office or any court, nor any pending litigation or other proceedings, regarding any copyrighted materials. No agreement limits our rights to use or allow franchisees to use the copyrighted materials. We do not know of any superior prior rights or infringing uses that could materially affect your use of the copyrighted materials. No agreement requires us to protect or defend our copyrights or to indemnify you for any expenses or damages you incur in any judicial or administrative proceedings involving the copyrighted materials. No provision in the Franchise Agreement requires you to notify us of claims by others of rights to, or infringements of, the copyrighted materials. If we require, you must immediately modify or discontinue using the copyrighted materials. Neither we nor our affiliates will have any obligation to reimburse you for any expenditures you make because of any discontinuance or modification.

Confidential Information

Except for the purpose of operating the Franchised Business under the Franchise Agreement, you may never (during Franchise Agreement's term or later) communicate, disclose, or use for any person's benefit any of the confidential information, knowledge, or know-how concerning the operation of the Franchised Business that may be communicated to you or that you may learn by virtue of your operation of the Franchised Business. You may divulge confidential information only to those of your employees who must have access to it in order to operate the Franchised Business. Any and all information, knowledge, know-how, and techniques that we designate as confidential will be deemed confidential for purposes of the Franchise Agreement. However, this will not include information that you can show came to your attention before we disclosed it to you; or that at any

time became a part of the public domain, through publication or communication by others having the right to do so.

In addition, we may require you, your Operating Principal, and your Specially-Trained Management Personnel to sign a Non-Disclosure and Non-Competition Agreement. Every one of these agreements must provide that the person signing will maintain the confidentiality of information that they receive in their employment or affiliation with you or the Franchised Business. These agreements must be in a form that we find satisfactory, and must include, among other things, specific identification of our company as a third party beneficiary with the independent right to enforce the covenants. Our current form for this Non-Disclosure and Non-Competition Agreement is attached to the Franchise Agreement as Exhibit F.

Manual

In order to protect our reputation and goodwill and to maintain high standards of operation under our Proprietary Marks, you must conduct your business according to the Manual. We will lend you (or provide you with access to) our Manual for the term of the Franchise Agreement (which may be in paper and/or in electronic form, such as through an internet website or an extranet).

You must always treat in a confidential manner the Manual, any other manuals we create (or that we approve) for use with the Franchised Business, and the information contained in the Manual. You must use best efforts to maintain this information as secret and confidential. You may not copy, duplicate, record, or otherwise reproduce the Manual and the related materials, or any part (except for the parts of the Manual that are meant for you to copy, which we will clearly mark), nor may you otherwise let any unauthorized person have access to these materials. The Manual will always be our sole property. You must always secure access to the Manual.

We may periodically revise the contents of the Manual, and you must make corresponding revisions to your copy of the Manual and comply with each new or changed standard. If there is ever a dispute as to the contents of the Manual, our master copy of the Manual (maintained at our home office) will be controlling.

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

The Franchised Business must at all times be under the active management of either you, or if you are an entity an individual owner serving as your **“Operating Principal.”** If you are an entity, the Operating Principal must own at least 75% of the voting and ownership interests in the franchisee entity. The Franchised Business must at all times be supervised by someone (you or your Operating Principal) who has successfully completed (to our satisfaction) our initial training program. You must, at all times, actively promote the Services and products offered by the Franchised Business, and use best efforts to cultivate, develop and expand the market for these Services and products within the Protected Territory. You (or, if you are an entity, the Operating Principal) must devote full time and best efforts to the management and operation of the Franchised Business.

If the franchisee is an entity, then all of your owners must sign a guarantee of the franchisee's performance under the Franchise Agreement. The guarantee will be in the form attached to the Franchise Agreement as Exhibit B.

We require your principals (including the Operating Principal), supervisors and other managers to sign a non-disclosure and non-competition agreement, the form of which is attached to the Franchise Agreement as Exhibit F. We do not impose any other restrictions on your managers.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

Each component of the System is vital to us, to other franchisees of the System and to the operation of the Franchised Business. Therefore, you must operate your Franchised Business in compliance with the System.

You must sell or offer for sale only those Services and products that we have approved in writing for you to sell at your Franchised Business, and must not deviate from our standards and specifications, including manner of maintenance of your equipment and products. You are not restricted regarding the customers to whom you may sell.

You must operate the Franchised Business in an efficient and professional manner following the highest ethical and moral standards. You must comply with all standards of quality and service prescribed by us.

Due to changes in competitive circumstances, we may periodically change the System to better serve the interests of our franchisees and the System. We may change the components of the System, including revising the programs, services, policies and procedures of the System and modifying products, materials, and programs which you are authorized to offer. You must abide by these modifications. However, these changes will not increase your obligations under the Franchise Agreement. It is understood that we are not obligated to replace, modify or supply equipment to you.

You must comply with the policies and procedures for the selection of your staff (including your Coaches) as set forth in the Manual. You must ensure that all of your staff pass our rigorous screening requirements. Among other things, you may not hire anyone who has been convicted of a crime against a child.

ITEM 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Section in Franchise Agreement	Summary
a. Term of the franchise term	§ 2.1 of Franchise Agreement	10 years
b. Renewal or extension of the term	§ 2.2 of Franchise Agreement	One additional 10-year term

Provision	Section in Franchise Agreement	Summary
c. Requirements for you to renew or extend	§§ 2.2.1 - 2.2.9 of Franchise Agreement	Notice, satisfaction of monetary obligations, compliance with Franchise Agreement, release, sign new Franchise Agreement, and others; see §§ 2.2.1 - 2.2.9 in Franchise Agreement. If you seek to renew your franchise at the expiration of the initial term, you may be asked to sign a new form of franchise agreement that contains terms and conditions materially different from those in your original franchise agreement, such as different fee requirements and territorial rights.
d. Termination by you	Not Applicable	You may terminate the Franchise Agreement under grounds permitted by law.
e. Termination by us without cause	Not Applicable	
f. Termination by us with cause	§ 17 of Franchise Agreement	Default under the Franchise Agreement, insolvency, bankruptcy, abandonment, and other grounds; see § 17 of the Franchise Agreement. (Under the U.S. Bankruptcy Code, we may be unable to terminate the agreement merely because you make a bankruptcy filing.)
g. "Cause" defined-defaults which can be cured	§ 17.3 of Franchise Agreement	All other defaults not specified in §§ 17.1 and 17.2 of the Franchise Agreement
h. "Cause" defined-defaults which cannot be cured	§§ 17.1 and 17.2 of Franchise Agreement	Insolvency, bankruptcy, abandonment, conviction of felony, and others; see § 17.2 of the Franchise Agreement. (Under the U.S. Bankruptcy Code, we may be unable to terminate the agreement merely because you make a bankruptcy filing.)
i. Your obligations on termination/non-renewal	§ 18 of Franchise Agreement	Stop operating the Franchised Business, pay amounts due, and others; see §§ 18.1 - 18.12 of the Franchise Agreement.

Provision	Section in Franchise Agreement	Summary
j. Assignment of contract by us	§ 16.1 of Franchise Agreement	There are no limits on our right to assign the Franchise Agreement.
k. "Transfer" by you - definition	§§ 16.4.1 - 16.4.4 of Franchise Agreement	Includes transfer of any interest.
l. Our approval of transfer by you	§ 16.4 of Franchise Agreement	We have the right to approve transfers.
m. Conditions for our approval of transfer	§ 16.5 of Franchise Agreement	Your compliance with the existing franchise agreement, a release, the buyer's signature of a new Franchise Agreement, the payment of transfer fee, and others; see §§ 16.5.1 - 16.5.10 of the Franchise Agreement.
n. Our right of first refusal to acquire your business	§ 16.6 of Franchise Agreement	We can match any offer.
o. Our option to purchase your business	§ 18.4 of Franchise Agreement	We can acquire any interest which you have in any lease or sublease for the premises and purchase your furnishings, equipment, materials, or inventory at cost or fair market value upon expiration, termination, or default of the Franchise Agreement and/or default under the lease/sublease.
p. Your death or disability	§§ 16.7 of Franchise Agreement	Your estate must apply to us within 3 months of date of death or incapacity for a transfer of your interest in the Franchised Business to a third party we approve; and the transfer must occur, within 6 months after the date of death or appointment of a personal representative or trustee.
q. Non-competition covenants during the term of the franchise	§§ 19.2, 19.3 and 19.4 of Franchise Agreement	Includes prohibition on engaging in a "Competitive Business," which is a business which is the same as or substantially similar to a business that offers sports programs for infants and/or children; see §§ 19.2 - 19.4 of the Franchise Agreement.

Provision	Section in Franchise Agreement	Summary
r. Non-competition covenants after the franchise is terminated or expires	§§ 19.2, 19.3, 19.4 and 19.5 of Franchise Agreement	Includes a two year prohibition similar to “q” (above), within the Protected Territory, or within 6 miles of the Protected Territory, or within 6 miles of any other Sportball Business then-operating under the System.
s. Modification of the agreement	§ 25 of Franchise Agreement	Must be in writing signed by both parties.
t. Integration/merger clause	§ 25 of Franchise Agreement	Only the final written terms of the Franchise Agreement are binding (subject to state law), but this provision does not disclaim any representation made in this disclosure document. Any representations or promises outside of the disclosure document and agreements may not be enforceable.
u. Dispute resolution by arbitration or mediation	§ 27.3 of Franchise Agreement	Before bringing an action in court, the parties must first submit the dispute to non-binding mediation (except for injunctive relief) in Washington, D.C. (subject to applicable state law). The Franchise Agreement contains several provisions that may affect your legal rights, including a waiver of a jury trial, limitations on when claims may be raised, and a waiver of punitive or exemplary damages. See Sections 27.6, 27.7 and 27.8 in the Franchise Agreement.
v. Choice of forum	§ 27.2 of Franchise Agreement	If we ever litigate, you must do so in the courts that have jurisdiction over Erie County, New York (subject to applicable state law).
w. Choice of law	§ 27.1 of Franchise Agreement	New York law applies (subject to applicable state law).

The provisions of the Franchise Agreement that provide for termination upon your bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

See the state addenda to the Franchise Agreement and disclosure document for special state disclosures.

ITEM 18 PUBLIC FIGURES

We do not use any public figure to promote your franchise or the System, but we reserve the right to do so in the future.

ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. 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 Carmella Gelgor at 39 Glen Cameron Road, Unit 8, Thornhill, Ontario, Canada L3T 1P1 (877-678-5437), the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
System wide Outlet Summary
2018-2020

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	<u>2018</u> 2017	6	6	0
	<u>2019</u> 2018	6	6 <u>7</u>	0 <u>+1</u>
	<u>2020</u> 2019	6 <u>7</u>	7	+1 <u>0</u>
Company-Owned	<u>2018</u> 2017	0	0	0
	<u>2019</u> 2018	0	0	0
	<u>2020</u> 2019	0	0	0
Total Outlets	<u>2018</u> 2017	6	6	0
	<u>2019</u> 2018	6	6 <u>7</u>	0 <u>+1</u>
	<u>2020</u> 2019	6 <u>7</u>	7	+1 <u>0</u>

Note 1: For fiscal years ending December 31, ~~2017~~, 2018, 2019 and ~~2019~~2020.

Table No. 2
Transfers of Outlets from Franchisees to New Owners
(other than the Franchisor) 2018-2020

State	Year	Number of Transfers
California	<u>2018</u> 2017	0 <u>1</u>
	<u>2019</u> 2018	1 <u>0</u>
	<u>2020</u> 2019	0
Total	<u>2018</u> 2017	0 <u>1</u>
	2018 <u>2019</u>	1 <u>0</u>

State	Year	Number of Transfers
	<u>2020</u> 2019	0

Note 1: For fiscal years ending December 31, ~~2017~~, 2018, 2019 and ~~2020~~2019.

Table No. 3
Status of Franchised Outlets 2018-2020

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
Arizona	<u>2018</u> 2017	2	0	0	0	0	0	2
	<u>2019</u> 2018	2	0	0	0	0	0	2
	2019 <u>2020</u>	2	0	0	0	0	0	2
California	<u>2018</u> 2017	2	0	0	0	0	0	2
	<u>2019</u> 2018	2	0	0	0	0	0	2
	2019 <u>2020</u>	2	0	0	0	0	0	2
New York	<u>2018</u> 2017	1	0	0	0	0	0	1
	<u>2019</u> 2018	1	0	0	0	0	0	1
	2019 <u>2020</u>	1	0	0	0	0	0	1
Texas	<u>2018</u> 2017	1	0	0	0	0	0	1
	<u>2019</u> 2018	1	0 <u>1</u>	0	0	0	0	1 <u>2</u>
	2019 <u>2020</u>	1 <u>2</u>	0 <u>0</u>	0	0	0	0	2
Total	<u>2018</u> 2017	6	0	0	0	0	0	6
	<u>2019</u> 2018	6	0 <u>1</u>	0	0	0	0	6 <u>7</u>
	2019 <u>2020</u>	6 <u>7</u>	0 <u>0</u>	0	0	0	0	7

Note 1: For fiscal years ending December 31, ~~2017~~, 2018, 2019 and ~~2019~~2020.

Table No. 4
Status of Company-Owned Outlets 2018-2020

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Any State	2017 <u>2018</u>	0	0	0	0	0	0
	<u>2019</u> 2018	0	0	0	0	0	0
	2019 <u>2020</u>	0	0	0	0	0	0
Total	2017 <u>2018</u>	0	0	0	0	0	0
	<u>2019</u> 2018	0	0	0	0	0	0
	2019 <u>2020</u>	0	0	0	0	0	0

Note 1: For fiscal years ending December 31, ~~2017~~, 2018, 2019 and ~~2019~~2020.

Table No. 5
Projected Openings as of December 31, ~~2019~~2020, for ~~2020~~2021

State	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Utah <u>California</u>	0	1	0
Total	0	1	0

A list of the names of all franchisees and the addresses and telephone numbers of their businesses will be provided in Exhibit E to this Disclosure Document when applicable.

The name, city, state and current business telephone number (or if unknown, the last known home telephone number) of every franchisee who had a business terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this disclosure document will be listed on Exhibit F to this Disclosure Document when applicable. **If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.**

During the last three fiscal years, we have not had any franchisees sign confidentiality provisions that would restrict their ability to speak openly about their experience with the Sportball System.

There are no trademark-specific organizations formed by our franchisees that are associated with the Sportball System.

ITEM 21 FINANCIAL STATEMENTS

Attached to this Disclosure Document as Exhibit D are our audited financial statements as of December 31, ~~2017~~2018, December 31, ~~2019~~2018 and December 31, ~~2019~~2020. Also attached as Exhibit D are our unaudited financial statements for the period ended ~~July 31, 2020~~June 30, 2021. We encourage you to carefully review our financial statements (including the auditors' notes).

Our fiscal year ends on December 31 each year.

ITEM 22 CONTRACTS

The following agreements are attached as exhibits to this Disclosure Document:

Exhibit C	The Franchise Agreement with its exhibits: A. Data Addendum B. Guarantee, Indemnification, and Acknowledgment C. List of Principals D. Sample Form of Non-Disclosure and Non-Competition Agreement
Exhibit I	Form of General Release
Exhibit J	Coaching Agreement

ITEM 23 RECEIPTS

Two copies of an acknowledgment of your receipt of this Disclosure Document appear at the end of the Disclosure Document. Please return one signed copy to us and retain the other for your records.

EXHIBIT A TO THE DISCLOSURE DOCUMENT
LIST OF STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS

LIST OF STATE ADMINISTRATORS

We intend to register this disclosure document as a “franchise” in some or all of the following states, if required by the applicable state laws. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in these states:

CALIFORNIA Commissioner of Business Oversight Financial Protection and Innovation Department of Business Oversight Financial Protection and Innovation 320 West Fourth Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500 Toll Free: (866) 275-2677	NEW YORK New York State Department of Law Investor Protection Bureau 28 Liberty Street, 21 st Floor New York, New York 10005 (212) 416-8285
HAWAII Commissioner of Securities of the State of Hawaii Department of Commerce & Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 205 Honolulu, Hawaii 96813 (808) 586-2722	NORTH DAKOTA North Dakota Securities Department State Capitol Department 414 600 East Boulevard Avenue, Fifth Floor Bismarck, North Dakota 58505-0510 (701) 328-4712
ILLINOIS Illinois Office of the Attorney General Franchise Bureau 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	RHODE ISLAND Department of Business Regulation Securities Division, Building 69, First Floor John O. Pastore Center 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9527
INDIANA Secretary of State Franchise Section 302 West Washington, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	SOUTH DAKOTA Division of Insurance Securities Regulation 124 South Euclid Avenue, 2 nd Floor Pierre, South Dakota 57501 (605) 773-3563
MARYLAND Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360	VIRGINIA State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, Virginia 23219 (804) 371-9051
MICHIGAN Michigan Attorney General's Office Corporate Oversight Division, Franchise Section 525 West Ottawa Street G. Mennen Williams Building, 1 st Floor Lansing, Michigan 48913 (517) 335-7567	WASHINGTON Department of Financial Institutions Securities Division – 3 rd Floor 150 Israel Road, Southwest Tumwater, Washington 98501 (360) 902-8760
MINNESOTA Minnesota Department of Commerce 85 7 th Place East, Suite 280 St. Paul, Minnesota 55101 (651) 539-1600	WISCONSIN Division of Securities 4822 Madison Yards Way, North Tower Madison, Wisconsin 53705 (608) 266-2139

AGENTS FOR SERVICE OF PROCESS

We intend to register this disclosure document as a “franchise” in some or all of the following states, if required by the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in these states:

CALIFORNIA Commissioner of Business Oversight Financial Protection and Innovation Department of Business Oversight Financial Protection and Innovation 320 West Fourth Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500 / Toll Free: (866) 275-2677	NEW YORK New York Secretary of State New York Department of State One Commerce Plaza, 99 Washington Avenue, 6 th Floor Albany, New York 12231-0001 (518) 473-2492
HAWAII Commissioner of Securities of the State of Hawaii Department of Commerce & Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 205 203 Honolulu, Hawaii 96813 (808) 586-2722	NORTH DAKOTA North Dakota Securities Commissioner State Capitol 600 East Boulevard Avenue, Fifth Floor Bismarck, North Dakota 58505-0510 (701) 328-4712
ILLINOIS Illinois Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	RHODE ISLAND Director of Department of Business Regulation Department of Business Regulation Securities Division, Building 69, First Floor John O. Pastore Center 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9527
INDIANA Secretary of State Franchise Section 302 West Washington, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	SOUTH DAKOTA Division of Insurance Director of the Securities Regulation 124 South Euclid Avenue, 2 nd Floor Pierre, South Dakota 57501 (605) 773-3563
MARYLAND Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360	VIRGINIA Clerk of the State Corporation Commission 1300 East Main Street, 1 st Floor Richmond, Virginia 23219 (804) 371-9733
MICHIGAN Michigan Attorney General's Office Corporate Oversight Division, Franchise Section 525 West Ottawa Street G. Mennen Williams Building, 1 st Floor Lansing, Michigan 48913 (517) 335-7567	WASHINGTON Director of Department of Financial Institutions Securities Division – 3 rd Floor 150 Israel Road, Southwest Tumwater, Washington 98501 (360) 902-8760
MINNESOTA Commissioner of Commerce Minnesota Department of Commerce 85 7 th Place East, Suite 280 St. Paul, Minnesota 55101 (651) 539-1600	WISCONSIN Division of Securities 4822 Madison Yards Way, North Tower Madison, Wisconsin 53705 (608) 266-2139

EXHIBIT B TO THE DISCLOSURE DOCUMENT
STATE SPECIFIC ADDENDA

EXHIBIT B-1

California Disclosure

In recognition of the requirements of the California Franchise Investment Law, Cal. Corp. Code §§ 31000-31516, and the California Franchise Relations Act, Cal. Bus. & Prof. Code §§ 20000-20043, the Franchise Disclosure Document for Sportball Systems USA, LLC in connection with the offer and sale of franchises for use in the State of California shall be amended to include the following:

1. The State Cover Page of the Franchise Disclosure Document shall be amended by the addition of the following paragraph:

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 FRANCHISE DISCLOSURE DOCUMENT.

2. Item 1, "The Franchisor, Its Predecessors, and Affiliates," shall be amended by adding the following paragraph at the conclusion of the Item:

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE ~~CALIFORNIA~~ DEPARTMENT OF ~~BUSINESS—OVERSIGHT~~ FINANCIAL PROTECTION AND INNOVATION, ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE ~~CALIFORNIA~~ DEPARTMENT OF ~~BUSINESS OVERSIGHT~~ at FINANCIAL PROTECTION AND INNOVATION AT www.dbedfpi.ca.gov.

3. In Item 3, "Litigation," shall be amended by adding the following paragraphs:

Pursuant to California law, this Item does not include any information regarding the arrest of any person(s) that did not result in a conviction or plea of nolo contendere.

Neither we, nor any person identified in Item 2 above, 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, 15 U.S.C. § 78a, *et seq.*) suspending or expelling such person from membership in such association or exchange.

4. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by adding the following paragraphs at the conclusion of the Item:

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

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

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

The Franchise Agreement contains a liquidated damages clause. Under California Civil Code § 1671, certain liquidated damages clauses are unenforceable.

The Franchise Agreement requires mediation before all but only certain matters can be litigated. The mediation will occur in Washington, D.C., with the costs being borne by the franchisee and franchisor. Litigation for matters not resolved through mediation is to take place in the appropriate courts located in Erie County, New York. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5 Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

The Franchise Agreement requires application of the laws of the State of New York. This provision may not be enforceable under California law.

You must sign a general release if you renew or transfer your franchise. California Corporations Code § 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§ 31000 through 31516). Business and Professions Code § 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§ 20000 through 20043).

5. The Franchise Disclosure Document is amended to include the following:

Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

6. The Franchise Disclosure Document is amended to include the following:

The earnings claims figures do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchised business. Franchisees or former franchisees, listed in the Disclosure Document, may be one source of this information.

EXHIBIT B-2

Hawaii Disclosure

The following paragraphs are to be added in the state cover page:

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

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

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

The name and address of the Franchisor's agent in this state authorized to receive service of process is: Commissioner of Securities, Department of Commerce and Consumer Affairs, Business Registration Division, Securities Compliance Branch, 335 Merchant Street, Room ~~205~~203, Honolulu, Hawaii 96813.

EXHIBIT B-3

Illinois Disclosure

In recognition of the requirements of the Illinois Franchise Disclosure Act, Ill. Comp. Stat. §§ 705/1 to 705/44, the Franchise Disclosure Document for Sportball Systems USA, LLC for use in the State of Illinois shall be amended as follows:

1. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following:

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

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in the franchise agreement that designates jurisdiction or venue outside of 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 right upon termination and non-renewal of a franchise agreement are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

2. Each provision of this addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independently, without reference to this addendum.

EXHIBIT B-4

Maryland Disclosure

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the Franchise Disclosure Document for Sportball Systems USA, LLC for use in the State of Maryland shall be amended as follows:

1. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following language:

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

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.

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

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

2. Exhibit H, "Franchisee Disclosure Acknowledgment Statement," shall be amended by the addition of the following at the end of Exhibit H:

The representations under this Franchisee Disclosure Acknowledgment Statement are not intended, nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

EXHIBIT B-5

Michigan Disclosure

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

- (A) A PROHIBITION ON THE RIGHT OF A FRANCHISEE TO JOIN AN ASSOCIATION OF FRANCHISEES.
- (B) A REQUIREMENT THAT A FRANCHISEE ASSENT TO A RELEASE, ASSIGNMENT, NOVATION, WAIVER, OR ESTOPPEL WHICH DEPRIVES A FRANCHISEE OF RIGHTS AND PROTECTIONS PROVIDED IN THIS ACT. THIS SHALL NOT PRECLUDE A FRANCHISEE, AFTER ENTERING INTO A FRANCHISE AGREEMENT, FROM SETTLING ANY AND ALL CLAIMS.
- (C) A PROVISION THAT PERMITS A FRANCHISOR TO TERMINATE A FRANCHISE PRIOR TO THE EXPIRATION OF ITS TERM EXCEPT FOR GOOD CAUSE. GOOD CAUSE SHALL INCLUDE THE FAILURE OF THE FRANCHISEE TO COMPLY WITH ANY LAWFUL PROVISIONS OF THE FRANCHISE AGREEMENT AND TO CURE SUCH FAILURE AFTER BEING GIVEN WRITTEN NOTICE THEREOF AND A REASONABLE OPPORTUNITY, WHICH IN NO EVENT NEED BE MORE THAN 30 DAYS, TO CURE SUCH FAILURE.
- (D) A PROVISION THAT PERMITS A FRANCHISOR TO REFUSE TO RENEW A FRANCHISE WITHOUT FAIRLY COMPENSATING THE FRANCHISEE BY REPURCHASE OR OTHER MEANS FOR THE FAIR MARKET VALUE, AT THE TIME OF EXPIRATION, OF THE FRANCHISEE'S INVENTORY, SUPPLIES, EQUIPMENT, FIXTURES, AND FURNISHINGS. PERSONALIZED MATERIALS WHICH HAVE NO VALUE TO THE FRANCHISOR AND INVENTORY, SUPPLIES, EQUIPMENT, FIXTURES, AND FURNISHINGS NOT REASONABLY REQUIRED IN THE CONDUCT OF THE FRANCHISED BUSINESS ARE NOT SUBJECT TO COMPENSATION. THIS SUBSECTION APPLIES ONLY IF: (i) THE TERM OF THE FRANCHISE IS LESS THAN 5 YEARS; AND (ii) THE FRANCHISEE IS PROHIBITED BY THE FRANCHISE OR OTHER AGREEMENT FROM CONTINUING TO CONDUCT SUBSTANTIALLY THE SAME BUSINESS UNDER ANOTHER TRADEMARK, SERVICE MARK, TRADE NAME, LOGOTYPE, MARKETING, OR OTHER COMMERCIAL SYMBOL IN THE SAME AREA SUBSEQUENT TO THE EXPIRATION OF THE FRANCHISE OR THE FRANCHISEE DOES NOT RECEIVE AT LEAST 6 MONTHS ADVANCE NOTICE OF FRANCHISOR'S INTENT NOT TO RENEW THE FRANCHISE.
- (E) A PROVISION THAT PERMITS THE FRANCHISOR TO REFUSE TO RENEW A FRANCHISE ON TERMS GENERALLY AVAILABLE TO OTHER FRANCHISEES OF THE SAME CLASS OR TYPE UNDER SIMILAR

CIRCUMSTANCES. THIS SECTION DOES NOT REQUIRE A RENEWAL PROVISION.

- (F) A PROVISION REQUIRING THAT ARBITRATION OR LITIGATION BE CONDUCTED OUTSIDE THIS STATE. THIS SHALL NOT PRECLUDE THE FRANCHISEE FROM ENTERING INTO AN AGREEMENT, AT THE TIME OF ARBITRATION, TO CONDUCT ARBITRATION AT A LOCATION OUTSIDE THIS STATE.*
- (G) A PROVISION WHICH PERMITS A FRANCHISOR TO REFUSE TO PERMIT A TRANSFER OF OWNERSHIP OF A FRANCHISE, EXCEPT FOR GOOD CAUSE. THIS SUBDIVISION DOES NOT PREVENT A FRANCHISOR FROM EXERCISING A RIGHT OF FIRST REFUSAL TO PURCHASE THE FRANCHISE. GOOD CAUSE SHALL INCLUDE, BUT IS NOT LIMITED TO:
 - (i) THE FAILURE OF THE PROPOSED FRANCHISEE TO MEET THE FRANCHISOR'S THEN CURRENT REASONABLE QUALIFICATIONS OR STANDARDS.
 - (ii) THE FACT THAT THE PROPOSED TRANSFEREE IS A COMPETITOR OF THE FRANCHISOR OR SUBFRANCHISOR.
 - (iii) THE UNWILLINGNESS OF THE PROPOSED TRANSFEREE TO AGREE IN WRITING TO COMPLY WITH ALL LAWFUL OBLIGATIONS.
 - (iv) THE FAILURE OF THE FRANCHISEE OR PROPOSED TRANSFEREE TO PAY ANY SUMS OWING TO THE FRANCHISOR OR TO CURE ANY DEFAULT IN THE FRANCHISE AGREEMENT EXISTING AT THE TIME OF THE PROPOSED TRANSFER.
- (H) A PROVISION THAT REQUIRES THE FRANCHISEE TO RESELL TO THE FRANCHISOR ITEMS THAT ARE NOT UNIQUELY IDENTIFIED WITH THE FRANCHISOR. THIS SUBDIVISION DOES NOT PROHIBIT A PROVISION THAT GRANTS TO A FRANCHISOR A RIGHT OF FIRST REFUSAL TO PURCHASE THE ASSETS OF A FRANCHISE ON THE SAME TERMS AND CONDITIONS AS A BONA FIDE THIRD PARTY WILLING AND ABLE TO PURCHASE THOSE ASSETS, NOR DOES THIS SUBDIVISION PROHIBIT A PROVISION THAT GRANTS THE FRANCHISOR THE RIGHT TO ACQUIRE THE ASSETS OF A FRANCHISE FOR THE MARKET OR APPRAISED VALUE OF SUCH ASSETS IF THE FRANCHISEE HAS BREACHED THE LAWFUL PROVISIONS OF THE FRANCHISE AGREEMENT AND HAS FAILED TO CURE THE BREACH IN THE MANNER PROVIDED IN SUBDIVISION (C).
- (I) A PROVISION WHICH PERMITS THE FRANCHISOR TO DIRECTLY OR INDIRECTLY CONVEY, ASSIGN, OR OTHERWISE TRANSFER ITS OBLIGATIONS TO FULFILL CONTRACTUAL OBLIGATIONS TO THE FRANCHISEE UNLESS PROVISION HAS BEEN MADE FOR PROVIDING THE REQUIRED CONTRACTUAL SERVICES.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

IF THE FRANCHISOR'S MOST RECENT FINANCIAL STATEMENTS ARE UNAUDITED AND SHOW A NET WORTH OF LESS THAN \$100,000.00, THE FRANCHISOR MUST, AT THE REQUEST OF THE FRANCHISEE, ARRANGE FOR THE ESCROW OF INITIAL INVESTMENT AND OTHER FUNDS PAID BY THE FRANCHISEE UNTIL THE OBLIGATIONS TO PROVIDE REAL ESTATE, IMPROVEMENTS, EQUIPMENT, INVENTORY, TRAINING, OR OTHER ITEMS INCLUDED IN THE FRANCHISE OFFERING ARE FULFILLED. AT THE OPTION OF THE FRANCHISOR, A SURETY BOND MAY BE PROVIDED IN PLACE OF ESCROW.

THE NAME AND ADDRESS OF THE FRANCHISOR'S AGENT IN THIS STATE AUTHORIZED TO RECEIVE SERVICE OF PROCESS IS: DEPARTMENT OF THE ATTORNEY GENERAL'S OFFICE, CONSUMER PROTECTION DIVISION, ATTN: FRANCHISE SECTION, 525 WEST OTTAWA STREET, G. MENNEN WILLIAMS BUILDING, 1ST FLOOR, LANSING, MICHIGAN 48913.

ANY QUESTIONS REGARDING THIS NOTICE SHOULD BE DIRECTED TO:

DEPARTMENT OF THE ATTORNEY GENERAL'S OFFICE
CONSUMER PROTECTION DIVISION
ATTN: FRANCHISE SECTION
525 WEST OTTAWA STREET
G. MENNEN WILLIAMS BUILDING, 1ST FLOOR
LANSING, MICHIGAN 48913

*NOTE: NOTWITHSTANDING PARAGRAPH (F) ABOVE, WE INTEND TO, AND YOU AGREE THAT WE AND YOU WILL, ENFORCE FULLY THE PROVISIONS OF THE ARBITRATION SECTION OF OUR AGREEMENTS. WE BELIEVE THAT PARAGRAPH (F) IS UNCONSTITUTIONAL AND CANNOT PRECLUDE US FROM ENFORCING THE ARBITRATION PROVISIONS UNDER THE FEDERAL ARBITRATION ACT.

EXHIBIT B-6

Minnesota Disclosure

In recognition of the requirements of the Minnesota Franchises Law, Minn. Stat. §§ 80C.01 through 80C.22, and of the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules §§ 2860.0100 through 2860.9930, the Franchise Disclosure Document for Sportball Systems USA, LLC for use in the State of Minnesota shall be amended to include the following:

1. Item 13 is amended by the addition of the following language:

The franchisor will protect the franchisee's right to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suite or demand regarding the use of the name.

2. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following paragraphs:

With respect to franchisees governed by Minnesota law, we will comply with Minn. Stat. § 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 of non-renewal of the Franchise Agreement, and that consent to the transfer of the franchise not be unreasonably withheld.

Pursuant to Minn. Rule 2860.4400D, any general release of claims that you or a transferor may have against us or our shareholders, directors, employees and agents, including without limitation claims arising under federal, state, and local laws and regulations shall exclude claims you or a transferor may have under the Minnesota Franchise Law and the Rules and Regulations promulgated thereunder by the Commissioner of Commerce.

Minn. Stat. § 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the disclosure document or agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to jury trial, any procedure, forum, or remedies as may be provided for by the laws of the jurisdiction.

Minn. Stat. § 80C.17 prohibits any action from being commenced under the Minnesota Franchises Law more than three years after the cause of action accrues.

3. Each provision of this addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Franchises Law or the Rules and Regulations promulgated thereunder by the Minnesota Commission of Commerce are met independently without reference to this addendum to the disclosure document.

Minnesota Disclosure (Page 1 of 1)

EXHIBIT B-7

New York Disclosure

ADDITIONAL RISK FACTORS:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE ATTORNEY GENERAL, INVESTOR PROTECTION BUREAU, FRANCHISE SECTION, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005.

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE PROSPECTUS. 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 PROSPECTUS.

In recognition of the requirements of the New York General Business Law, Article 33, Sections 680 through 695, and of the regulations promulgated thereunder (N.Y. Comp. Code R. & Regs. tit. 13, §§ 200.1 through 201.16), the Franchise Disclosure Document for Sportball Systems USA, LLC for use in the State of New York shall be amended as follows:

1. Item 3, "Litigation," shall be amended by the addition of the following text:

1. Neither we, nor any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, has any administrative, criminal, or a material civil or arbitration action (or a significant number of civil or arbitration actions irrespective of materiality) pending against him alleging a violation of any franchise law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property, or comparable allegations.

2. Neither we, nor any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, has been convicted of a felony or pleaded *nolo contendere* to any other felony charge or, during the ten-year period immediately preceding the application for registration, been convicted of a misdemeanor or pleaded *nolo contendere* to any misdemeanor charge or been found liable in an arbitration proceeding or a civil action by final judgment, or been the subject of any other material complaint or legal or arbitration proceeding if such misdemeanor conviction or charge, civil action, complaint, or other such proceeding involved a violation of any franchise law, securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property, or comparable allegation.

3. Neither we, nor any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, is subject to any currently effective injunctive or restrictive order or decree relating to franchises, or under any federal, state, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law as a result of 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 franchise as a real estate broker or sales agent.

2. The last paragraph under Item 4, "Bankruptcy" is deleted in its entirety and the following language substituted in its place:

Neither the franchisor, nor any predecessor or current officer of the Franchisor, during the ten-year period immediately preceding the date of this disclosure document, has filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; obtained a discharge of its debts under the bankruptcy code; or was a principal officer in a company, or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within one

New York Disclosure (Page 2 of 5)

year of the time that the officer or general partner held this position in the company or partnership.

3. Item 5, "Initial Fees" is amended by the addition of the following:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

4. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by deleting rows d, j, and w, and the following new rows d, j, and w shall be substituted in their place:

Provision	Section in Franchise Agreement	Summary
d. Termination by you	Not applicable	Pursuant to New York General Business Law, the franchisee may terminate the Agreement on the grounds (if any) that are available by law.
j. Assignment of contract by us	§ 16.1 of Franchise Agreement	There are no limits on our right to assign the Franchise Agreement. However, no assignment will be made except to an assignee who, in Franchisor's judgment, is willing and able to assume the Franchisor's obligation under the agreement.
w. Choice of law	§ 27.1 of Franchise Agreement	New York. The foregoing choice of law should not be considered as a waiver of any right conferred upon the franchisor or the franchisee by the General Business Law of the State of New York, Article 33.

5. There are circumstances in which an offering made by us would not fall within the scope of the New York General Business Law, Article 33, such as when the offer and acceptance occurred outside the State of New York. However, an offer or sale is deemed made in New York if the franchisee is domiciled in or the franchise will be opened in New York. We are required to furnish a New York prospectus to every prospective franchisee who is protected under the New York General Business Law, Article 33.

STATEMENT OF DISCLOSURE DOCUMENT ACCURACY

THE FRANCHISOR REPRESENTS THAT THIS DISCLOSURE DOCUMENT DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT.

EXHIBIT B-8

North Dakota Disclosure

In recognition of the requirements of the North Dakota Franchise Investment Law, N.D. Cent. Code, §§ 51-19-01 through 51-19-17, and the policies of the office of the State of North Dakota Securities Commission, the Franchise Disclosure Document for Sportball Systems USA, LLC shall be amended by the addition of the following language:

1. The North Dakota Securities Commissioner has held the following to be unfair, unjust, or inequitable to North Dakota franchisees (Section 51-19-09, N.D.C.C.):

- A. Restrictive Covenants: Franchise disclosure documents which disclose the existence of covenants restricting competition contrary to Section 9-08-06, N.D.C.C., without further disclosing that such covenants will be subject to this statute.
- B. Situs of Arbitration Proceedings: Franchise agreements providing that the parties must agree to arbitrate disputes at a location that is remote from the site of the franchisee's business.
- C. Restriction on Forum: Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.
- D. Liquidated Damages and Termination Penalties: Requiring North Dakota franchisees to consent to liquidated damages or termination penalties.
- E. Applicable Laws: Franchise agreements which specify that any claims arising under the North Dakota franchise law will be governed by the laws of a state other than North Dakota.
- F. Waiver of Trial by Jury: Requiring North Dakota franchisees to consent to the waiver of a trial by jury.
- G. Waiver of Exemplary and Punitive Damages: Requiring North Dakota franchisees to consent to a waiver of exemplary and punitive damages.
- H. General Release: Requiring North Dakota franchisees to execute a general release of claims as a condition of renewal or transfer of a franchise.
- I. Limitation on Claims. Requiring North Dakota franchisees to consent to a limitation on when claims may be brought.

EXHIBIT B-9

Rhode Island Disclosure

In recognition of the requirements of the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34 the Franchise Disclosure Document for Sportball Systems USA, LLC for use in the State of Rhode Island shall be amended to include the following:

1. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following:

§ 19-28.1-14 of the Rhode Island Franchise Investment Act provides that "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

2. This addendum to the Disclosure document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Rhode Island Franchise Investment Act §§ 19-28.1-1 through 19-28.1-34, are met independently without reference to the Disclosure document.

EXHIBIT B-10

Virginia Disclosure

In recognition of the requirements contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document of Sportball Systems USA, LLC is amended as follows:

According 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 and development agreement does not constitute "reasonable cause," as that the term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, the provision may not be enforceable.

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

This addendum to the disclosure document will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Virginia Retail Franchise Act are met independently without reference to this addendum to the Disclosure Document.

EXHIBIT B-11

Washington Disclosure

In recognition of the requirements of the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.180, the Franchise Disclosure Document for Sportball Systems USA, LLC in connection with the offer and sale of franchises for use in the State of Washington shall be amended to include the following:

1. Item 5, "Initial Fees," and Item 7, "Estimated Initial Investment," are amended by the addition of the following language:

The Washington Department of Financial Institutions Securities Division requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has fulfilled its pre-opening obligations under the franchise agreement and the franchisee is open for business.

2. 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.
3. 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.
4. 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.
5. Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
6. 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

Washington Disclosure (Page 1 of 2)

agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

7. 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.
8. Each provision of this addendum to the disclosure document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.180, are met independently without reference to this addendum

EXHIBIT B-12

Illinois Franchise Agreement Amendment

In recognition of the requirements of the Illinois Franchise Disclosure Act, Ill. Comp. Stat. §§ 705/1 to 705/44, the parties to the attached Sportball Systems USA, LLC Franchise Agreement (the "Agreement") agree as follows:

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

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in the franchise agreement that designates jurisdiction or venue outside of 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 right upon termination and non-renewal of a franchise agreement are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

Each provision of this amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independently without reference to this amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Illinois Amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

Sportball Systems USA, LLC
Franchisor

Franchisee Entity

By:_____

By:_____

Name:_____

Name:_____

Title:_____

Title:_____

Effective Date:_____

**Illinois Amendment to the Franchise Agreement
(Page 1 of 1)**

EXHIBIT B-13

Maryland Franchise Agreement Amendment

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the parties to the attached Sportball Systems USA, LLC Franchise Agreement (the "Agreement") agree as follows:

1. Section 2.2.7 of the Agreement, under the heading "Term And Renewal," shall be amended by the addition of the following:

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.

2. Section 16.5.1 of the Agreement, under the heading "Transfer of Interest," shall be amended by the addition of the following:

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. Sections 27.2 and 27.7 of the Agreement, under the heading "Applicable Law and Dispute Resolution," shall be amended by the addition of the following:

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

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

4. Section 28 of the Agreement, under the heading "Acknowledgments," shall be amended by the addition of the following:

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

28.15 The foregoing acknowledgments are not intended to nor shall they act as a release, estoppel or waiver of any liability under the Maryland Franchise Registration and Disclosure Law.

28.16 The Franchisee Compliance Certification is not intended to, and shall not act, as a release, estoppel or waiver of any liability under the Maryland Franchise Registration and Disclosure Law.

5. Each provision of this amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently without reference to this amendment.

Maryland Amendment to the Franchise Agreement (Page 1 of 2)

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Maryland Amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

Sportball Systems USA, LLC

Franchisor

Franchisee Entity

By:_____

By:_____

Name:_____

Name:_____

Title:_____

Title:_____

Effective Date:_____

**Maryland Amendment to the Franchise Agreement
(Page 2 of 2)**

EXHIBIT B-14

Minnesota Franchise Agreement Amendment

In recognition of the requirements of the Minnesota Franchises Law, Minn. Stat. §§ 80C.01 through 80C.22, and of the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules §§ 2860.0100 through 2860.9930, the parties to the attached Sportball Systems USA, LLC Franchise Agreement (the "Agreement") agree as follows:

1. Section 2.2.7 of the Agreement, under the heading "Term And Renewal," shall be deleted in its entirety and shall have no force or effect, and the following paragraph shall be inserted in its place:

2.2.7 You must sign and deliver to us a release, in a form that we will provide (which will be a mutual release with limited exclusions), which will release all claims against us and our affiliates, and our respective officers, directors, agents, and employees. If you are an entity, then your affiliates and your direct and indirect owners (and any other parties that we reasonably request) must also sign and deliver that release to us, excluding only such claims as you may have that have arisen under the Minnesota Franchises Law and the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce.

2. Section 2 of the Agreement, under the heading "Term And Renewal," shall be amended by the addition of the following paragraph:

Minnesota law provides franchisees with certain non-renewal rights. In sum, Minn. Stat. § 80C.14 (subd. 4) currently requires, except in certain specified cases, that a franchisee be given 180 days notice of non-renewal of the Franchise Agreement.

3. Section 9 of the Agreement, under the heading "Proprietary Marks," shall be amended by the addition of the following paragraph:

Pursuant to Minnesota Stat. Sec. 80C.12, Subd. 1(g), we are required to protect any rights you may have to our Proprietary Marks.

4. Section 16.5.1 of the Agreement, under the heading "Transfer of Interest," shall be deleted in its entirety and shall have no force or effect, and the following paragraph shall be inserted in its place:

16.5.1 The transferor must have executed a general release, in a form satisfactory to us, of any and all claims against us and our affiliates, successors, and assigns, and their respective directors, officers, shareholders, partners, agents, representatives, servants, and employees in their corporate and individual capacities including, without limitation, claims arising under this Agreement, any other agreement between you and us, and/or our respective affiliates, and federal, state, and local laws and rules, excluding only such claims as the transferor may have under the Minnesota Franchises Law and the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce.

Minnesota Amendment to the Franchise Agreement (Page 1 of 3)

5. Section 16 of the Agreement, under the heading "Transfer of Interest," shall be amended by the addition of the following paragraph:

Minnesota law provides franchisees with certain transfer rights. In sum, Minn. Stat. §80C.14 (subd. 5) currently requires that consent to the transfer of the franchise may not be unreasonably withheld.

6. Section 17 of the Agreement, under the heading "Default and Termination," shall be amended by the following paragraph:

Minnesota law provides franchisees with certain termination rights. In sum, Minn. Stat. § 80C.14 (subd. 3) currently requires, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) of the Franchise Agreement.

7. Section 18.7 of the Agreement, under the heading "Obligations upon Termination or Expiration," shall be deleted in its entirety and shall have no force or effect; and the following paragraph shall be substituted in its place:

18.7 Pay Damages. You agree to pay us all damages, costs, and expenses (including without limitation reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur as a result of your default under this Agreement and/or subsequent to the termination or expiration of this Agreement in seeking injunctive or other relief for the enforcement of any provisions of this Section 18.

8. Sections 27.5 and 27.9 of the Agreement, under the heading "Applicable Law and Dispute Resolution," shall be deleted in their entirety and shall have no force or effect; and the following paragraphs shall be substituted in its place:

27.5 Injunctions. Nothing contained in this Agreement shall bar our right to seek injunctive relief (without having to post a bond) against threatened conduct that will cause us loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

27.9 Payment of Legal Fees. You agree to pay us all damages, costs and expenses (including without limitation reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur after the termination or expiration of the franchise granted under this Agreement in: **(a)** seeking injunctive or other relief for the enforcement of any provisions of this Agreement (including without limitation Sections 9 and 17 above); and/or **(b)** successfully defending a claim from you that we misrepresented the terms of this Agreement, fraudulently induced you to sign this Agreement, that the provisions of this Agreement are not fair, were not properly entered into, and/or that the terms of this Agreement (as it may be amended by its terms) do not exclusively govern the parties' relationship.

9. Section 27 of the Agreement, under the heading "Applicable Law and Dispute Resolution", shall be amended by the following paragraph 27.10, which shall be considered an integral part of the Agreement:

**Minnesota Amendment to the Franchise Agreement
(Page 2 of 3)**

27.10 Minn. Stat. § 80C.17 prohibits any action from being commenced under the Minnesota Franchises Law more than three years after the cause of action accrues. Minn. Stat. § 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the disclosure document or agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to jury trial, any procedure, forum, or remedies as may be provided for by the laws of the jurisdiction.

10. Each provision of this Agreement shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Franchises Law or the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce are met independently without reference to this addendum to the Agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed, and delivered this Minnesota Amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

Sportball Systems USA, LLC
Franchisor

Franchisee Entity

By:_____

By:_____

Name:_____

Name:_____

Title:_____

Title:_____

Effective Date:_____

Minnesota Amendment to the Franchise Agreement
(Page 3 of 3)

EXHIBIT B-15

New York Franchise Agreement Amendment

In recognition of the requirements of the New York General Business Law, Article 33, Sections 680 through 695, and of the regulations promulgated thereunder (N.Y. Comp. Code R. & Regs., tit. 13, §§ 200.1 through 201.16), the parties to the attached Sportball Systems USA, LLC Franchise Agreement (the "Agreement") agree as follows:

1. Section 2.2.7 of the Agreement, under the heading "Term And Renewal," shall be deleted in its entirety, and shall have no force or effect; and the following paragraph shall be substituted in its place:

2.2.7 You must sign and deliver to us a release, in a form that we will provide (which will be a mutual release with limited exclusions), which will release all claims against us and our affiliates, and our respective officers, directors, agents, and employees. If you are an entity, then your affiliates and your direct and indirect owners (and any other parties that we reasonably request) must also sign and deliver that release to us, provided, however, that all rights enjoyed by you and any causes of action arising in your favor from the provisions of New York General Business Law Sections 680-695 and the regulations issued thereunder, shall remain in force; it being the intent of this provision that the non-waiver provisions of N.Y. Gen. Bus. Law Sections 687.4 and 687.5 be satisfied; and

2. Section 16.5.1 of the Agreement, under the heading "Transfer of Interest," shall be deleted in its entirety, and shall have no force or effect; and the following paragraph shall be substituted in its place:

16.5.1 The transferor must have executed a general release, in a form satisfactory to us, of any and all claims against us and our affiliates, successors, and assigns, and their respective directors, officers, shareholders, partners, agents, representatives, servants, and employees in their corporate and individual capacities including, without limitation, claims arising under this Agreement, any other agreement between you and us, and/or our respective affiliates, and federal, state, and local laws and rules, provided, however, that all rights enjoyed by the transferor and any causes of action arising in its favor from the provisions of New York General Business Law Sections 680-695 and the regulations issued thereunder, shall remain in force; it being the intent of this provision that the non-waiver provisions of N.Y. Gen. Bus. Law Sections 687.4 and 687.5 be satisfied;

3. Section 18.7 of the Agreement, under the heading "Obligations upon Termination or Expiration," shall be deleted in its entirety and shall have no force or effect; and the following paragraph shall be substituted in its place:

18.7 *Pay Damages.* You agree to pay us all damages, costs, and expenses (including without limitation reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur as a result of your default under this Agreement and/or subsequent to the termination or expiration of this Agreement in seeking injunctive or other relief for the enforcement of any provisions of this Section 18.

New York Amendment to the Franchise Agreement (Page 1 of 3)

4. Sections 27.5 and 27.9 of the Agreement, under the heading "Applicable Law and Dispute Resolution," shall be deleted in their entirety and shall have no force or effect; and the following paragraphs shall be substituted in its place:

27.5 *Injunctions.* Nothing contained in this Agreement shall bar our right to seek injunctive relief (without having to post a bond) against threatened conduct that will cause us loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

27.9 *Payment of Legal Fees.* You agree to pay us all damages, costs and expenses (including without limitation reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur after the termination or expiration of the franchise granted under this Agreement in: **(a)** seeking injunctive or other relief for the enforcement of any provisions of this Agreement (including without limitation Sections 9 and 17 above); and/or **(b)** successfully defending a claim from you that we misrepresented the terms of this Agreement, fraudulently induced you to sign this Agreement, that the provisions of this Agreement are not fair, were not properly entered into, and/or that the terms of this Agreement (as it may be amended by its terms) do not exclusively govern the parties' relationship.

5. Section 27 of the Agreement, under the heading "Applicable Law and Dispute Resolution," shall be amended by the addition of the following paragraph:

Nothing in this Agreement should be considered a waiver of any right conferred upon you by New York General Business Law, Sections 680-695.

6. There are circumstances in which an offering made by us would not fall within the scope of the New York General Business Law, Article 33, such as when the offer and acceptance occurred outside the state of New York. However, an offer or sale is deemed made in New York if you are domiciled in or the franchise will be opening in New York. We are required to furnish a New York prospectus to every prospective franchisee who is protected under the New York General Business Law, Article 33.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this New York Amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

Sportball Systems USA, LLC

Franchisor

Franchisee Entity

By:_____

By:_____

Name:_____

Name:_____

Title:_____

Title:_____

Effective Date:_____

**New York Amendment to the Franchise Agreement
(Page 3 of 3)**

EXHIBIT B-16

North Dakota Franchise Agreement Amendment

In recognition of the requirements of the North Dakota Franchise Investment Law, N.D. Cent. Code, §§ 51-19-01 through 51-19-17, and the policies of the office of the State of North Dakota Securities Commission, the parties to the attached Sportball Systems USA, LLC Franchise Agreement (the "Agreement") agree as follows:

1. The Agreement shall be amended by the addition of the following Section 29:

29. The parties acknowledge and agree that they have been advised that the North Dakota Securities Commissioner has determined the following agreement provisions are unfair, unjust or inequitable to North Dakota franchisees:

- A. Restrictive Covenants: Any provision which discloses the existence of covenants restricting competition contrary to Section 9-08-06, N.D.C.C., without further disclosing that such covenants will be subject to this statute.
- B. Situs of Arbitration Proceedings: Any provision requiring that the parties must agree to arbitrate disputes at a location that is remote from the site of the franchisee's business.
- C. Restriction on Forum: Any provision requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.
- D. Liquidated Damages and Termination Penalties: Any provision requiring North Dakota franchisees to consent to liquidated damages or termination penalties.
- E. Applicable Laws: Any provision which specifies that any claims arising under the North Dakota franchise law will be governed by the laws of a state other than North Dakota.
- F. Waiver of Trial by Jury: Any provision requiring North Dakota franchisees to consent to the waiver of a trial by jury.
- G. Waiver of Exemplary and Punitive Damages: Any provision requiring North Dakota franchisees to consent to a waiver of exemplary and punitive damages.
- H. General Release: Any provision requiring North Dakota franchisees to execute a general release of claims as a condition of renewal or transfer of a franchise.
- I. Limitation on Claims. Requiring North Dakota franchisees to consent to a limitation on when claims may be brought.

[SIGNATURE PAGE FOLLOWS]

North Dakota Amendment to the Franchise Agreement (Page 1 of 2)

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this North Dakota Amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

Sportball Systems USA, LLC
Franchisor

Franchisee Entity

By:_____

By:_____

Name:_____

Name:_____

Title:_____

Title:_____

Effective Date:_____

North Dakota Amendment to the Franchise Agreement
(Page 2 of 2)

EXHIBIT B-17
Rhode Island Franchise Agreement Amendment

In recognition of the requirements of the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34, the parties to the attached Sportball Systems USA, LLC Franchise Agreement (the "Agreement") agree as follows:

1. Section 27 of the Agreement, under the heading "Applicable Law and Dispute Resolution," shall be amended by the addition of the following paragraph:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

2. This amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34, are met independently without reference to this amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Rhode Island Amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

Sportball Systems USA, LLC
Franchisor

Franchisee Entity

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Effective Date: _____

Rhode Island Amendment to the Franchise Agreement
(Page 1 of 1)

EXHIBIT B-18

Washington Franchise Agreement Amendment

In recognition of the requirements of the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.010 through 19.100.940, the parties to the attached Sportball Systems USA, LLC Franchise Agreement (the "Agreement") agree as follows:

The Washington Department of Financial Institutions Securities Division requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has fulfilled its pre-opening obligations under the franchise agreement and the franchisee is open for business.

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.

Washington Amendment to the Franchise Agreement (Page 1 of 2)

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

The undersigned does hereby acknowledge receipt of this addendum.

This amendment will apply only if the Washington Franchise Investment Protection Act, Wash. Rev. Code Chapter 19.100, would apply independently without referring to this amendment.

IN WITNESS WHEREOF, the parties hereto have duly signed and delivered this Washington Amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

Sportball Systems USA, LLC

Franchisor

Franchisee Entity

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Effective Date: _____

**Washington Amendment to the Franchise Agreement
(Page 2 of 2)**

EXHIBIT C TO THE DISCLOSURE DOCUMENT
FRANCHISE AGREEMENT



Sportball Systems USA, LLC

Franchise Agreement

**Sportball Systems USA, LLC
Franchise Agreement**

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Exhibits

- A Data Addendum
- B Guarantee, Indemnification, and Acknowledgement
- C List of Principals
- D Sample Form of Non-Disclosure and Non-Competition Agreement

Sportball Systems USA, LLC Franchise Agreement

THIS FRANCHISE AGREEMENT (the "**Agreement**") is made and entered into as of the "**Effective Date**" that we have indicated on the signature page of this Agreement by and between:

- Sportball Systems USA, LLC, a Delaware limited liability company, with its principal place of business at 39 Glen Cameron Road, Unit 8, Thornhill, Ontario L3T 1P1 Canada ("**we**," "**us**," or "**our**"); and
- _____ a [resident of] [corporation organized in] [limited liability company organized in] the state of _____ and having offices at _____ ("**you**" or the "**Franchisee**").

Introduction

*We are the non-exclusive licensee in the United States of a format and system relating to the establishment and operation of "Sportball" businesses providing non-competitive sports programs for young children, including, "Sportball" multi-sport programs, parent and child programs camps, special event programming, single sport programs, birthday parties, school programs and junior (fitness and play) programs for infants and children ("**Sportball Businesses**").*

*Among the distinguishing characteristics of a Sportball Business are that it operates under our "Sportball" system. Our System includes (among other things): a proprietary method of teaching sports to children between sixteen months and twelve years of age (the "**Sportball Method**") with the goal of helping children develop fundamental movement skills through non-competitive sports programs, and the services related to teaching the Sportball Method ("**Services**") and related products; professional image and high customer service standards; confidential and proprietary information and trade secrets; distinctive images, designs, training methods, procedures, and specifications; uniform standards, specifications, and procedures for operations; procedures for management; software; training and assistance; and advertising and promotional programs (together, the "**System**").*

*We identify the System by means of our Proprietary Marks. Our proprietary marks include certain trade names (for example, the mark "Sportball" and logo), service marks, trademarks, logos, emblems, and indicia of origin, as well as other trade names, service marks, and trademarks that we may periodically specify in writing for use in connection with the System (all of these are referred to as our "**Proprietary Marks**"). We continue to develop, use, and control the use of our Proprietary Marks in order to identify for the public the source of services and products marketed under those marks and under the System, and to represent the System's high standards of quality, appearance, and service.*

We are in the business of developing and awarding franchise rights to third party franchisees, such as you, to operate Sportball Businesses. You will be in the business of operating a Sportball Business, using the same brand and Proprietary Marks as other independent businesses that operate other Sportball Businesses under the System. We will not operate your Sportball Business for you, although we have (and will continue) to set standards for Sportball Businesses that you will have chosen to adopt as yours by signing this Agreement and by your day-to-day management of your Sportball Business to our brand standards.

You have asked to enter into the business of operating a Sportball Business under our System and wish to obtain a franchise from us for that purpose, as well as to receive the training and other

assistance we provide as described in this Agreement. You also understand and acknowledge the importance of our high standards of quality, appearance, and service and the necessity of operating the business franchised under this Agreement in conformity with our standards and specifications.

Therefore, recognizing all of the details noted above, the parties have chosen to enter into this Agreement, taking into account all of the promises and commitments that they are each making to one another in this contract, and for other good and valuable consideration (the sufficiency and receipt of which they hereby acknowledge) and they agree as follows:

1 GRANT

1.1 *Rights and Obligations.* We grant you the right, and you accept the obligation, all under the terms and conditions of this Agreement:

1.1.1 To operate one Sportball Business under the System (referred to as the **"Business"** or **"Franchised Business"**);

1.1.2 To use the Proprietary Marks and the System, but only in connection with the Franchised Business (recognizing that we may periodically change or improve the Proprietary Marks and the System); and

1.1.3 To do all of those things only at and from: (a) the Office (as defined in Section 1.2 below); and (b) locations in your Protected Territory (as defined in Section 1.3 below) that meet our requirements and specifications in order to perform Services (collectively, **"Permitted Locations"**).

1.2 *Office and Permitted Locations.* The address of the office from which you will operate your Franchised Business is specified in Exhibit A to this Agreement, and is referred to as the **"Office."** You may offer Services locations within the Protected Territory (without our prior written approval), so long as you conduct Services and offer products only at or from a Permitted Location.

1.3 *Protected Territory and Exclusions.*

1.3.1 The term **"Protected Territory"** means the area that we have designated in Exhibit A to this Agreement. During the term of this Agreement, we will not operate, or grant the right to any other party to operate, a Sportball Business in the Protected Territory, except as otherwise provided in this Section 1.3 and in Section 1.5 below.

1.3.2 We retain all other rights, including the right, among other things, on any terms and conditions we deem advisable, and without granting you any rights in these matters, to do any or all of the following (and, in each case, despite their actual or threatened impact on sales at the Franchised Business):

1.3.2.1 Establish, and franchise others to establish, Sportball Businesses to serve participants anywhere outside the Protected Territory.

1.3.2.2 Provide, and license others to provide, Services and products to, and/or establish Sportball Businesses at any Large Account (defined below), whether the participants associated with the Large Account are inside or outside the Protected Territory.

- 1.3.2.3 Establish (and license others to establish) businesses offering products and services under names that are not the Proprietary Marks (including businesses that provide sports programs for infants and children), whether or not under the System, and no matter where those businesses are located.
- 1.3.2.4 Acquire (or be acquired) and then operate any business of any kind, whether located inside or outside the Protected Territory.
- 1.3.2.5 Sell and distribute, or license others to sell and distribute, directly or indirectly, any products from any location or to any purchaser (including, but not limited to, the sale of items at wholesale and to purchasers in the Protected Territory through mail order, and on the Internet, under our Proprietary Marks or as private-labeled items), so long as these sales are not made from a Sportball Business operated inside the Protected Territory (excluding any Large Account).

1.4 *Territorial Rules.*

- 1.4.1 You may offer, advertise, and market the Services and products of the Franchised Business, and directly solicit participants, inside (but only inside) your Protected Territory (subject to our right to approve all advertising and marketing materials as set forth in Section 13.5 below), except as otherwise provided below. The terms “**direct solicitation**” and “**directly solicit**” include, but are not limited to, solicitation in person, by telephone, by mail, by e-mail or other electronic means, advertising, marketing, and by distribution of brochures, business cards or other materials.
- 1.4.2 You may not directly solicit participants located outside of the Protected Territory unless you receive our prior written consent to do so. We will review and we have the right to approve or deny each such request on a case-by-case basis. We also reserve the right at any time to withdraw any consent previously provided.
- 1.4.3 If we grant our consent for you to directly solicit participants outside of your Protected Territory, you may only perform such direct solicitation, and accept participants from or offer Services and products from the Franchised Business, outside of the Protected Territory if you do so in compliance with this Section 1.4 (including the conditions if any that we place on your solicitation of participants outside the Protected Territory).
- 1.4.4 Upon your request, and only if we determine that it is appropriate, we have the right to grant (or deny) permission for you to directly solicit participants from areas located outside the Protected Territory, provided that those participants are not within the protected territory of another Sportball Business (an “**Open Area**”). We will have the right (for example, if another Sportball Business opens to serve an Open Area) to require that you stop directly soliciting participants from within that area and that you immediately stop offering Services and products from the Franchised Business to any participants in that area.
- 1.4.5 If any of your advertising within the Protected Territory is in media that will or may reach a significant number of persons outside of the Protected Territory, you must notify us and obtain our prior written consent (in addition to the requirements in Section 13.5 below). We may periodically establish rules and policies in the Manual (defined below) and otherwise in writing regarding such advertising, including, as an example, that such advertising include the contact information for all of the Sportball Businesses that are affected by the advertising.

- 1.4.6 You acknowledge that: (a) other Sportball Businesses will operate under restrictions similar to those set out in this Section 1.4 (the “**Territorial Rules**”), which means that in some instances, other Sportball Businesses may sponsor advertising that reaches persons in your Protected Territory; and (b) we do not represent or guarantee that other Sportball Businesses will always abide by the Territorial Rules, and we will have no liability to you for such violations.
- 1.5 *Permitted Locations.* If you lease (rather than own) the site of any location at which you will perform Services on a temporary (either certain hours/day or certain days/week), those locations must meet our specifications and criteria as set out in our Manual. If you lease or own a location on a more permanent basis (weekly or monthly) at which you will perform Services, then you must submit to us a copy of your proposed lease (or purchase agreement) for our prior written review. For any lease we have approved, you must provide us with written notice of your default of any such lease and you agree, subject to any landlord’s consent, that we will have the right (but not the obligation, in either case) to cure any default of the lease, and/or assume any such lease.
- 1.6 *Large Accounts.* The term “Large Account” means any participant, or group of participants, that together have multiple affiliated outlets that we designate based upon our determination that these businesses in multiple locations are of strategic importance to us. We will have the right to negotiate the terms and conditions of all Services and products to be provided to Large Account participants, in accordance with the terms of Section 8.14 below.

2 TERM AND RENEWAL

- 2.1 *Term.* The term of this Agreement starts on the Effective Date and, unless this Agreement is earlier terminated in accordance with its provisions, will expire ten (10) years from the Effective Date.
- 2.2 *Renewal.* You will have the right to renew your rights to operate the Franchise Business for one (1) additional successor term of ten (10) years, so long as you have satisfied all of the conditions specified in Sections 2.2.1 through 2.2.9 before each such renewal:
- 2.2.1 You agree to give us written notice of your election to renew at least six (6) months before the end of the term of this Agreement (but not more than one (1) year before the term expires).
- 2.2.2 You must upgrade and refresh the materials used for the Franchised Business to comply with our then-current standards in effect for new Sportball Businesses (if necessary and not already meeting those standards).
- 2.2.3 At the time of renewal, you must be in material compliance with the provisions of this Agreement (including any amendment to this Agreement), any successor to this Agreement, and/or any other contract between you (and your affiliates) and us (and our affiliates); you must have met our minimum performance standards that we periodically require; and in our reasonable judgment, you must have been in material compliance during the term of this Agreement, even if we did not issue a notice of default or exercise our right to terminate this Agreement if you did not meet your obligations.
- 2.2.4 You must have timely met all of your financial obligations to us, our affiliates, the Advertising Fund, as well as your vendors, throughout the term of this Agreement

(even if we did not issue a notice of default or exercise our right to terminate this Agreement if you did not meet your obligations).

- 2.2.5 You must sign our then-current form of franchise agreement, which will supersede this Agreement in all respects (except with respect to the renewal provisions of the new franchise agreement, which will not supersede this Section 2), and which you acknowledge and agree may contain terms, conditions, obligations, rights, and other provisions that are substantially and materially different from those spelled out in this Agreement (including, for example, a higher percentage royalty fee and advertising contribution). If you are an entity, then your owners (whether direct, indirect, and/or beneficial owners) must sign and deliver to us a personal guarantee of your obligations under the renewal form of franchise agreement. (In this Agreement, the term “**entity**” includes a corporation, limited liability company, partnership, and a limited liability partnership.)
- 2.2.6 Instead of a new initial franchise fee, you agree to pay to us a renewal fee in the amount of Five Thousand Dollars (\$5,000).
- 2.2.7 You (and your owners, whether direct, indirect or beneficial) agree to sign and deliver to us a release, in a form that we will provide (which will be a mutual release with limited exclusions), which will release all claims against us and our affiliates, and our respective officers, directors, members, managers, agents, and employees. If you are an entity, then your affiliates and your direct and indirect owners (and any other parties that we reasonably request) must also sign and deliver that release to us.
- 2.2.8 You and your personnel must meet our then-current qualification and training requirements.
- 2.2.9 You must be current with respect to your financial and other obligations to your lessor, suppliers, and all other parties with whom you do business.

3 OUR DUTIES

- 3.1 *Training.* We will provide you with the training specified in Section 6 below.
- 3.2 *Opening and Additional Assistance.* We will provide such [online and](#) on-site pre-opening and opening supervision and assistance that we think is advisable, and as may be described in the Manual.
- 3.3 *Manual.* We will loan to you one (1) copy of (or provide you with access to), during the term of this Agreement, our confidential brand manuals and other written instructions relating to the operation of a Sportball Business (collectively, the “**Manual**”), in the manner and as described in Section 10 below.
- 3.4 *Marketing Materials.* We have the right to approve or disapprove all marketing and promotional materials that you propose to use, pursuant to Section 13 below.
- 3.5 *Advertising Funds.* We will administer the Advertising Fund (as defined in Section 13 below) in the manner set forth in Section 13 below.
- 3.6 *Periodic Assistance.* We will provide you periodic assistance in the marketing, management, and operation of the Franchised Business at the times and in the manner that we determine.

- 3.7 *Database Management Reporting System.* We will afford you access to our “**Database Management Reporting System**” that we license from a third party, which will enable you to, among other things, download and print class lists, medical information, emergency contact information and other pertinent information; maintain a historical record of all registrants, and the number of registrants at each location for each season; administer all registration for programs, camps, birthday parties, special events and all other Sportball activities; and provide you with details of all payments received for your programs.
- 3.8 *Services Performed.* You acknowledge and agree that any of our designees, employees, agents, or independent contractors (such as an “area developer”) may perform any duty or obligation imposed on us by the Agreement, as we may direct (if so, we will, nonetheless, remain responsible to you for the performance of these obligations).
- 3.9 *Our Decision-Making.* In fulfilling our obligations under this Agreement, and in conducting any activities or exercising our rights pursuant to this Agreement, we (and our affiliates) will always have the right: (a) to take into account, as we see fit, the effect on, and the interests of, other franchised and company-owned or affiliated businesses and systems; (b) to share market and product research, and other proprietary and non-proprietary business information, with other franchised businesses and systems in which we (or our affiliates) have an interest, and/or with our affiliates; (c) to test market various items in some or all parts of the System; (d) to introduce new proprietary items and non-proprietary items or operational equipment; and/or (e) to allocate resources and new developments between and among systems, and/or our affiliates, as we see fit. You understand and agree that all of our obligations under this Agreement are subject to this Section, and that nothing in this Section will in any way affect your obligations under this Agreement.
- 3.10 *Confirmation of Performance.* After we have performed our pre-opening obligations to you under this Agreement, we may ask that you execute and deliver to us a confirmation (the “**Confirmation of Performance**”), in a form we reasonably request, confirming that we have performed those obligations. If we ask you to provide us with such a certificate, you agree to execute and deliver the Confirmation of Performance to us within three (3) business days after our request. However, if you do not reasonably believe that we have performed all of our pre-opening obligations, you must, within that same three (3) day period, provide us with written notice specifically describing the obligations that we have not performed. Not later than three (3) business days after we complete all the obligations that you specified in that notice, you agree to execute and deliver the Confirmation of Performance to us. You agree to do so even if we performed such obligations after the time performance was due under this Agreement. The term “pre-opening obligations” means the obligations we have to you under this Agreement that must be performed before the date when your Franchised Business starts operating.

4 FEES; SALES REPORTING

- 4.1 *Initial Franchise Fee.* You agree to pay us an initial franchise fee in the amount as set out in the Data Addendum (Exhibit A) (the “**Initial Franchise Fee**”). The Initial Franchise Fee is due and payable to us on the day that you sign this Agreement. The Initial Franchise Fee is not refundable in consideration of administrative and other expenses that we incur in granting this franchise and for our lost or deferred opportunity to grant a franchise to other parties.
- 4.2 *Royalty Fee and Sales Reports.* For each Month during the term of this Agreement, you agree to (a) pay us a continuing royalty fee in the amount of eight percent (8%) of the Gross Sales (as defined below) of the Franchised Business (“**Royalty Fees**”); and (b) if we so require, report to us, in the form and manner that we specify, your Gross Sales (a “**Sales Report**”).

Your payment of Royalty Fees are subject to an annual "Minimum Royalty" (as defined in the Data Addendum (Exhibit A). As used in this Agreement:

- 4.2.1 the term "**Month**" means a calendar month or such other four (4) to five (5) week period that we may designate (provided that there will not be more than 13 "Months" during any year); and
 - 4.2.2 the term "**Gross Sales**" means all revenue from the sale of all Services and products and all other income of every kind and nature related to, derived from, or originating from the Franchised Business (whether or not permitted under this Agreement), including barter and the proceeds of any business interruption insurance policies, whether for cash or credit, and regardless of theft, or of collection in the case of credit. In certain locations (such as certain community centers), registration revenue is collected by a third party and remitted net of rent or a percentage share of revenue held by the third party; and in those cases, the net revenue shall be regarded as "Gross Sales." Gross Sales excludes: (a) any legitimate and reasonable discounts and/or refunds that you provide to participants; and (b) sales taxes or other taxes that you collect from your participants and actually pay to the appropriate taxing authorities.
- 4.3 *Due Date.* We will, through the Database Management and Reporting System, receive all payments from participants for your programs for online registrations by credit card and will withhold from any payments to you all Royalty Fees and Advertising Fund Contributions. For any payments you owe to us under this Agreement that we do not otherwise withhold through the Database Management and Reporting System (or any successor arrangement), you must make such payments to us in the manner we require, including by electronic funds transfer or electronic deposit, so that they are received by us, in our offices, by 5:00pm (Toronto time) on the fifteenth (15th) day of each Month based on the Gross Sales of the Franchised Business during the previous Month just ended. If required, all Sales Reports required under Section 4.2 above must be submitted by the same time that the royalty payments are due (as specified above). In addition, you agree to all of the following:
- 4.3.1 You acknowledge and agree that your obligations to make full and timely payment of Royalty Fees and Advertising Fund Contributions (and all other sums due to us) are absolute, unconditional, fully-earned (by us), and due when you are open and in operation.
 - 4.3.2 You agree that you will not, for any reason, delay or withhold the payment of any amount due to us under this Agreement; put into escrow any payment due to us; set-off payments due to us against any claims or alleged claims that you may allege against us, the Advertising Fund, affiliates, suppliers, or others.
 - 4.3.3 You agree that if you do not provide us, as requested, with access to your computer system to obtain sales information or, if we require pursuant to Section 12.1.4 below or otherwise, printed and signed sales reports, then we will have the right to impute your sales for any period using (among other things) your sales figures from any Month(s) that we choose (which may be those with your highest grossing sales), and that you agree to pay the royalties on that amount (whether by check or by our deduction of that amount from your direct debit account).
 - 4.3.4 You agree that you will not, whether on grounds of alleged non-performance by us or others, withhold payment of any fee, including, without limitation, Royalty Fees or Advertising Fund Contributions, nor withhold or delay submission of any reports due under this Agreement.

- 4.3.5 You agree to deliver to us all of the reports, statements, and/or other information that is required under Section 12 below, at the time and in the format that we reasonably request.
- 4.4 *No Subordination.* You agree: (a) not to subordinate to any other obligation your obligation to pay us the royalty fee and/or any other amount payable to us, whether under this Agreement or otherwise; and (b) that any such subordination commitment that you may give without our prior written consent will be null and void.
- 4.5 *Late Payment.* If we do not receive any payment due under this Agreement on or before the due date, then that amount will be deemed overdue. If any payment is overdue, then you agree to pay us, in addition to the overdue amount, interest on the overdue amount from the date it was due until paid, at the rate of eighteen percent (18%) per annum (but not more than the maximum rate permitted by law, if any such maximum rate applies). Our entitlement to such interest will be in addition to any other remedies we may have. Any report that we do not receive on or before the due date will also be deemed overdue.
- 4.6 *Other Funds Due.* You agree to pay us, within ten (10) days of our written request (which is accompanied by reasonable substantiating material), any amounts that we have paid, that we have become obligated to pay, and/or that we choose to pay on your behalf.
- 4.7 *Initial Advertising and Equipment.*
- 4.7.1 Upon execution of this Agreement, you must purchase from us an initial advertising and promotional materials package in an amount ranging from \$750 to \$1,500, depending on the type and amount of materials we provide.
- 4.7.2 Before beginning operations, you must purchase from us an initial inventory of equipment (the "**Equipment Package**") at a cost ranging from \$2,000 to \$2,500, depending on the equipment needed for your Franchised Business. As your staff increases, you will need to purchase additional Equipment Packages at the same cost.
- 4.8 *Technology Fee.* You must pay to us, or pay directly to a third party, on an annual basis, a continuing and non-refundable technology fee in an amount to reimburse us for our third party costs and expenses in connection with implementing and providing technology solutions for the Franchised Business (including, without limitation, the Database Management and Reporting System, our learning management system, and our cloud-based marketing platform).
- 4.9 *Index.* We have the right to adjust, for inflation, all fixed-dollar amounts under this Agreement (except for the Initial Franchise Fee) to reflect changes in the Index from the year in which you signed this Agreement. For the purpose of this Section 4.9, the term "**Index**" means the Consumer Price Index (1982-84=100; all items; CPI-U; all urban consumers) as published by the U.S. Bureau of Labor Statistics ("**BLS**"). If the BLS no longer publishes the Index, then we will have the right to designate a reasonable alternative measure of inflation.

5 FRANCHISED BUSINESS COMMENCEMENT

- 5.1 *Opening the Franchised Business.* You or your Operating Principal (defined in Section 6.2 below) must complete our initial training program within three (3) months after the Effective Date. You must begin operation of the Franchised Business within five (5) months after the Effective Date. **Time is of the essence.**

- 5.2 *Pre-Opening.* Before opening for business, you agree to meet all of the pre-opening requirements specified in this Agreement, the Manual, and/or that we may otherwise specify in writing.

6 OPERATING PRINCIPAL, PERSONNEL, AND TRAINING

6.1 *Operating Principal and Management.*

6.1.1 If you are a corporation, partnership or LLC, you must have an individual owner serve as your **"Operating Principal."** The Operating Principal must supervise the operation of the Franchised Business and must own at least seventy-five percent (75%) of the voting and ownership interests in the franchisee entity, unless you obtain our prior written approval for the Operating Principal to hold a smaller interest. The Operating Principal must have qualifications reasonably acceptable to us to serve in this capacity, complete our training program as described below, must have authority over all business decisions related to the Franchised Business, must have the power to bind you in all dealings with us, and must have signed and delivered to us the Guarantee, Indemnification, and Acknowledgement attached to this Agreement as Exhibit B. You may not change the Operating Principal without our prior written approval.

6.1.2 The Franchised Business must at all times be under the active full-time management of either you or the Operating Principal who has successfully completed (to our satisfaction) our initial training program. You must, at all times, actively promote the Services and products offered by the Franchised Business, and use best efforts to cultivate, develop and expand the market for these Services and products within the Protected Territory. You (or, if you are an entity, the Operating Principal) shall devote full time and best efforts to the management and operation of the Franchised Business.

6.1.3 The term **"Specially Trained Management Personnel"** is agreed to mean the Operating Principal and any other individuals who have successfully completed our initial and ongoing training requirements and possess the qualifications necessary to the management and/or service roles that each such performs in the Franchised Business.

6.2 *Initial Management Training.* Before opening your Business, you (or if you are an entity, your Operating Principal) must attend and successfully complete, to our satisfaction, the initial training program we offer for Sportball Business franchisees at our headquarters in Thornhill, Ontario or another location that we specify (or, at our option, ~~part of the~~ training may ~~be~~ take place online). You may ~~send~~ include up to one (1) additional individual (including the Specially Trained Management Personnel) ~~to~~ in the initial management training program. If you ask to ~~send~~ include more than two (2) individuals ~~to~~ in the initial management training program, you agree to pay us a training fee in the amount of Five Hundred Dollars (\$500) for each individual to be trained (so long as training for these individuals takes place simultaneously with the training we provide for the other two individuals), with payment to be made in full before training starts. For replacement training for a Specially Trained Management Personnel, you agree to pay us a training fee in the amount of One Thousand Five Hundred Dollars (\$1,500) for each individual to be trained, with payment to be made in full before training starts.

6.3 *Coach Certification Training.* Before opening your Business, we will provide up to forty (40) hours of Sportball coach certification training for up to two (2) of your coaches (one of whom must be you or your Operating Principal) at our offices in Thornhill, Ontario (or another location that we may designate in the U.S.). You (or the Operating Principal) must attend coach certification training as a coach. A coach that successfully completes this training will be a

"Certified Coach." You must ~~send~~include at least one individual to become a Certified Coach. Any coaches you hire to offer Services must successfully complete training to our satisfaction and become a Certified Coach. If you ask to ~~send~~include more than two (2) individuals ~~to~~in the initial coach certification training, you agree to pay us a training fee in the amount of Five Hundred Dollars (\$500) for each individual to be trained (so long as training for these individuals takes place simultaneously with the training we provide for the other two individuals), with payment to be made in full before training starts. For replacement coach certification training, we will provide such training at a cost of One Thousand Five Hundred Dollars (\$1,500) for up to two (2) individuals to attend such training, with payment to be made in full before training starts.

6.4 *Additional Obligations and Terms Regarding Training.*

- 6.4.1 If you (or your Operating Principal) cease active management or employment at the Franchised Business, or if we disapprove of the service of you (or your Operating Principal) in a specific role (but not as an employee), or if we revoke the certification of you (or your Operating Principal) to serve in that capacity, then you agree to enroll a qualified replacement (who must be reasonably acceptable to us to serve in that capacity) in our initial training program within thirty (30) days after the former individual ended his/her full time employment and/or management responsibilities. The replacement must attend and successfully complete the basic management training program, to our reasonable satisfaction, as soon as it is practical to do so.
- 6.4.2 We may require that you and your Specially Trained Management Personnel attend such refresher courses, seminars, and other training programs as we may reasonably require periodically.
- 6.4.3 We may require you to enroll each of your employees in web-based training programs relating to the Services and products that each will assist in providing to participants of the Business.
- 6.4.4 All of your trainees must sign and deliver to you a personal covenant of confidentiality in substantially the form of Exhibit D to this Agreement.
- 6.4.5 Training Costs and Expenses.
 - 6.4.5.1 We will bear the cost of providing the instruction and required materials, except as otherwise provided in Sections 6.2 and 6.3 of this Agreement.
 - 6.4.5.2 You agree to bear all expenses incurred in connection with any training, including without limitation the costs of transportation, lodging, meals, wages, benefits, and worker's compensation insurance for you and your employees.
 - 6.4.5.3 You also agree to cover all of your employees at all times (including the pre-opening period, and including those attending training) under the insurance policies required in Section 15 below.
 - 6.4.5.4 We have the right to reduce the duration or content of the training program for any trainee who has prior experience with our System or in similar businesses.

- 6.5 *Additional On-Site Training.* You may ask us to provide online or on-site training in addition to that which we will provide to you in connection with the initial training program and/or training we provide during our periodic visits to the Franchised Business, and if we are able to do so, then you agree to pay us our then-current per diem training charges as well as our out-of-pocket expenses. Additionally, if we determine that you are not operating the Franchised Business in accordance with our standards as set forth in the Manual, we may place you in default of this Agreement and/or require you and/or your employees to complete additional training at the Franchised Business or a location that we designate, (including online), at your expense, which will include our then-current per diem training charges and our out-of-pocket expenses for any training conducted at your Franchised Business or online.
- 6.6 *Conventions and Meetings.* You (or your Operating Principal) and your Certified Coaches must attend the conventions and meetings that we may periodically require and to pay a reasonable fee for each person who is required to attend (and, if applicable, additional attendees that you choose to send as well). You will also be responsible for all of the other costs of attendance for you and your employees, including travel, room and board, and your employees' wages, benefits and other expenses.

7 PURCHASING AND SUPPLY OF PRODUCTS

While your Business will focus principally on the provision of Services, you will also offer certain products at your Business. This Section 7 addresses those items.

- 7.1 *Products.* You agree to buy all products, equipment, supplies, materials, and other products used or offered for sale at or from the Business only from suppliers as to whom we have given you our prior written approval (and that we have not later disapproved). In this regard, the parties further agree:
- 7.1.1 In determining whether we will approve any particular supplier, we will consider various factors, including: **(a)** whether the supplier can demonstrate, to our continuing reasonable satisfaction, the ability to meet our then-current standards and specifications for such items; **(b)** whether the supplier has adequate quality controls and capacity to supply your needs promptly and reliably; **(c)** whether approval of the supplier would enable the System, in our sole opinion, to take advantage of marketplace efficiencies; and **(d)** whether the supplier will sign a confidentiality agreement and a license agreement in the form that we may require (which may include a royalty fee for the right to use our Proprietary Marks and any other proprietary rights, recipes, and/or formulae).
- 7.1.2 For the purpose of this Agreement, the term "**supplier**" includes, but is not limited to, manufacturers, distributors, resellers, and other vendors.
- 7.1.3 You acknowledge and agree that we have the right to appoint only one supplier for any particular product or item (which may be us or one of our affiliates).
- 7.1.4 You agree to offer and sell only Services and products at the Franchised Business. You may not offer or sell anything at the Franchised Business that is not a Service or a product.
- 7.1.5 If you want to buy any products or any item from an unapproved supplier (except for proprietary items, which are addressed in Section 7.2 below), then you must first submit a written request to us asking for our prior written approval. You agree not to buy from any such supplier unless and until we have given you our prior written consent

to do so. We have the right to require that our representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered, either to us or to an independent laboratory that we have designated for testing. You (or the supplier) may be required to pay a charge, not to exceed the reasonable cost of the inspection, as well as the actual cost of the test. We have the right to also require that the supplier comply with such other requirements that we have the right to designate, including payment of reasonable continuing inspection fees and administrative costs and/or other payment to us by the supplier on account of their dealings with you or other franchisees, for use of our trademarks, and for services that we may render to such suppliers. We also reserve the right, at our option, to periodically re-inspect the facilities and products of any such approved supplier and to revoke our approval if the supplier does not continue to meet any of our then-current criteria. We are not required to approve any particular supplier, nor to make available our standards, specifications, or formulas to prospective suppliers, which we have the right to deem confidential.

- 7.1.6 You agree we have the right to establish one or more strategic alliances or preferred vendor programs with one or more nationally or regionally-known suppliers that are willing to supply all or some Sportball Businesses with some or all of the products and/or services that we require for use and/or sale in the development and/or operation of Sportball Businesses, notwithstanding anything to the contrary contained in this Agreement. In this event, we may limit the number of approved suppliers with whom you may deal, designate sources that you must use for some or all products and other products and services, and/or refuse any of your requests if we believe that this action is in the best interests of the System or the network of Sportball Businesses. We have the right to approve or disapprove of the suppliers who may be permitted to sell products to you. Any of our affiliates that sell products to you will do so at our direction. If you are in default of this Agreement, we reserve the right to direct our affiliates not to sell products to you, or to withhold certain discounts which might otherwise be available to you.
- 7.1.7 You acknowledge and agree that we have the right to collect and retain all manufacturing allowances, marketing allowances, rebates, credits, monies, payments or benefits (collectively, "**Allowances**") offered by suppliers to you or to us (or our affiliates) based upon your purchases of products and other goods and services. These Allowances include those based on purchases of products, other products, beverages, and other items. You assign to us or our designee all of your right, title and interest in and to any and all such Allowances and authorize us (or our designee) to collect and retain any or all such Allowances without restriction.
- 7.1.8 If we require you to offer and sell items that bear our Proprietary Marks, or to use items that bear our Proprietary Marks, then you must buy, use, and sell only the items that we require, and you must buy those items only from our approved suppliers.
- 7.2 *Proprietary Items.* You acknowledge and agree that: (a) we have the right to require that certain items that you offer at the Franchised Business must be produced in accordance with our proprietary standards and specifications (and/or those of our affiliates), and that such items are our proprietary products; and (b) we have the right to require that you purchase and offer branded non-proprietary private-label products at your Business. In order to maintain the high standards of quality and uniformity associated with proprietary items, and other products and packaging bearing the Proprietary Marks, you agree to purchase those proprietary items and products, as well as any packaging bearing the Proprietary Marks (and any other products we may now or in the future designate), only from us, our affiliates, and/or our approved suppliers,

and not to offer or sell any other such products at or from the Franchised Business. We have the right to determine whether any particular item will be a "Proprietary Item."

- 7.3 *Use of the Marks.* You must require all marketing materials, signs, decorations, paper goods (including, without limitation, and all forms and stationery used in the Franchised Business), and other items which we may designate to bear the Proprietary Marks in the form, color, location, and manner we prescribe (and subject to our prior written approval, for example as provided in Section 13.5 below).
- 7.4 *Manufacturing.* You agree that you will not manufacture any items in the Franchised Business, including products that we have otherwise authorized and approved for production.

8 YOUR DUTIES

In addition to all of the other duties specified in this Agreement, for the sake of brand enhancement and protection, you agree to all of the following:

- 8.1 *Importance of Following Standards.* You understand and acknowledge that every detail of the Franchised Business is important to you, to us, and to other "Sportball" franchisees and licensees in order to develop and maintain high operating standards, to provide superior customer service to participants, to increase the demand for the services and products sold, by all franchisees, and to protect and enhance the reputation and goodwill associated with our brand.
- 8.2 *Opening.* In connection with the opening of the Franchised Business:
- 8.2.1 You agree to conduct, at your expense, such promotional and marketing activities as we may require.
- 8.2.2 You agree to open the Franchised Business by the date specified in Section 5.1 above.
- 8.2.3 You agree not to commence operations of the Franchised Business until the Specially Trained Management Personnel and Certified Coach(es) have successfully completed all training that we require.
- 8.2.4 In addition, you agree not to commence operations of the Franchised Business until the Initial Franchise Fee and any other amounts due to us (and our affiliates) under this Agreement or any other agreements have been paid.
- 8.3 *Staffing.*
- 8.3.1 You agree to maintain a competent, conscientious staff in numbers sufficient to promptly service participants and to comply with staffing and service criteria, which may include without limitation specified positions that we may designate from time to time as necessary or appropriate for providing quality member experience according to our standards. We will provide our requirements for service/function positions that we may establish from time to time and which will be set forth in our Manual. We reserve the right to require you to employ additional staff if we determine that you are not meeting our standards with respect to customer service and quality of performance.
- 8.3.2 For the sake of efficiency and to enhance and protect our brand you and your staff must, at all times, cooperate with us and with our representatives, and conduct the

operation of the business in a first-class and professional manner in terms of dealing with participants, vendors, and our staff as well. We have the ongoing right, at any time, to conduct and update background checks on you and each of your personnel.

- 8.3.3 Your employees must comply with such dress code or standards as we may require, which may include use of branded (or other “**uniform**”) apparel, and otherwise identify themselves with the Proprietary Marks at all times in the manner we specify (whether in the Manual or otherwise in writing) while on a job for the Franchised Business. We may also require that you and your employees comply with personal appearance standards (including dress code, shoes, hair color, body art, piercing, sanitation and personal hygiene, foundation garments, personal displays at work stations, etc.).
- 8.4 *Operation According to Our Standards.* To insure that the highest degree of quality and service is maintained, you agree to operate your Franchised Business in strict conformity with such methods, standards, and specifications that we may periodically require in the Manual or otherwise in writing. In this regard, you agree to do all of the following:
- 8.4.1 You agree to maintain in sufficient supply, and to offer and/or sell at all times only the Services and products, using the Sportball Method, that meet our written standards and specifications, and you also agree not to deviate from our standards and specifications by using or offering any non-conforming items without our specific prior written consent.
- 8.4.2 You agree: (a) to sell or offer for sale only those Services and products that we have approved in writing for you to sell at your Franchised Business; (b) to sell or offer for sale all those Services and products, employing the techniques that we specify in writing; (c) not to deviate from our standards and specifications, including manner of maintenance of your equipment and products; (d) to stop selling and offering for sale any Services or products that we at any time disapprove in writing (recognizing that we have the right to do so at any time); and (e) that if you propose to deviate (or if you do deviate) from our standards and specifications, whether or not we have approved the deviation, that deviation will become our property.
- 8.4.3 You agree to permit us, or our agents, at any reasonable time, to inspect the products, equipment and to remove samples of items or products, without payment, in amounts reasonably necessary for testing by us or an independent third party to determine whether the products, equipment, or samples meet our then-current standards and specifications. In addition to any other remedies we may have under this Agreement, we may require you to bear the cost of such testing if we had not previously approved the supplier of the item or if the sample fails to conform to our specifications.
- 8.4.4 If a threat or danger to public health or safety results from the maintenance or operation of the Franchised Business, you agree to immediately suspend operation of the Franchised Business, notify us in writing, and not resume operation until the threat or danger is fully remedied.
- 8.5 *Hours and Days of Operation.* You agree to operate the Franchised Business during such hours and days as we may periodically specify in the Manual or as we may otherwise approve in writing.
- 8.6 *Health Standards and Operating Codes.* You agree to fully and faithfully comply with all Operating Codes applicable to your Franchised Business. You will have the sole responsibility to fully and faithfully comply with any Operating Codes, and we will not review whether you

are in compliance with any Operating Codes. The term “**Operating Codes**” means applicable federal, state, and local laws, codes, ordinances, and/or regulations that apply to the Services, products, and other aspects of operating the Franchised Business. You agree to provide to us, within three (3) days of your receipt, a copy of all inspection reports, warnings, citations, certificates, and/or ratings resulting from inspections conducted by any federal, state or municipal agency with jurisdiction over the Franchised Business. You must also obtain and maintain during the term of this Agreement all licenses and approvals from any governmental or regulatory agency required for the operation of the Franchised Business or provision of the Services you will offer, sell, and provide. Where required, you must obtain the approval of any regulatory authority with jurisdiction over the operation of your Franchised Business. You acknowledge that we will have no liability to you or any regulatory authority for any failure by you to obtain or maintain during the term of this Agreement any necessary licenses or approvals required for the operation of the Franchised Business.

8.7 *Upgrading.* You agree to upgrade the Franchised Business at your expense to conform to our then-current standards and requirements concerning presentation of the Proprietary Marks in a manner consistent with the then-current image for new Sportball Businesses.

8.8 *Use of the Proprietary Marks.* You will require all marketing and promotional materials, signs, decorations, merchandise, any and all replacement trade dress products, and other items that we may designate to bear our then-current Proprietary Marks and logos in the form, color, location, and manner that we have then-prescribed.

8.9 *If You Are an Entity:*

8.9.1 *Corporate Franchisee.* If you are a corporation, then you agree to: **(a)** confine your activities, and your governing documents will at all times provide that your activities are confined, exclusively to operating the Franchised Business; **(b)** maintain stop transfer instructions on your records against the transfer of any equity securities and will only issue securities upon the face of which a legend, in a form satisfactory to us, appears which references the transfer restrictions imposed by this Agreement; **(c)** not issue any voting securities or securities convertible into voting securities; and **(d)** maintain a current list of all owners of record and all beneficial owners of any class of voting stock of your company and furnish the list to us upon request.

8.9.2 *Partnership/LLP Franchisee.* If you are a partnership or a limited liability partnership (LLP), then you agree to: **(a)** confine your activities, and your governing documents will at all times provide that your activities are confined, exclusively to operating the Franchised Business; **(b)** furnish us with a copy of your partnership agreement as well as such other documents as we may reasonably request, and any amendments thereto; **(c)** prepare and furnish to us, upon request, a current list of all of your general and limited partners; and **(d)** consistent with the transfer restrictions set out in this Agreement, maintain instructions against the transfer of any partnership interests without our prior written approval.

8.9.3 *LLC Franchisee.* If you are a limited liability company (LLC), then you agree to: **(a)** confine your activities, and your governing documents will at all times provide that your activities are confined, exclusively to operating the Franchised Business; **(b)** furnish us with a copy of your articles of organization and operating agreement, as well as such other documents as we may reasonably request, and any amendments thereto; **(c)** prepare and furnish to us, upon request, a current list of all members and managers in your LLC; and **(d)** maintain stop transfer instructions on your records against the transfer of equity securities and will only issue securities upon the face of

which bear a legend, in a form satisfactory to us, which references the transfer restrictions imposed by this Agreement.

- 8.9.4 *Guarantees.* You agree to obtain, and deliver to us, a guarantee of your performance under this Agreement and covenant concerning confidentiality and competition, in the form attached as Exhibit B, from each current and future direct and indirect: **(a)** shareholder of a corporate Franchisee; **(b)** member of a limited liability company Franchisee; **(c)** partner of a partnership Franchisee; and/or **(d)** partner of a limited liability partnership Franchisee.
- 8.10 *Quality-Control and Customer Survey Programs.* We may periodically designate an independent evaluation service to conduct a “customer survey” and/or similar quality-control and evaluation programs with respect to Sportball Businesses. You agree to participate in such programs as we require. If you receive an unsatisfactory or failing report in connection with any such program, then you agree to immediately implement any remedial actions we require.
- 8.11 *Prices.* You agree that we may set reasonable restrictions on the maximum and minimum prices you may charge for the Services and products offered and sold from the Franchised Business under this Agreement. You will have the right to set the prices that you will charge to your participants; provided, however, that (subject to applicable law): **(a)** if we have set a maximum price for a particular item, then you may charge any price for that item up to and including the maximum price we have set; and **(b)** if we have set a minimum price for a particular item, then you may charge any price for that item that is equal to or above the minimum price we have set.
- 8.12 *Environmental Matters.* We are committed to working to attain optimal performance of Sportball Businesses with respect to environmental, sustainability, and energy performance. We each recognize and agree that there are changing standards in this area in terms of applicable law, competitors’ actions, consumer expectations, obtaining a market advantage, available and affordable solutions, and other relevant considerations. In view of those and other considerations, as well as the long-term nature of this Agreement, you agree that we have the right to periodically set reasonable standards with respect to environmental, sustainability, and energy for the System through the Manual, and you agree to abide by those standards.
- 8.13 *Innovations.* You agree to disclose to us all ideas, concepts, methods, techniques and products conceived or developed by you, your affiliates, owners and/or employees during the term of this Agreement relating to the development and/or operation of the Sportball Businesses. All such products, services, concepts, methods, techniques, and new information will be deemed to be our sole and exclusive property and works made-for-hire for us. You hereby grant to us (and agree to obtain from your affiliates, owners, employees, and/or contractors), a perpetual, non-exclusive, and worldwide right to use any such ideas, concepts, methods, techniques and products in any businesses that we and/or our affiliates, franchisees and designees operate. We will have the right to use those ideas, concepts, methods, techniques, and/or products without making payment to you. You agree not to use or allow any other person or entity to use any such concept, method, technique or product without obtaining our prior written approval.
- 8.14 *Large Accounts.* You acknowledge that our negotiation of certain select and/or strategic arrangements with Large Accounts (such as Services that would be provided in concert with an organization having multiple regional or nationwide locations (such as the YMCA)), including rates and Services to be performed, enhances the potential value of the System and inures to your benefit as well as to our benefit and that of other Sportball Businesses.

- 8.14.1 We will have the exclusive right, unless otherwise specifically delegated in writing, on behalf of us, you, and/or other franchisees utilizing the Proprietary Marks, to negotiate and enter into agreements or approve forms of agreement to provide services to “Large Account” participants, including any affiliate, company owned or franchised locations within the Protected Territory.
- 8.14.2 Upon completion of your initial training, you must sign up to receive Large Account business and must service any Large Accounts we refer to you in accordance with the Large Account contract and the guidelines set forth in the Manual, including any Services requirements identified in the Manual.
- 8.14.3 Any dispute as to whether a particular customer is a Large Account will be determined by us and our determination will be final and binding.
- 8.14.4 Following the execution of a contract with or the acceptance of a bid by a Large Account customer which contemplates the provision of Services to one or more Large Account customer locations within or outside of the Protected Territory, we will, if you are qualified to perform the Services and conditioned upon your substantial compliance with the terms of this Agreement and any addendum, refer the Large Account to you, and you must perform such Services pursuant to the terms and conditions of the Large Account contract and the guidelines contained in the Manual.
- 8.14.5 If you fail to provide services to a Large Account customer in conformity with the terms and conditions of the Large Account contract or the Manual, we will have the right to:
 - 8.14.5.1 Terminate this Agreement in accordance with Section 17.3.1; and/or
 - 8.14.5.2 Provide, directly or through any other licensee or franchisee utilizing the Proprietary Marks, services to the Large Account customer location(s) within the Protected Territory on the terms and conditions contained in the Large Account bid or contract; and/or
 - 8.14.5.3 Contract with another party to provide such services to the Large Account customer location(s) within the Protected Territory on the terms and conditions contained in the Large Account bid.
- 8.14.6 Neither the direct provision by us (or our franchisee, licensee, or agent) of services to Large Account customers as authorized in Section 8.14.5.2 above, nor our contracting with another party to provide such services as authorized in Section 8.14.5.3 above, will constitute a violation of Section 1.2 of this Agreement relating to the territorial protections granted to you, even if such services are delivered from a location within the Protected Territory. You disclaim any compensation or consideration for work performed by others in the Protected Territory pursuant to this Section 8.14.

9 PROPRIETARY MARKS

- 9.1 *Our Representations.* We represent to you that we own (or have an appropriate license to) all right, title, and interest in and to the Proprietary Marks, and that we have taken (and will take) all reasonably necessary actions to preserve and protect the ownership and validity in, and of, the Proprietary Marks.
- 9.2 *Your Agreement.* With respect to your use of the Proprietary Marks, you agree that:

- 9.2.1 You will use only the Proprietary Marks that we have designated in writing, and you will use them only in the manner we have authorized and permitted in writing; and all items bearing the Proprietary Marks must bear the then-current logo.
- 9.2.2 You will use the Proprietary Marks only for the operation of the business franchised under this Agreement and only at the location authorized under this Agreement, or in franchisor-approved marketing for the business conducted at or from that location (subject to the other provisions of this Agreement).
- 9.2.3 Unless we otherwise direct you in writing to do so, you agree to operate and advertise the Franchised Business only under the name "Sportball" without prefix or suffix.
- 9.2.4 During the term of this Agreement and any renewal of this Agreement, you will identify yourself (in a manner reasonably acceptable to us) as the owner of the Franchised Business in conjunction with any use of the Proprietary Marks, including uses on invoices, order forms, receipts, and contracts, as well as the display of a notice in such content and form and at such conspicuous locations on the premises of the Franchised Business as we may designate in writing.
- 9.2.5 Your right to use the Proprietary Marks is limited to such uses as are authorized under this Agreement, and any unauthorized use thereof will constitute an infringement of our rights.
- 9.2.6 You agree not to use the Proprietary Marks to incur any obligation or indebtedness on our behalf.
- 9.2.7 You agree not to use the Proprietary Marks:
 - 9.2.7.1 as part of your corporate or other legal name;
 - 9.2.7.2 as part of your identification in any e-mail address, domain name, or other electronic medium (except as otherwise provided in Section 14.11.3 below); and/or
 - 9.2.7.3 in connection with any employment or human-resources (H.R.) documents (including employment applications, paychecks, pay stubs, and employment agreements).
- 9.2.8 You agree to execute any documents that we (or our affiliates) deem necessary to obtain protection for the Proprietary Marks or to maintain their continued validity and enforceability.
- 9.2.9 With respect to litigation involving the Proprietary Marks, the parties agree that:
 - 9.2.9.1 You agree to promptly notify us of any suspected infringement of the Proprietary Marks, any known challenge to the validity of the Proprietary Marks, or any known challenge to our ownership of, or your right to use, the Proprietary Marks licensed under this Agreement. You acknowledge and agree that we will have the sole right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement thereof. We will also have the sole right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks.

- 9.2.9.2 If you used the Proprietary Marks in accordance with this Agreement, then we will defend you at our expense against any third party claim, suit, or demand involving the Proprietary Marks arising out of your use thereof. If you used the Proprietary Marks in a manner that does not comply with this Agreement, then we will still defend you, but at your expense, against such third party claims, suits, or demands.
- 9.2.9.3 We agree to reimburse you for your out-of-pocket travel costs in doing such acts and things, and you will bear the salary costs of your employees, and we will bear the costs of any judgment or settlement, unless such litigation is the result of your use of the Proprietary Marks in a manner that does not comply with this Agreement.
- 9.2.9.4 To the extent that such litigation is the result of your use of the Proprietary Marks in a manner inconsistent with the terms of this Agreement, then you agree to reimburse us (upon our request, which may be periodic and/or upon the conclusion of the proceedings) for the cost of such litigation and/or upon our written request, pay our legal fees directly (your obligation under this Section includes reasonable attorneys' fees, court costs, discovery costs, and all other related expenses, as well as the cost of any judgment or settlement).
- 9.2.9.5 If we undertake the defense or prosecution of any litigation or other similar proceeding relating to the Proprietary Marks, then you agree to sign any and all documents, and do those acts and things that may, in our counsel's opinion, be necessary to carry out the defense or prosecution of that matter (including becoming a nominal party to any legal action).

9.3 *Your Acknowledgements.* You expressly understand and acknowledge that:

- 9.3.1 We own all right, title, and interest in and to the Proprietary Marks and the goodwill associated with and symbolized by them.
- 9.3.2 The Proprietary Marks are valid and serve to identify the System and those who are authorized to operate under the System.
- 9.3.3 Neither you nor any of your owners, principals, or other persons acting on your behalf will directly or indirectly contest the validity or our ownership of the Proprietary Marks, nor will you, directly or indirectly, seek to register the Proprietary Marks with any government agency (unless we have given you our express prior written consent to do so).
- 9.3.4 Your use of the Proprietary Marks does not give you any ownership interest or other interest in or to the Proprietary Marks, except the license granted by this Agreement.
- 9.3.5 Any and all goodwill arising from your use of the Proprietary Marks will inure solely and exclusively to our benefit, and upon expiration or termination of this Agreement and the license granted as part of this Agreement, there will be no monetary amount assigned as attributable to any goodwill associated with your use of our System or of our Proprietary Marks.
- 9.3.6 The right and license of the Proprietary Marks that we have granted to you under this Agreement is non-exclusive, and we therefore have the right, among other things:

- 9.3.6.1 To use the Proprietary Marks ourselves in connection with selling Services and products;
 - 9.3.6.2 To grant other licenses for the Proprietary Marks, in addition to licenses we may have already granted to existing franchisees; and
 - 9.3.6.3 To develop and establish other systems using the same or similar Proprietary Marks, or any other proprietary marks, and to grant licenses or franchises for those other marks without giving you any rights to those other marks.
- 9.4 *Change to Marks.* We reserve the right to substitute different Proprietary Marks for use in identifying the System and the businesses operating as part of the System if our currently owned Proprietary Marks no longer can be used, or if we determine, exercising our right to do so, that substitution of different Proprietary Marks will be beneficial to the System. In such circumstances, you must immediately cease using any discontinued marks and must immediately begin using such substituted marks (including in your marketing materials), and your right to use the substituted proprietary marks will be governed by (and pursuant to) the terms of this Agreement.

10 CONFIDENTIAL BRAND MANUAL

- 10.1 *You Agree to Abide by the Manual.* In order to protect our reputation and goodwill and to maintain high standards of operation under our Proprietary Marks, you agree to conduct your business in accordance with the written instructions that we provide, including the Manual. We will lend to you (or permit you to have access to) one (1) copy of our Manual, only for the term of this Agreement, and only for your use in connection with operating the Franchised Business during the term of this Agreement.
- 10.2 *Format of the Manual.* We will have the right to provide the Manual in any format we determine is appropriate (including paper and/or by making some or all of the Manual available to you only in electronic form, such as through an internet website or an extranet). If at any time we choose to provide the Manual electronically, you agree to immediately return to us any and all physical copies of the Manual that we have previously provided to you.
- 10.3 *We Own the Manual.* The Manual will at all times remain our sole property and you agree to promptly return the Manual when this Agreement expires or if it is terminated.
- 10.4 *Confidentiality and Use of the Manual.*
 - 10.4.1 The Manual contains our proprietary information and you agree to keep the Manual confidential both during the term of this Agreement and after this Agreement expires and/or is terminated. You agree that, at all times, you will insure that your copy of the Manual will be available in a current and up-to-date manner. Whenever the Manual is not in use by authorized personnel, you agree to maintain secure access to the Manual at the Franchised Business, and you agree to grant only authorized personnel (as defined in the Manual) with access to the security protocols for the Manual.
 - 10.4.2 You agree to never make any unauthorized use, disclosure, and/or duplication the Manual in whole or in part.
- 10.5 *You Agree to Treat Manual as Confidential.* You agree that at all times, you will treat the Manual, any other manuals that we create (or approve) for use in the operation of the Franchised Business, and the information contained in those materials, as confidential, and

you also agree to use your best efforts to maintain such information as secret and confidential. You agree that you will never copy, duplicate, record, or otherwise reproduce those materials, in whole or in part, nor will you otherwise make those materials available to any unauthorized person.

- 10.6 *Which Copy of the Manual Controls.* You agree to keep your copy of the Manual only at the Franchised Business (and as provided in Section 10.4 above) and also to insure that the Manual are kept current and up to date. You also agree that if there is any dispute as to the contents of the Manual, the terms of the master copy of the Manual that we maintain in our home office will be controlling. Access to any electronic version of the Manual will also be subject to our reasonable requirements with respect to security and other matters, as described in Section 14 below.
- 10.7 *Revisions to the Manual.* We have the right to revise the contents of the Manual whenever we deem it appropriate to do so, and you agree to make corresponding revisions to your copy of the Manual and to comply with each new or changed standard.
- 10.8 *Modifications to the System.* You recognize and agree that we may periodically change or modify the System and you agree to accept and use for the purpose of this Agreement any such change in the System (which may include, among other things, new or modified trade names, service marks, trademarks or copyrighted materials, new products, new equipment or new techniques, as if they were part of this Agreement at the time when you and we signed this Agreement; provided the financial burden placed upon you is not substantial). You agree to make such expenditures and such changes or modifications as we may reasonably require pursuant to this Section and otherwise in this Agreement.

11 CONFIDENTIAL INFORMATION

11.1 Confidentiality.

- 11.1.1 You agree that you will not, during the term of this Agreement or at any time thereafter, communicate, divulge, or use (for yourself and/or for the benefit of any other person, persons, partnership, entity, association, or corporation) any Confidential Information that may be communicated to you or of which you may be apprised by virtue of your operation under the terms of this Agreement. You agree that you will divulge our Confidential Information only to those of your employees as must have access to it in order to operate the Franchised Business.
- 11.1.2 Any and all information, knowledge, know-how, and techniques that we designate as confidential will be deemed Confidential Information for purposes of this Agreement, except information that you can demonstrate came to your attention before disclosure of that information by us; or which, at or after the time of our disclosure to you, had become or later becomes a part of the public domain, through publication or communication by another party that has the right to publish or communicate that information.
- 11.1.3 Any employee who may have access to any Confidential Information regarding the Franchised Business must execute a covenant that s/he will maintain the confidentiality of information they receive in connection with their association with you. Such covenants must be on a form that we provide, which form will, among other things, designate us as a third party beneficiary of such covenants with the independent right to enforce them.

11.1.4 As used in this Agreement, the term “**Confidential Information**” includes, without limitation, our business concepts and plans, Sportball Method, teaching and coaching methods, operating techniques, marketing methods, processes, vendor information, results of operations and quality control information, financial information, demographic and trade area information, market penetration techniques, plans, or schedules, the Manual, participant or customer profiles, preferences, or statistics, itemized costs, franchisee composition, territories, and development plans, and all related trade secrets or other confidential or proprietary information treated as such by us, whether by course of conduct, by letter or report, or by the use of any appropriate proprietary stamp or legend designating such information or item to be confidential or proprietary, by any communication to such effect made prior to or at the time any Confidential Information is disclosed to you.

11.2 *Consequences of Breach.* You acknowledge and agree that any failure to comply with the requirements of this Section 11 will cause us irreparable injury, and you agree to pay all costs (including, without limitation, reasonable attorneys’ fees, court costs, discovery costs, and all other related expenses) that we incur in obtaining specific performance of, or an injunction against violation of, the requirements of this Section 11.

12 ACCOUNTING, FINANCIAL AND OTHER RECORDS, AND INSPECTIONS

12.1 *Accounting Records and Sales Reports.*

12.1.1 With respect to the operation and financial condition of the Franchised Business, we will have the right to designate, and you agree to adopt, the fiscal year and interim fiscal periods that we decide are appropriate for the System.

12.1.2 With respect to the Franchised Business, you agree to maintain for at least seven (7) years during (as well as after) the term of this Agreement (and also after any termination and/or transfer), full, complete, and accurate books, records, and accounts prepared in accordance with generally accepted accounting principles and in the form and manner we may periodically prescribe in the Manual or otherwise in writing, including: **(a)** daily cash reports, if required; **(b)** cash receipts journal and general ledger, if required; **(c)** cash disbursements and weekly payroll journal and schedule, if required; **(d)** monthly bank statements, daily deposit slips and cancelled checks; **(e)** all tax returns; **(f)** supplier’s invoices (paid and unpaid); **(g)** dated daily and weekly cash receipt reports, if required, in accordance with our standards; **(h)** semi-annual fiscal period balance sheets and fiscal period profit and loss statements, if required; **(i)** operational schedules; **(j)** records of promotion and coupon redemption; and **(k)** such other records that we may periodically and reasonably request.

12.1.3 We have the right to specify the accounting software and a common chart of accounts, and, if we do so, you agree to use that software and chart of accounts (and require your bookkeeper and accountant to do so) in preparing and submitting financial statements to us. We have the right to require you to use only a designated bookkeeping service and an approved independent certified public accountant. You agree to provide to the accounting service provider complete and accurate information that we or the accounting service provider require, and agree that we will have full access to the data and information that you provide to the accounting service provider or through the designated program.

12.1.4 If we require you to do so, you must submit to us each Month, in the form we specify and/or utilizing our Required Software, a sales report for the immediately preceding

Month. If we require you to do so, you agree to submit the report to us by whatever method that we reasonably require (whether electronically through your use of our Required Software or otherwise) for our receipt no later than the times required under Section 4.3 above. You agree that if do not submit those reports to us in a timely manner, we will have the right to charge you for the costs that we incur in auditing your records.

12.2 *Periodic Statements.*

12.2.1 If we require you to do so, you agree to provide us, at your expense, and in a format that we reasonably specify, a complete annual financial statement prepared within ninety (90) days after the end of each fiscal year of the Franchised Business during the term of this Agreement. Your financial statement must be prepared according to generally accepted accounting principles, including a fiscal year-end balance sheet, an income statement of the Franchised Business for that fiscal year reflecting all year-end adjustments, and a statement of changes in your cash flow reflecting the results of operations of the Franchised Business during the most recently completed fiscal year.

12.2.2 If we require you to do so, you must deliver to us, within thirty (30) days after the last day of each athletic season (March 31, June 30, August 31, and December 31), an unaudited profit and loss statement for the most recent season and a seasonal sales report. We reserve the right to revise the content and accounting detail required in such seasonal reports.

12.2.3 You must certify as correct and true all reports and information that you submit to us pursuant to this Section 12.2.

12.3 *Additional Information.* You also agree to submit to us (in addition to the sales reports required pursuant to Section 12.1.4 above), for review or auditing, such other forms, reports, records, information, and data as and when we may reasonably designate, in the form and format, and at the times and places as we may reasonably require, upon request and as specified periodically in the Manual or otherwise in writing, including: **(a)** information in electronic format; **(b)** restated in accordance with our financial reporting periods; **(c)** consistent with our then-current financial reporting periods and accounting practices and standards; and/or **(d)** as necessary so that we can comply with reporting obligations imposed upon us by tax authorities with jurisdiction over the Franchised Business and/or our company. The reporting requirements of this Section 12.3 will be in addition to, and not in lieu of, the electronic reporting required under Section 14 below.

12.4 *Incentive Programs.* You agree to offer for sale, and to honor for purchases by participants all incentive or convenience programs that we may periodically institute (including loyalty programs that we or a third party vendor operate, as well as mobile payment applications); and you agree to do all of those things in compliance with our standards and procedures for such programs. You agree not to sell, issue, or redeem incentive or convenience program materials (such as coupons, gift certificates or gift cards) other than those that we have approved in writing.

12.5 *Our Right to Inspect Your Books and Records.* We have the right at all reasonable times to examine, copy, and/or personally review or audit (at our expense) all of your sales receipts, books, records, and sales and income tax returns in person or through electronic access (at our option). We will also have the right, at any time, to have an independent audit made of your books and records. If an inspection should reveal that you have understated any

payments in any report to us, then this will constitute a default under this Agreement, and you agree to immediately pay us the amount understated upon demand, in addition to interest from the date such amount was due until paid, at the rate of one and one-half percent (1.5%) per month (but not more than the maximum rate permitted by law, if any such maximum rate applies). If we conduct an inspection because you did not timely provide sales reports to us, or if an inspection discloses that you understated your sales, in any report to us (and/or underpaid your royalties), by three percent (3%) or more, or if you did not maintain and/or provide us with access to your records, then you agree (in addition to paying us the overdue amount and interest) to reimburse us for any and all costs and expenses we incur in connected with the inspection (including travel, lodging and wages expenses, and reasonable accounting and legal costs). These remedies will be in addition to any other remedies we may have. We may exercise our rights under this Section 12 directly or by engaging outside professional advisors (for example, a CPA) to represent us.

13 MARKETING

13.1 *Advertising Fund.* We have the right (but not the obligation) to establish, maintain, and administer a System wide marketing and promotional fund (the “**Advertising Fund**”). If we establish and maintain an Advertising Fund, then for each Month during the term of this Agreement, you agree to contribute an amount equal to one percent (1%) of Gross Sales of the Franchised Business, which we may increase at any time with three (3) months’ written notice, to two percent (2%) of Gross Sales (the “**Advertising Fund Contribution**”). You agree to pay the Advertising Fund Contribution in the manner and at the times required under Section 4.3 above (and as otherwise provided in this Section 13). If we establish an Advertising Fund, then the following provisions will apply to that Advertising Fund:

13.1.1 We (or our designee) will have the right to direct all marketing programs, with sole discretion over the concepts, materials, and media used in such programs and the placement and allocation thereof. You agree and acknowledge that the Advertising Fund is intended to maximize general public recognition, acceptance, and use of the System; and that we and our designee are not obligated, in administering the Advertising Fund, to make expenditures for you that are equivalent or proportionate to your contribution, or to ensure that any particular franchisee benefits directly or pro rata from expenditures by the Advertising Fund.

13.1.2 The Advertising Fund, all contributions to that fund, and any of that fund's earnings, will be used exclusively to meet any and all costs of maintaining, administering, staffing, directing, conducting, preparing advertising, marketing, public relations and/or promotional programs and materials, and any other activities that we believe will enhance the image of the System (including, among other things, the costs of preparing and conducting marketing and media advertising campaigns on radio, television, cable, and other media; direct mail advertising; developing and implementing website, social networking/media, search optimization, and other electronic marketing strategies; marketing surveys and other public relations activities; employing marketing personnel (including salaries for personnel directly engaged in consumer-oriented marketing functions), advertising and/or public relations agencies to assist therein; purchasing and distributing promotional items, conducting and administering visual merchandising, point of sale, and other merchandising programs; engaging individuals as spokespersons and celebrity endorsers; purchasing creative content for local sales materials; reviewing locally-produced ads; preparing, purchasing and distributing door hangers, free-standing inserts, coupons, brochures, and trademarked apparel; market research; conducting sponsorships, sweepstakes and competitions; engaging mystery shoppers for Sportball Businesses and their

competitors; paying association dues (including the International Franchise Association), establishing third-party facilities for customizing local advertising; purchasing and installing signage; and providing promotional and other marketing materials and services to the Sportball Businesses operated under the System).

- 13.1.3 You agree to make your Advertising Fund Contribution to the Advertising Fund in the manner specified in Section 4.3 above. All sums you pay to the Advertising Fund will not be used to defray any of our expenses, except for such reasonable costs and overhead, if any, as we may incur in activities reasonably related to the direction and implementation of the Advertising Fund and marketing programs for franchisees and the System. The Advertising Fund and its earnings will not otherwise inure to our benefit. We or our designee will maintain separate bookkeeping accounts for the Advertising Fund.
- 13.1.4 The Advertising Fund is not and will not be our asset. We will have the right to charge the Advertising Fund for the reasonable administrative costs and overhead that we incur in activities reasonably related to the direction and implementation of the Advertising Fund and marketing programs for franchisees and the System (including salaries and costs of personnel for creating and implementing, administering, advertising, merchandising, promotional and marketing programs). We will prepare and make available to you upon reasonable request an annual statement of the operations of the Advertising Fund as shown on our books.
- 13.1.5 Although once established the Advertising Fund is intended to be of perpetual duration, we maintain the right to terminate the Advertising Fund. The Advertising Fund will not be terminated, however, until all monies in the Advertising Fund have been expended for marketing purposes.
- 13.2 **Local Marketing and Promotion.** You agree to spend, on an annual basis, at least one percent (1%) your Franchised Business' annual Gross Sales on local marketing and promotion by direct mail and print advertising, internet advertising and promotion focused on your market, public relations assistance, and other forms of advertising and promotion as we may approve. You must provide to us such documentation as necessary or that we may require in order to show us that you have made these required local marketing and promotion expenditures. As used in this Agreement, the term "local marketing and promotion" will consist only of the direct costs of purchasing and producing marketing materials, media (space or time), and those direct out of pocket expenses related to costs of marketing and sales promotion that you spend in your local market or area, advertising agency fees and expenses, postage, shipping, telephone, and photocopying; however, the parties expressly agree that local marketing may not include costs or expenses that you incur or that are spent on your behalf in connection with any of the following:
- 13.2.1 Salaries and expenses of your employees, including salaries or expenses for attendance at marketing meetings or activities, or incentives provided or offered to such employees, including discount coupons;
- 13.2.2 Charitable, political, or other contributions or donations; and/or
- 13.2.3 The value of discounts provided to consumers.
- 13.3 **Materials Available for Purchase.** We may periodically make available to you for purchase marketing plans and promotional materials, including coupons, merchandising materials, sales

aids, point-of-purchase materials, special promotions, direct mail materials, community relations programs, and similar marketing and promotional materials for use in local marketing.

- 13.4 **Standards.** All of your local marketing and promotion must: **(a)** be in the media, and of the type and format, that we periodically require; **(b)** be conducted in a dignified manner; and **(c)** conform to the standards and requirements that we may specify. You agree to only use such advertising, marketing materials, and/or promotional plans that are provided to you through the Advertising Fund, or if otherwise only after you have received our prior written approval, as specified in Section 13.5 below.
- 13.5 **Our Review and Right to Approve All Proposed Marketing.** For all proposed advertising, marketing, and promotional plans that are not specified by the Advertising Fund, you must submit to us samples of such plans and materials (by means described in Section 24 below), for our review and prior written approval. If you have not received our written approval within fourteen (14) days after we have received those proposed samples or materials, then we will be deemed to have disapproved them. You acknowledge and agree that any and all copyright in and to advertising, marketing materials, and promotional plans developed by or on behalf of you will be our sole property, and you agree to sign such documents (and, if necessary, require your employees and independent contractors to sign such documents) that we deem reasonably necessary to give effect to this provision.
- 13.6 **Rebates.** You acknowledge and agree that periodic rebates, giveaways and other promotions and programs will, if and when we adopt them, be an integral part of the System. Accordingly, you agree to honor and participate (at your expense) in reasonable rebates, giveaways, marketing programs, and other promotions that we establish and/or that other franchisees sponsor, so long as they do not violate regulations and laws of appropriate governmental authorities.
- 13.7 **Considerations as to Charitable Efforts.** You acknowledge and agree that certain associations between you and/or the Franchised Business and/or the Proprietary Marks and/or the System, on the one hand, and certain political, religious, cultural or other types of groups, organizations, causes, or activities, on the other, however well-intentioned and/or legal, may create an unwelcome, unfair, or unpopular association with, and/or an adverse effect on, our reputation and/or the good will associated with the Proprietary Marks. Accordingly, you agree that you will not, without our prior written consent, take any actions that are, or which may be perceived by the public to be, taken in the name of, in connection or association with you, the Proprietary Marks, the Franchised Business, us, and/or the System involving the donation of any money, products, services, goods, or other items to, any charitable, political or religious organization, group, or activity.
- 13.8 **Additional Marketing Expenditure Encouraged.** You understand and acknowledge that the required contributions and expenditures are minimum requirements only, and that you may (and we encourage you to) spend additional funds for local marketing and promotion, which will focus on disseminating marketing directly related to your Franchised Business.

14 TECHNOLOGY

- 14.1 **Computer Systems and Required Software.** With respect to computer systems and required software:
- 14.1.1 We have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, and hardware to be used by, between, or among Sportball Businesses, and in accordance with our standards, including

without limitation: **(a)** back office systems, including the Database and Management Reporting System; **(b)** systems to store data, audio, video (including managed video security surveillance), telephone, voice messaging, retrieval, and transmission systems for use at Sportball Businesses, between or among Sportball Businesses, and between or among the Franchised Business, and you, and us; **(c)** physical, electronic, and other security systems and measures; **(d)** printers and other peripheral devices; **(e)** archival back-up systems; and **(f)** internet access mode (e.g., form of telecommunications connection) and speed; (collectively, all of the above are referred to as the **“Computer System”**).

- 14.1.2 We will have the right, but not the obligation, to develop or have developed for us, or to designate: **(a)** computer software programs and accounting system software that you must use in connection with the Computer System (including applications, technology platforms, and other such solutions) (**“Required Software”**), which you must install; **(b)** updates, supplements, modifications, or enhancements to the Required Software, which you must install; **(c)** the media upon which you must record data; and **(d)** the database file structure of your Computer System. If we require you to use any or all of the above items, then you agree that you will do so.
- 14.1.3 You and your authorized users will not access, store, distribute, and/or transmit any communication (whether by e-mail or other means) that contains viruses, malware, malicious links, malicious data, ransomware, executable code, computer viruses, worms, Trojan horses, ransomware, spyware, adware, scareware, and/or any material at any time that: **(a)** is unlawful, harmful, threatening, defamatory, obscene, infringing, harassing, or discriminatory; **(b)** facilitates illegal activity; **(c)** attempts an unauthorized intrusion into the Computer System or Required Software, or other software used in connection with the Franchised Business, to alter the system or security features, and/or to otherwise to harm the Computer System; **(d)** copies or modifies the Required Software in any form; and/or **(e)** that does any of the above with respect to any other computer and/or computer system.
- 14.1.4 You agree to install and use the Computer System and Required Software at your expense. You may allow only authorized users whom you employ and/or designate to access the Computer System and/or Required Software. You agree to pay us or third party vendors, as the case may be, initial and ongoing fees in order to install, maintain, and continue to use the Required Software, hardware, and other elements of the Computer System.
- 14.1.5 You agree to implement and periodically make upgrades and other changes at your expense to the Computer System and Required Software as we may reasonably request in writing (collectively, **“Computer Upgrades”**).
- 14.1.6 You agree to comply with all specifications that we issue with respect to the Computer System and the Required Software, and with respect to Computer Upgrades, at your expense. You agree to afford us unimpeded access to your Computer System and Required Software, including all information and data maintained thereon, in the manner, form, and at the times that we request.
- 14.1.7 You also agree that we will have the right to approve or disapprove your use of any other technology solutions (including beacons and other tracking methodologies).

14.2 *Data.*

- 14.2.1 You agree that all data that you collect, create, provide, or otherwise develop (including data saved, uploaded from your Computer System to our system, held by a vendor in connection with the Franchised Business, and/or downloaded to our system) is and will be owned exclusively by us, and that we will have the right to access, download, and use that data in any manner that we deem appropriate without compensation to you.
- 14.2.2 You agree that all other data that you create or collect in connection with the System, and in connection with your operation of the Franchised Business (including participant information and transaction data), is and will be owned exclusively by us during the term of, and after termination or expiration of, this Agreement.
- 14.2.3 In order to operate your Franchised Business under this Agreement, we hereby license use of such data back to you, at no additional cost, solely for the term of this Agreement and for your use in connection with operating the Franchised Business. You acknowledge and agree that except for the right to use the data under this clause, you will not develop or have any ownership rights in or to the data.
- 14.2.4 You agree to transfer to us all data (in the digital machine-readable format that we specify, and/or printed copies, and/or originals) promptly upon our request when made, whether periodically during the term of this Agreement, upon termination and/or expiration of this Agreement, any transfer of an interest in you, and/or a transfer of the Franchised Business.

14.3 *Data Requirements and Usage.* We may periodically specify in the Manual or otherwise in writing the information that you agree to collect and maintain on the Computer System installed at the Franchised Business, and you agree to provide to us such reports as we may reasonably request from the data so collected and maintained. In addition:

- 14.3.1 You agree to abide by all applicable laws pertaining to the privacy of consumer, employee, and transactional information ("**Privacy Laws**").
- 14.3.2 You agree to comply with our standards and policies that we may issue (without any obligation to do so) pertaining to the privacy of consumer, employee, and transactional information. If there is a conflict between our standards and policies and Privacy Laws, you agree to: **(a)** comply with the requirements of Privacy Laws; **(b)** immediately give us written notice of such conflict; and **(c)** promptly and fully cooperate with us and our counsel in determining the most effective way, if any, to meet our standards and policies pertaining to privacy within the bounds of Privacy Laws.
- 14.3.3 You agree to not publish, disseminate, implement, revise, or rescind a data privacy policy without our prior written consent as to such policy.
- 14.3.4 You agree to implement at all times appropriate physical and electronic security as is necessary to secure your Computer System, including complex passwords that you change periodically, and to comply any standards and policies that we may issue (without obligation to do so) in this regard.

14.4 *Extranet.* You agree to comply with our requirements (as set forth in the Manual or otherwise in writing) with respect to establishing and maintaining telecommunications connections between your Computer System and our Extranet and/or such other computer systems as we

may reasonably require. The term “**Extranet**” means a private network based upon Internet protocols that will allow users inside and outside of our headquarters to access certain parts of our computer network via the Internet. We may establish an Extranet (but are not required to do so or to maintain an Extranet). If we establish an Extranet, then you agree to comply with our requirements (as set forth in the Manual or otherwise in writing) with respect to connecting to the Extranet, and utilizing the Extranet in connection with the operation of your Franchised Business. The Extranet may include, without limitation, the Manual, training and other assistance materials, and management reporting solutions (both upstream and downstream, as we may direct). You agree to purchase and maintain such computer software and hardware (including telecommunications capacity) as may be required to connect to and utilize the Extranet. You agree to execute and deliver to us such documents as we may deem reasonably necessary to permit you to access the Extranet.

- 14.5 *No Separate Digital Sites.* Unless we have otherwise approved in writing, you agree to neither establish nor permit any other party to establish a Digital Site relating in any manner whatsoever to the Franchised Business or referring to the Proprietary Marks. We will have the right, but not the obligation, to provide one or more references or webpage(s), as we may periodically designate, within our Digital Site. The term “**Digital Site**” means one or more related documents, designs, pages, or other communications that can be accessed through electronic means, including the Internet, World Wide Web, webpages, microsites, social media and networking sites (e.g., Facebook, Twitter, LinkedIn, You Tube, Snapchat, Pinterest, Instagram, etc.), blogs, vlogs, applications to be used on mobile devices (e.g., iOS or Android apps), and other applications, etc. (whether they are now in existence or developed at some point in the future). However, if we give you our prior written consent to have some form of separate Digital Site (which we are not obligated to approve), then each of the following provisions will apply:

- 14.5.1 You agree that you will not establish or use any Digital Site without our prior written approval.
- 14.5.2 Any Digital Site owned or maintained by or for your benefit will be deemed “marketing” under this Agreement, and will be subject to (among other things) our approval under Section 13.5 above.
- 14.5.3 Before establishing any Digital Site, you agree to submit to us, for our prior written approval, a sample of the proposed Digital Site domain name, format, visible content (including, without limitation, proposed screen shots, links, and other content), and non-visible content (including, without limitation, meta tags, cookies, and other electronic tags) in the form and manner we may reasonably require.
- 14.5.4 You may not use or modify such Digital Site without our prior written approval as to such proposed use or modification.
- 14.5.5 In addition to any other applicable requirements, you agree to comply with the standards and specifications for Digital Sites that we may periodically prescribe in the Manual or otherwise in writing (including requirements pertaining to designating us as the sole administrator or co-administrator of the Digital Site). You further agree that we may require you to use us or a third party we designate to provide the platform for any Digital Sites you maintain.
- 14.5.6 If we require, you agree to establish such hyperlinks to our Digital Site and others as we may request in writing.

- 14.5.7 If we require you to do so, you agree to make weekly or other periodic updates to our Digital Site to reflect information regarding specials and other promotions at your Franchised Business.
- 14.5.8 We may require you to make us the sole administrator (or co-administrator) of any social networking pages that you maintain or that are maintained on your behalf, and we will have the right (but not the obligation) to exercise all of the rights and privileges that an administrator may exercise.
- 14.6 *Recordation of Gross Sales.* You agree to record all sales and transactions for the Franchised Business on computer-based systems that we have approved in writing or on such other types of equipment that we may designate in the Manual or otherwise in writing, which will be deemed part of your Computer System. You agree to utilize computer-based systems that are fully compatible with any program or system (which we will have the right to require) and you agree to record all Gross Sales and all sales information on such equipment.
- 14.7 *Electronic Identifiers; E-Mail.*
- 14.7.1 Except as may we may specifically authorize in writing, you agree not to use the Proprietary Marks or any abbreviation or other name associated with us and/or the System as part of any e-mail address, domain name, social network or social media name or address, and/or any other identification of you and/or your business in any electronic medium.
- 14.7.2 You agree not to transmit or cause any other party to transmit advertisements or solicitations by e-mail, text message, and/or other electronic method without obtaining our prior written consent as to: **(a)** the content of such electronic advertisements or solicitations if such materials were not provided to you in connection with the Advertising Fund; and **(b)** your plan for transmitting such advertisements. In addition to any other provision of this Agreement, you will be solely responsible for compliance with any laws pertaining to sending electronic communication (including the Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (known as the “CAN-SPAM Act of 2003”) and the Federal Telephone Consumer Protection Act, as well as laws that apply from outside the U.S., such as the Canadian Anti-Spam Law, or CASL.) (As used in this Agreement, the term “**electronic communication**” includes all methods for sending communication electronically, whether or not currently invented or used, including without limitation e-mails, text messages, internet-based communication, and faxes.)
- 14.8 *Outsourcing.* You agree not to hire third party or outside vendors to perform any services or obligations in connection with the Computer System, Required Software, and/or any other of your obligations, without our prior written approval. Our consideration of any proposed outsourcing vendors may be conditioned upon, among other things, such third party or outside vendor’s entry into a confidentiality agreement with us and you in a form that we may reasonably provide and the third party or outside vendor’s agreement to pay for all initial and ongoing costs related to interfaces with our computer systems. The provisions of this section are in addition to and not instead of any other provision of this Agreement. You agree not to install (and/or remove) any software or firmware from the Computer System without our prior written consent.

14.9 *Telephone Service and Directories.*

14.9.1 If you are engaged in businesses other than the Franchised Business, you must maintain different telephone numbers and may make no reference to the Franchised Business in any telephone directory listings of such other businesses.

14.9.2 Upon termination of this Agreement for any reason, or expiration of this Agreement, we have the right to elect to require you to disconnect any telephone numbers used in connection with the Franchised Business, and you shall not provide a call forwarding or telephone number referral with respect to any such disconnected telephone number (except to a telephone number designated by us) and shall not indicate in any manner you were previously affiliated with us.

14.10 *Changes.* You acknowledge and agree that changes to technology are dynamic and not predictable within the term of this Agreement. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, you agree that we will have the right to establish, in writing, reasonable new standards for the implementation of technology in the System; and you agree to: **(a)** abide by those reasonable new standards we establish as if this Section 14 were periodically revised by us for that purpose, and **(b)** pay for such changes as may be necessary to implement such new standards.

14.11 *Electronic Communication – Including E-Mail, Fax, and Texts.* You acknowledge and agree that exchanging information with us by electronic communication methods is an important way to enable quick, effective, and efficient communication, and that we are entitled to rely upon your use of electronic communications as part of the economic bargain underlying this Agreement. To facilitate the use of electronic communication to exchange information, you authorize the transmission of those electronic communications by us and our employees, vendors, and affiliates (on matters pertaining to the business contemplated under this Agreement) (together, “**Official Senders**”) to you during the term of this Agreement.

14.11.1 In order to implement the terms of this Section 14.11, you agree that: **(a)** Official Senders are authorized to send electronic communications to those of your employees as you may occasionally designate for the purpose of communicating with us and others; **(b)** you will cause your officers, directors, members, managers, and employees (as a condition of their employment or position with you) to give their consent (in an electronic communication or in a pen-and-paper writing, as we may reasonably require) to Official Senders’ transmission of electronic communication to those persons, and that such persons may not opt-out, or otherwise ask to no longer receive electronic communication, from Official Senders during the time that such person works for or is affiliated with you; and **(c)** you will not opt-out, or otherwise ask to no longer receive electronic communications, from Official Senders during the term of this Agreement.

14.11.2 The consent given in this Section 14.11 will not apply to the provision of notices by either party under this Agreement using e-mail unless the parties otherwise agree in a pen-and-paper writing signed by both parties.

14.11.3 We may permit or require you to use a specific e-mail address (or address using another communications method) (for example, one that will contain a Top Level Domain Name that we designate, such as “jan.jones@sportball.com”) (the “**Permitted E-mail Address**”) in connection with the operation of the Franchised Business, under the standards that we set for use of that Permitted E-mail Address. You will be required to sign the form E-Mail authorization letter that we may specify for this purpose. If we

assign you a Permitted E-mail Address, then you agree that you (and your employees) will use only that e-mail account for all business associated with your Franchised Business.

15 INSURANCE

- 15.1 *Required Insurance Coverage.* Before starting any activities or operations under this Agreement, you agree to procure and maintain in full force and effect during the term of this Agreement (and for such period thereafter as is necessary to provide the coverages required under this Agreement for events having occurred during the Term of this Agreement), at your expense, at least the following insurance policy or policies in connection with the Franchised Business or other facilities on premises, or by reason of the establishment or operation of the Franchised Business. Such policy or policies must be written by an insurance company or companies we have approved, having at all times a rating of at least "A-" in the most recent Key Rating Guide published by the A.M. Best Company (or another rating that we reasonably designate if A.M. Best Company no longer publishes the Key Rating Guide) and licensed and admitted to do business in the state in which the Franchised Business is located, and must include, at a minimum (except that we may reasonably specify additional coverages and higher policy limits for all franchisees periodically in the Manual or otherwise in writing to reflect inflation, identification of new risks, changes in the law or standards of liability, higher damage awards and other relevant changes in circumstances), the following:
- 15.1.1 Comprehensive general liability insurance, including contractual liability, broad form property damage, personal injury, advertising injury, product liability and fire damage with a limit of at least One Million Dollars (\$1,000,000) per occurrence and Three Million Dollars (\$3,000,000) in the aggregate, or such higher amounts as may be required by a lease;
 - 15.1.2 Property damage liability insurance with a limit of at least One Hundred Thousand Dollars (\$100,000), and medical expenses of at least Twenty Five Thousand Dollars (\$25,000) for each occurrence;
 - 15.1.3 Automobile liability insurance with limits of not less than One Million Dollars (\$1,000,000) for purchased or leased vehicles used in connection with the Franchised Business;
 - 15.1.4 Worker's compensation and employer's liability insurance as well as such other insurance as may be required by statute or rule of the state in which you are located and operated; and
 - 15.1.5 Any other insurance coverage that is required by federal, state, or municipal law.
- 15.2 *Endorsements.* All policies listed in Section 15.1 above (unless otherwise noted below) must contain such endorsements as will, periodically, be provided in the Manual. All policies must waive subrogation as between us (and our insurance carriers) and you (and your insurance carriers).
- 15.3 *Notices to us.* In the event of cancellation, material change, or non-renewal of any policy, sixty (60) days' advance written notice must be provided to us in the manner provided in Section 24 below.
- 15.4 *Other Insurance Does Not Impact your Obligation.* Your obligation to obtain and maintain the foregoing policy or policies in the amounts specified will not be limited in any way by reason of

any insurance that we may maintain, nor will your performance of that obligation relieve you of liability under the indemnity provisions set forth in Section 21.4 below. Additionally, the requirements of this Section 15 will not be reduced, diminished, eroded, or otherwise affected by insurance that you carry (and/or claims made under that insurance) for other businesses, including other Sportball Businesses that you (and/or your affiliates) operate under the System.

- 15.5 *Additional Named Insured.* All public liability and property damage policies must list us as an additional named insured, and must also contain a provision that we, although named as an insured, will nevertheless be entitled to recover under said policies on any loss occasioned to us or our servants, agents, or employees by reason of the negligence of you or your servants, agents, or employees.
- 15.6 *Certificates of Insurance.* At least thirty (30) days before the time you are first required to carry any insurance under this Agreement, and from then on, at least thirty (30) days before the expiration of any such policy, you agree to deliver to us certificates of insurance evidencing the proper coverage with limits not less than those required under this Agreement. All certificates must expressly provide that we will receive at least thirty (30) days' prior written notice if there is a material alteration to, cancellation, or non-renewal of the coverages evidenced by such certificates. Additional certificates evidencing the insurance required by Section 15.1 above must name us, and each of our affiliates, directors, agents, and employees, as additional insured parties, and must expressly provide that any interest of same therein will not be affected by any breach by you of any policy provisions for which such certificates evidence coverage.
- 15.7 *Proof of Coverage.* In addition to your obligations under Section 15.6 above, on the first anniversary of the Effective Date, and on each subsequent anniversary of the Effective Date, you agree to provide us with proof of insurance evidencing the proper coverage with limits not less than those required under this Agreement, in such form as we may reasonably require. If you for any reason fail to procure or maintain the insurance required by this Agreement, as revised from time to time for all franchisees by the Manual or otherwise in writing, we shall have the right and authority (without, however, any obligation to do so) to immediately procure such insurance and to charge the same to you, which charges, together with a reasonable fee for our expenses in so acting, plus attorneys' fees, shall be payable by you to us immediately upon your receipt of written notice.
- 15.8 *Coverages are Minimums.* You acknowledge and agree that the specifications and coverage requirements in this Section 15 are minimums, and that we recommend that you review these with your own insurance advisors to determine whether additional coverage is warranted in the operation of your Franchised Business.
- 15.9 *Changes.* We will have the right, periodically, to make such changes in minimum policy limits and endorsements as we may determine are necessary or appropriate; provided, however, all changes will apply to all of our franchisees who are similarly situated.

16 TRANSFER OF INTEREST

- 16.1 *By Us.* We will have the right to transfer or assign this Agreement and all or any part of our rights or obligations under this Agreement to any person or legal entity, and any assignee of us, which assignee will become solely responsible for all of our obligations under this Agreement from the date of assignment.
- 16.2 *Your Principals.* If you are an entity, then each party that holds any interest (direct, indirect, and/or beneficial) in you (each, a "**Principal**"), and the interest that each such Principal holds,

is identified in Exhibit C to this Agreement. You represent and warrant to us, and agree, that your owners are accurately set forth on Exhibit C to this Agreement, and you also agree not to permit the identity of those owners and/or their respective interests in you, to change without complying with this Agreement.

16.3 *Principals.* We will have a continuing right to designate any person or entity that owns a direct or indirect interest in you as a Principal, and Exhibit C will be so amended automatically upon written notice to you.

16.4 *By You.* You understand and acknowledge that the rights and duties set forth in this Agreement are personal to you, and that we have granted this franchise in reliance on your (or your Principals') business skill, financial capacity, and personal character. Accordingly:

16.4.1 You agree not to make a transfer (and not to permit any other party to make a transfer) without our prior written consent.

16.4.1.1 As used in this Agreement, the term "**transfer**" is agreed to mean any sale, assignment, conveyance, pledge, encumbrance, merger, creation of a security interest in, and/or giving away of any interest (including direct, indirect, and beneficiary interests) in: **(a)** this Agreement; **(b)** you (if you are an entity); **(c)** any or all of your rights and/or obligations under this Agreement; and/or **(d)** all or any significant portion of the assets of the Franchised Business.

16.4.1.2 Any purported transfer for which we did not provide our prior written consent as required by this Section 16 shall be null and void and shall also constitute a material breach of this Agreement, for which we may immediately terminate this Agreement without opportunity to cure, pursuant to Section 17.2.5 below.

16.4.2 If you are an entity (other than a partnership or a limited liability partnership), then you agree that: **(a)** without our prior written approval, you will not issue any voting securities or interests, or securities or interests convertible into voting securities; and **(b)** the recipient of any such security or other interest will become a Principal under this Agreement, if we designate them as such.

16.4.3 If you are a partnership or limited liability partnership, then the partners of that partnership will not, without our prior written consent, admit additional general partners, remove a general partner, or otherwise materially alter the powers of any general partner. Each general partner in such a partnership will automatically be deemed to be a Principal.

16.4.4 No Principal may transfer, pledge, and/or otherwise encumber their interest in you without our prior written consent.

16.5 *Transfer Conditions.* We will not unreasonably withhold any consent required by Section 16.4 above; provided, that if you propose to transfer your obligations under this Agreement or any material asset, or if any party proposes to transfer any direct or indirect interest in you, then we will have the right to require that you satisfy any or all of the following conditions before we grant our approval to the proposed transfer:

16.5.1 The transferor must have executed a general release, in a form satisfactory to us, of any and all claims against us and our affiliates, successors, and assigns, and their

respective officers, directors, members, managers, shareholders, partners, agents, representatives, servants, and employees in their corporate and individual capacities including, without limitation, claims arising under this Agreement, any other agreement between you and us, and/or our respective affiliates, and federal, state, and local laws and rules.

- 16.5.2 The transferee of a Principal will be designated as a Principal and each transferee who is designated a Principal must enter into a written agreement, in a form satisfactory to us, agreeing to be bound as a Principal under the terms of this Agreement as long as such person or entity owns any interest in you; and, if your obligations were guaranteed by the transferor, the Principal must guarantee the performance of all such obligations in writing in a form satisfactory to us.
- 16.5.3 The proposed new Principals (after the transfer) must meet our educational, managerial, and business standards; each must possess a good moral character, business reputation, and credit rating; have the aptitude and ability to operate the Franchised Business, as may be evidenced by prior related business experience or otherwise; and have adequate financial resources and capital to operate the Franchised Business.
- 16.5.4 We will have the right to require that you execute, for a term ending on the expiration date of this Agreement, the form of franchise agreement that we are then offering to new System franchisees, and such other ancillary agreements that we may require for the business franchised under this Agreement, and those agreements will supersede this Agreement and its ancillary documents in all respects, and the terms of which may differ from the terms of this Agreement including, without limitation, a higher royalty and marketing fee.
- 16.5.5 If we request, then you must upgrade the Franchised Business to conform to the then-current standards and specifications of new Sportball Businesses then-being established in the System, and you agree to complete the upgrading and other requirements specified above in Section 8.7 within the time period that we specify.
- 16.5.6 You agree to pay in full all of your monetary obligations to us and our affiliates, and to all vendors (whether arising under this Agreement or otherwise), and you must not be otherwise in default of any of your obligations under this Agreement (including your reporting obligations).
- 16.5.7 The transferor must remain liable for all of the obligations to us in connection with the Franchised Business that arose before the effective date of the transfer, and any covenants that survive the termination or expiration of this Agreement, and must execute any and all instruments that we reasonably request to evidence such liability.
- 16.5.8 A principal of the transferee whom we designate to be a new Operating Principal, and those of the transferee's Specially Trained Management Personnel as we may require, must successfully complete (to our satisfaction) all training programs that we require upon such terms and conditions as we may reasonably require (and while we will not charge a fee for attendance at such training programs, the transferee will be responsible for the salary and all expenses of the person(s) that attend training).
- 16.5.9 You agree to pay us a transfer fee to compensate us for our legal, accounting, training, and other expenses incurred in connection with the transfer. The transfer fee will be in

an amount equal to Seven Thousand Five Hundred Dollars (\$7,500), plus any applicable broker or commission fees.

16.5.10 The transferor must acknowledge and agree that the transferor will remain bound by the covenants contained in Sections 19.3 through 19.5 below.

16.6 *Right of First Refusal.* If you or any of your Principals wish to accept any *bona fide* offer from a third party to purchase you, any of your material assets, or any direct or indirect interest in you, then all of the following will apply:

16.6.1 You (or the Principal who proposes to sell his/her interest) must promptly notify us in writing of the offer and provide to us the information and documentation relating to the offer that we may require. We will have the right and option, exercisable within thirty (30) days after we have received all such information that we have requested, to send written notice to the seller that we intend to purchase the seller's interest on the same economic terms and conditions offered by the third party. After exercising our right, we will also have the right to conduct additional reasonable due diligence and to require the seller to enter into a purchase agreement in a form mutually acceptable to us and to the seller. If we elect to purchase the seller's interest, then the closing on such purchase will occur within thirty (30) days from the date of notice to the seller of the election to purchase by us.

16.6.2 Any material change in the terms of the offer before closing will constitute a new offer subject to our same rights of first refusal (as set forth in this Section 16.6) as in the case of the third party's initial offer. If we do not exercise the option afforded by this Section 16.6 that will not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Section 16, with respect to a proposed transfer.

16.6.3 If the consideration, terms, and/or conditions offered by a third party are such that we may not reasonably be required to furnish the same consideration, terms, and/or conditions, then we may purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the reasonable equivalent in cash of the consideration, terms, and/or conditions offered by the third party, they must attempt to appoint a mutually-acceptable independent appraiser to make a binding determination. If the parties are unable to agree upon one independent appraiser, then we will promptly designate an independent appraiser and you will promptly designate another independent appraiser and those two appraisers will, in turn, promptly designate a third appraiser; and all three appraisers will promptly confer and reach a single determination, which determination will be binding upon both you and us. Both parties will equally share the cost of any such appraisal.

16.6.4 If we exercise our rights under this Section 16.6, then we will have the right to set off all amounts due from you (including one-half (½) of the cost of an appraisal, if any, conducted under Section 16.6.3 above) against any payment to you.

16.7 *Death or Incapacity.* If you or any Principal dies, becomes incapacitated, or enters bankruptcy proceedings, that person's executor, administrator, personal representative, or trustee must promptly notify us of the circumstances, and apply to us in writing within three (3) months after the event (death, declaration of incapacity, or filing of a bankruptcy petition) for consent to transfer the person's interest. The transfer will be subject to the provisions of this Section 16, as applicable; however, we will not impose a transfer fee for such a transfer if you reimburse us for our reasonable out-of-pocket expenses incurred in reviewing, approving, and documenting your proposed transaction, including our attorneys' fees.

- 16.7.1 In addition, if the deceased or incapacitated person is the Operating Principal, we will have the right (but not the obligation) to take over operation of the Franchised Business until the transfer is completed and to charge a reasonable management fee for our services.
- 16.7.2 For purposes of this section, “**incapacity**” means any physical or mental infirmity that will prevent the person from performing his or her obligations under this Agreement: **(a)** for a period of thirty (30) or more consecutive days; or **(b)** for sixty (60) or more total days during a calendar year. In the case of transfer by bequest or by intestate succession, if the heirs or beneficiaries are unable to meet the conditions of Section 16.3, the executor may transfer the decedent’s interest to another successor that we have approved, subject to all of the terms and conditions for transfers contained in this Agreement.
- 16.7.3 If an interest is not disposed of under this section within six (6) months after the date of death or appointment of a personal representative or trustee, we may terminate this Agreement under Section 17.2 below.
- 16.8 *Consent to Transfer.* Our consent to a transfer that is the subject of this Section 16 will not constitute a waiver of any claims that we may have against the transferring party, nor will it be deemed a waiver of our right to demand exact compliance with any of the terms of this Agreement by the transferor or transferee.
- 16.9 *No Transfers to a Non-Franchisee Party to Operate a Similar Business.* You agree that neither you nor any Principal of yours will transfer or attempt to transfer any or all of your Franchised Business to a third party who will operate a similar business but not under the System and the Proprietary Marks, and not under a franchise agreement with us.
- 16.10 *Bankruptcy Issues.* If you or any person holding any interest (direct or indirect) in you become a debtor in a proceeding under the U.S. Bankruptcy Code or any similar law in the U.S. or elsewhere, it is the parties’ understanding and agreement that any transfer of you, your obligations, and/or rights under this Agreement, any material assets of yours, and/or any indirect or direct interest in you will be subject to all of the terms of this Section 16, including without limitation the terms of Sections 16.4, 16.5, and 16.6 above.
- 16.11 *Securities Offers.* All materials for an offering of stock, ownership, and/or partnership interests in you or any of your affiliates that are required by federal or state law must be submitted to us for review as described below before such materials are filed with any government agency. Any materials to be used in any exempt offering must be submitted to us for such review before their use.
- 16.11.1 You agree that: **(a)** no offering by you or any of your affiliates may imply (by use of the Proprietary Marks or otherwise) that we are participating in an underwriting, issuance, or offering of your securities or your affiliates; **(b)** our review of any offering will be limited solely to the relationship between you and us (and, if applicable, any of your affiliates and us); and **(c)** we will have the right, but not obligation, to require that the offering materials contain a written statement that we require concerning the limitations stated above.
- 16.11.2 You (and the offeror if you are not the offering party), your Principals, and all other participants in the offering must fully indemnify us and all of the Franchisor Parties (as defined in Section 21.4 below) in connection with the offering.

- 16.11.3 For each proposed offering, you agree to pay us a non-refundable fee of Ten Thousand Dollars (\$10,000) or such greater amount as is necessary to reimburse us for our reasonable costs and expenses (including legal and accounting fees) for reviewing the proposed offering.
- 16.11.4 You agree to give us written notice at least thirty (30) days before the date that any offering or other transaction described in this Section 16.11 commences. Any such offering will be subject to all of the other provisions of this Section 16, including without limitation the terms set forth in Sections 16.4, 16.5, 16.6; and further, without limiting the foregoing, it is agreed that any such offering will be subject to our approval as to the structure and voting control of the offeror (and you, if you are not the offeror) after the financing is completed.
- 16.11.5 You also agree that after your initial offering, described above, for the remainder of the term of the Agreement, you will submit to us for our review and prior written approval all additional securities documents (including periodic reports, such as quarterly, annual, and special reports) that you prepare and file (or use) in connection with any such offering. You agree to reimburse us for our reasonable costs and expenses (including legal and accounting fees) that we incur in connection with our review of those materials.

17 DEFAULT AND TERMINATION

- 17.1 *Automatic.* If any one or more of the following events take place, then you will be deemed to be in default under this Agreement, and all rights granted in this Agreement will automatically terminate without notice to you: **(a)** if you will become insolvent or makes a general assignment for the benefit of creditors; **(b)** if a bill in equity or other proceeding for the appointment of a receiver for you or another custodian for your business or assets is filed and consented to by you; **(c)** if a receiver or other custodian (permanent or temporary) of your assets or property, or any part thereof, is appointed by any court of competent jurisdiction; **(d)** if proceedings for a composition with creditors under any state or federal law is instituted by or against you; **(e)** if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless unappealed or a supersedeas bond is filed); **(f)** if you are dissolved; or if execution is levied against your business or property; **(g)** if suit to foreclose any lien or mortgage against the Franchised Business premises or equipment is instituted against you and not dismissed within thirty (30) days; and/or **(h)** if the real or personal property of your Franchised Business will be sold after levy thereupon by any sheriff, marshal, or constable.
- 17.2 *With Notice.* If any one or more of the following events occur, then you will be in default under this Agreement, and we will have the right to terminate this Agreement and all rights granted under this Agreement, without affording you any opportunity to cure the default, effective immediately upon the delivery of our written notice to you (in the manner provided in Section 24 below):
- 17.2.1 If you do not commence operation of the Franchised Business within the time limits specified in Section 5.1 above, and within the requirements specified in Sections 5 and 8.2 above;
- 17.2.2 If you at any time cease to operate or otherwise abandon the Franchised Business for two (2) consecutive business days (during which you are otherwise required to be open, and without our prior written consent to do so), or otherwise forfeit the right to do or transact business in the jurisdiction where the Franchised Business is located;

- 17.2.3 If you, any of your Principals or personnel are convicted of a felony, a crime involving moral turpitude, or any other crime or offense that we believe is reasonably likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or our interest therein;
- 17.2.4 If a threat or danger to public health or safety results from the maintenance or operation of the Franchised Business;
- 17.2.5 If you or any of your Principals purport to transfer any rights or obligations under this Agreement or any interest to any third party in a manner that is contrary to the terms of Section 16 above;
- 17.2.6 If you fail to comply with the requirements of Section 19 below;
- 17.2.7 If, contrary to the terms of Sections 10 or 11 above, you disclose or divulge the contents of the Manual or other confidential information that we provide to you;
- 17.2.8 If an approved transfer of an interest in you is not completed within a reasonable time, as required by Sections 16.7 above;
- 17.2.9 If you knowingly maintain false books or records, or submit any false reports (including information provided as part of your application for this franchise) to us;
- 17.2.10 If you commit three (3) or more defaults under this Agreement in any fifty-two (52) week period, whether or not each such default has been cured after notice;
- 17.2.11 If, after receipt of notice from us of a violation of the provisions of Sections 7.1 and/or 8.4 above, you continue to purchase any products from an unapproved supplier, or sell any products or services from the Business that are not products or Services, as prohibited under Sections 7.1 and 8.4 above;
- 17.2.12 If you or any of your Specially Trained Management Personnel fail to attend and successfully complete any mandatory training program unless attendance is excused or waived, in writing, by us;
- 17.2.13 If your bank or credit card issuer (if we have required you to provide us with a valid credit card on which to charge continuing fees due hereunder) has declined or denied a charge by us three (3) times during the term of this Agreement;
- 17.2.14 If you engage in any conduct or practice that is fraudulent, unfair, unethical, or a deceptive practice; and/or
- 17.2.15 If you make any unauthorized or improper use of the Proprietary Marks, or if you or any of your Principals use the Proprietary Marks in a manner that we do not permit (whether under this Agreement and/or otherwise) or that is inconsistent with our direction, or if you or any of your Principals directly or indirectly contest the validity of our ownership of the Proprietary Marks, our right to use and to license others to use the Proprietary Marks, or seek to (or actually do) register any of our Proprietary Marks with any agency (public or private) for any purpose without our prior written consent to do so.

17.3 *With Notice and Opportunity to Cure.*

17.3.1 Except as otherwise provided above in Sections 17.1 and 17.2 above, if you are in default of your obligations under this Agreement, then we may terminate this Agreement by giving you written notice of termination (in the manner provided under Section 24 below) stating the nature of the default at least thirty (30) days before the effective date of termination; provided, however, that you may avoid termination by: **(a)** immediately initiating a remedy to cure such default; **(b)** curing the default to our satisfaction; and **(c)** promptly providing proof of the cure to us, all within the thirty (30) day period. If you do not cure any such default within the specified time (or such longer period as applicable law may require), then this Agreement will terminate without further notice to you effective immediately upon the expiration of the thirty (30) day period (or such longer period as applicable law may require).

17.3.2 If you are in default under the terms of any other franchise agreement or other contract between you (and/or your affiliates) and us (and/or our affiliates), that will also constitute a default under Section 17.3.1 above.

17.4 *Bankruptcy.* If, for any reason, this Agreement is not terminated pursuant to this Section 17, and the Agreement is assumed, or assignment of the same to any person or entity who has made a *bona fide* offer to accept an assignment of the Agreement is contemplated, pursuant to the U.S. Bankruptcy Code, then notice of such proposed assignment or assumption, setting forth: **(a)** the name and address of the proposed assignee; and **(b)** all of the terms and conditions of the proposed assignment and assumption; must be given to us within twenty (20) days after receipt of such proposed assignee's offer to accept assignment of the Agreement; and, in any event, within ten (10) days before the date application is made to a court of competent jurisdiction for authority and approval to enter into such assignment and assumption. We will then have the prior right and option, to be exercised by notice given at any time before the effective date of such proposed assignment and assumption, to accept an assignment of the Agreement to us upon the same terms and conditions, and for the same consideration, if any, as in the *bona fide* offer made by the proposed assignee, less any brokerage commissions that may be payable by you out of the consideration to be paid by such assignee for the assignment of the Agreement.

17.5 *Our Rights Instead of Termination.* If we are entitled to terminate this Agreement in accordance with Sections 17.2 or 17.3 above, we will also have the right to take any lesser action instead of terminating this Agreement, including terminating, modifying, or eliminating completely, the Protected Territory described in Section 1.3 above.

17.6 *Reservation of Rights under Section 17.5.* If any rights, options, arrangements, or areas are terminated or modified in accordance with Section 17.5 above, such action will be without prejudice to our right to terminate this Agreement in accordance with Sections 17.2 or 17.3 above, and/or to terminate any other rights, options or arrangements under this Agreement at any time thereafter for the same default or as a result of any additional defaults of the terms of this Agreement.

17.7 *Damages.* You agree to pay us all damages, costs, and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses), that we incur as a result of any default by you under this Agreement and any other agreement between the parties (and their respective affiliates) (in addition to other remedies that we may have).

18 OBLIGATIONS UPON TERMINATION OR EXPIRATION

Upon termination or expiration of this Agreement, all rights granted under this Agreement to you will forthwith terminate, and all of the following will take effect:

- 18.1 *Cease Operation.* You agree to: **(a)** immediately and permanently stop operating the Franchised Business; and **(b)** never directly or indirectly represent to the public that you are a present or former franchisee of ours.
- 18.2 *Stop Using Marks and Intellectual Property.* You agree to immediately and permanently cease to use, in any manner whatsoever, all aspects of the System, including the Program Materials and any other confidential methods, procedures and techniques associated with the System, the mark "Sportball" and any and all other Proprietary Marks, distinctive forms, slogans, signs, symbols, and devices associated with the System, and any and all other intellectual property associated with the System. Without limiting the foregoing, you agree to stop making any further use of any and all signs, marketing materials, displays, stationery, forms, and any other articles that make any use of, reference to, and/or display of the Proprietary Marks.
- 18.3 *Cancel Assumed Names.* You agree to take such action as may be necessary to cancel any assumed name or equivalent registration which contains the mark "Sportball" and any and all other Proprietary Marks, and/or any other service mark or trademark of ours, and you will give us evidence that we deem satisfactory to provide that you have complied with this obligation within five (5) days after termination or expiration of this Agreement.
- 18.4 *Our Option to Buy Your Assets.* We will have the right (but not the obligation), which we may exercise at any time within thirty (30) days after expiration, termination, or default under this Agreement and/or default under your lease/sublease for the premises of any retail location that you may have established, to buy from you (and/or your affiliates) any or all of the tangible assets related to the operation of the Franchised Business, at the lesser of your cost or fair market value. The parties agree that "cost" will be determined based upon a five (5) year straight-line depreciation of original costs. For equipment and fixtures that are five (5) or more years old, the parties agree that fair market value is deemed to be ten percent (10%) of the equipment's original cost. If we elect to exercise any option to purchase provided in this Section, we will have the right to set off all amounts due from you.
- 18.5 *No Use of the Marks in Other Businesses.* You agree, if you continue to operate or subsequently begin to operate any other business, that you will not use any reproduction, counterfeit copy, and/or colorable imitation of the Proprietary Marks, either in connection with such other business or the promotion thereof, which is likely to cause confusion, mistake, or deception, or which is likely to dilute our rights in and to the Proprietary Marks. You further agree not to use, in any manner whatsoever, any designation of origin, description, trademark, service mark, or representation that suggests or implies a past or present association or connection with us, the System, the equipment, and/or the Proprietary Marks.
- 18.6 *Pay All Sums Due.* You agree to promptly pay all sums owing to us and our affiliates (regardless whether those obligations arise under this Agreement or otherwise). In the event of termination for any of your defaults, those sums will include all damages, costs, and expenses (including without limitation reasonable attorneys' fees, court costs, discovery costs, and all other related expenses), that we incur as a result of the default.
- 18.7 *Pay Damages.* You agree to pay us all damages, costs, and expenses (including without limitation reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur as a result of your default under this Agreement and/or subsequent

to the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any provisions of this Section 18, which will be in addition to amounts due to us under Section 18.11 below.

- 18.8 *Return Confidential Information.* You agree to immediately return to us the Manual, the Program Materials, and all other manuals, records, and instructions containing confidential information (including, without limitation, any copies thereof, even if such copies were made in violation of this Agreement), all of which are acknowledged to be our property. You further agree to transfer all telephone numbers and directories to us pursuant to the terms of Section 14.9.4 above.
- 18.9 *Right to Continue Operations.* In order to preserve the goodwill of the System following expiration and/or termination, we (or our designee) will have the right (without liability to you, your Principals, or otherwise) to continue (or delegate to a third party the right to continue) to operate the Franchised Business' operation and maintaining the goodwill of the business.
- 18.10 *Participant Deposits and Coach Details Payments.* In order to preserve the goodwill of the System following expiration and/or termination, you agree to: (a) provide to us a written report of all funds taken from participants for Services that have not yet been fully delivered as of the date of termination and/or expiration ("**Pre-Payments**"), including such detail as we may require; (b) refund all Pre-Payments in full to the appropriate participants (unless we require you to pay them to us or to our designee); (c) provide us with a written report concerning all coaches that you have engaged (whether or not Certified Coaches), including such detail as we may require, including any unfulfilled obligations that you may have to make payments to those coaches. You agree that you are solely responsible for the settlement of all claims of customers whose children are enrolled in programs offered by you where such programs are not completed on the effective date of expiration or termination of this Agreement.
- 18.11 *Our Rights.* You agree not to do anything that would potentially interfere with or impede the exercise of our rights under this Section 18.
- 18.12 *Offsets.* We have the right to offset amounts that you owe to us against any payment that we may be required to make under this Agreement.

19 COVENANTS

- 19.1 *Full Time Efforts.* You agree that during the term of this Agreement, except as we have otherwise approved in writing, you (or the Operating Principal) will devote full time, energy, and best efforts to the management and operation of the Franchised Business.
- 19.2 *Understandings.*
- 19.2.1 You acknowledge and agree that: **(a)** pursuant to this Agreement, you will have access to valuable trade secrets, specialized training and Confidential Information from us and our affiliates regarding the development, operation, management, purchasing, sales and marketing methods and techniques of the System; **(b)** the System and the opportunities, associations and experience we have established and that you will have access to under this Agreement are of substantial and material value; **(c)** in developing the System, we and our affiliates have made and continue to make substantial investments of time, technical and commercial research, and money; **(d)** we would be unable to adequately protect the System and its trade secrets and Confidential Information against unauthorized use or disclosure and would be unable to adequately encourage a free exchange of ideas and information among franchisees in our system

if franchisees were permitted to hold interests in Competitive Businesses (as defined below); and **(e)** restrictions on your right to hold interests in, or perform services for, Competitive Businesses will not unreasonably or unnecessarily hinder your activities.

19.2.2 As used in this Section 19, the term “**Competitive Business**” is agreed to mean any business which is the same as or substantially similar to a business that offers sports programs for infants and/or children.

19.3 *Covenant Not to Compete or Engage in Injurious Conduct.* Accordingly, you covenant and agree that, during the term of this Agreement and for a continuous period of two (2) years after the expiration or termination of this Agreement, and/or a transfer as contemplated in Section 16 above, you will not directly, indirectly, for yourself, or through, on behalf of, or in conjunction with any party, in any manner whatsoever, do any of the following:

19.3.1 Divert or attempt to divert any actual or potential business, participant or customer of any Sportball Business to any competitor or otherwise take any action injurious or prejudicial to the goodwill associated with the Marks and the System.

19.3.2 Disparage to, or otherwise share negative opinions with, any third parties regarding us, the System or any Sportball Businesses specifically or generally.

19.3.3 Own, maintain, develop, operate, engage in, franchise or license, make loans to, lease real or personal property to, and/or have any whatsoever interest in, or render services or give advice to, any Competitive Business.

19.4 *Where Restrictions Apply.* During the term of this Agreement, there is no geographical limitation on the restrictions set forth in Section 19.3 above. During the two-year period following the expiration or earlier termination of this Agreement, or a transfer as contemplated under Section 16 above, these restrictions will apply only within the Protected Territory, within six (6) miles of the Protected Territory, or within six (6) miles of any then-existing or planned Sportball Business operated elsewhere, except as we may otherwise approve in writing. These restrictions will not apply to businesses that you operate that we (or our affiliates) have franchised to you pursuant to a valid franchise agreement.

19.5 Post-Term. You further covenant and agree that, for a continuous period of two (2) years after **(a)** the expiration of this Agreement, **(b)** the termination of this Agreement, and/or **(c)** a transfer as contemplated in Section 16 above:

19.5.1 you will not directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person, firm, partnership, corporation, or other entity, sell, assign, lease, and/or transfer any or all of the Franchised Business to any person, firm, partnership, corporation, or other entity that you know, or have reason to know, intends to operate a Competitive Business in the Protected Territory

19.5.2 You agree that, by the terms of any conveyance, selling, assigning, leasing or transferring your interest in the Franchised Business, you shall include these restrictive covenants as necessary to ensure that a Competitive Business that would violate this Section is not operated at in the Protected Territory for this two-year period, and you will take all steps necessary to ensure that these restrictive covenants become a matter of public record.

- 19.6 *Periods of Non-Compliance.* Any period of non-compliance with the requirements of this Section 19, whether such non-compliance takes place after termination, expiration, and/or a transfer, will not be credited toward satisfying the two-year obligation specified above.
- 19.7 *Publicly-Held Entities.* Section 19.3.3 above will not apply to your ownership of less than five percent (5%) beneficial interest in the outstanding equity securities of any publicly-held corporation. As used in this Agreement, the term “**publicly-held corporation**” will be deemed to refer to a corporation which has securities that have been registered under the Securities Exchange Act of 1934.
- 19.8 *Personal Covenants.* You agree to require and obtain execution of covenants similar to those set forth in Sections 9.3, 11, 16, 18 above, and this Section 19 (as modified to apply to an individual), from your Specially Trained Management Personnel and other managerial and/or executive staff, as well as your Principals. The covenants required by this section must be in the form provided in Exhibit D to this Agreement. If you do not obtain execution of the covenants required by this section and deliver to us those signed covenants, that failure will constitute a default under Section 17.2.6 above.
- 19.9 *Construction.* The parties agree that each of the foregoing covenants will be construed as independent of any other covenant or provision of this Agreement. We have the right to reduce in writing the scope of any part of this Section 19 and, if we do so, you agree to comply with the obligations as we have reduced them.
- 19.10 *Claims Not a Defense.* You agree that the existence of any claims you may have against us, whether or not arising from this Agreement, will not constitute a defense to our enforcement of the covenants in this Section 19. You agree to pay all costs and expenses (including without limitation reasonable attorneys’ fees, court costs, discovery costs, and all other related expenses) that we incur in connection with the enforcement of this Section 19.
- 19.11 *Covenant as to Anti-Terrorism Laws.* You and the owners of your business (“**Owners**”) agree to comply with and/or to assist us to the fullest extent possible in our efforts to comply with Anti-Terrorism Laws (as defined below). In connection with such compliance, you and the Owners certify, represent, and warrant that none of their respective property or interests are “blocked” under any of the Anti-Terrorism Laws and that neither you nor any of the Owners are in violation of any of the Anti-Terrorism Laws. You also agree not to knowingly hire or do business with (or continue to employ or do business with) any party who is blocked under any of the Anti-Terrorism Laws. The term “**Anti-Terrorism Laws**” means Executive Order 13224 issued by the President of the United States, as supplemented, the USA PATRIOT Act, and all other laws and regulations addressing or in any way relating to terrorist acts and/or acts of war.
- 19.12 *Defaults.* You acknowledge and agree that your violation of the terms of this Section 19 would result in irreparable injury to us for which no adequate remedy at law may be available, and you accordingly consent to the issuance of an injunction prohibiting any conduct in violation of the terms of this Section 19.

20 TAXES, PERMITS, AND INDEBTEDNESS

- 20.1 *Payment of Taxes.* You agree to promptly pay when due all taxes levied or assessed, including, without limitation, unemployment and sales taxes, and all accounts and other indebtedness of every kind that you incur in the conduct of the business franchised under this Agreement. You agree to pay us an amount equal to any sales tax, gross receipts tax, or similar tax (other than income tax) imposed on us with respect to any payments that you make

to us as required under this Agreement, unless the tax is credited against income tax that we otherwise pay to a state or federal authority.

- 20.2 *Payment of Trade Creditors.* You agree to promptly pay when due all trade creditors and vendors (including any that are affiliated with us) that supply goods or services to you and/or the Franchised Business.
- 20.3 *Your Right to Contest Liabilities.* If there is a bona fide dispute as to your liability for taxes assessed or other indebtedness, you may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law; however, in no event will you permit a tax sale or seizure by levy of execution or similar writ or warrant, or attachment by a creditor, to occur against the premises of the Franchised Business, or any improvements thereon.
- 20.4 *Compliance with Law.* You agree to comply with all federal, state, and local laws, rules, and regulations, and to timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the business franchised under this Agreement, including, without limitation, licenses to do business, health certificates, fictitious name registrations, sales tax permits, and fire clearances. To the extent that the requirements of any such laws are in conflict with the terms of this Agreement, the Manual, or our other instructions, you agree to: **(a)** comply with said laws; **(b)** immediately provide us with written notice describing the nature of the conflict; and **(c)** cooperate with us and our counsel in developing a way to comply with the terms of this Agreement, as well as applicable law, to the extent that it is possible to do so.
- 20.5 *Notice of Violations and Actions.* You agree to notify us in writing within five (5) days after you receive notice of any health or safety violation, 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, or within five (5) days occurrence of any accident or injury which may adversely affect the operation of the Franchised Business or your financial condition, or give rise to liability or a claim against either party to this Agreement.

21 INDEPENDENT CONTRACTOR AND INDEMNIFICATION

- 21.1 *Independent Contractor Relationship.* The parties acknowledge and agree that:
- 21.1.1 this Agreement does not create a fiduciary relationship between them;
- 21.1.2 you are the only party that will be in day-to-day control of your franchised business, even though we will share the brand and Proprietary Marks as specified in this Agreement, and neither this Agreement nor any of the systems, guidance, computer programs, processes, or requirements under which you operate alter that basic fact;
- 21.1.3 nothing in this Agreement and nothing in our course of conduct is intended to make either party an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever; and
- 21.1.4 neither this Agreement nor our course of conduct is intended, nor may anything in this Agreement (nor our course of conduct) be construed, to state or imply that we are the employer of your employees and/or independent contractors, nor vice versa
- 21.2 *Notice of Status.* At all times during the term of this Agreement and any extensions hereof, you will hold yourself out to the public as an independent contractor operating the business pursuant to a franchise from us. You agree to take such action as may be necessary to do so,

including in communications with your participants and your coaches, the content of which we reserve the right to specify.

- 21.3 *No Contracts in our Name.* It is understood and agreed that nothing in this Agreement authorizes you to make any contract, agreement, warranty, or representation on our behalf, or to incur any debt or other obligation in our name; and that we will in no event assume liability for, or be deemed liable under this Agreement as a result of, any such action; nor will we be liable by reason of any act or omission in your conduct of the Franchised Business or for any claim or judgment arising therefrom against either party to this Agreement.
- 21.4 *Indemnification.* You agree to indemnify and hold harmless each of the Franchisor Parties against any and all Damages arising directly or indirectly from any Asserted Claim as well as from your breach of this Agreement. Your indemnity obligations will survive the expiration or termination of this Agreement, and will not be affected by any insurance coverages that you or we may maintain. As used in this Section 21.4 above, the following terms have the following meanings:
- 21.4.1 **"Asserted Claim"** means any allegation, claim or complaint that is the result of, or in connection with, your exercise of your rights and/or carrying out of your obligations under this Agreement (including any claim associated with your operation of the Franchised Business or otherwise), or any default by you under this Agreement, notwithstanding any claim that any Franchisor Party was or may have been negligent.
- 21.4.2 **"Franchisor Parties"** means us, our shareholders, parents, subsidiaries, and affiliates, and their respective officers, directors, members, manager, employees, and agents.
- 21.4.3 **"Damages"** means all claims, demands, causes of action, suits, damages, liabilities, fines, penalties, assessments, judgments, losses, and expenses (including without limitation expenses, costs and lawyers' fees incurred for any indemnified party's primary defense or for enforcement of its indemnification rights).
- 21.5 *Indemnification Procedure.* We will give you reasonable notice of any Assert Claim for which the Franchisor Parties intend to seek indemnification; however, the failure to give notice will not relieve you of any obligation except to the extent of any actual prejudice to you. You will have a reasonable opportunity to assume the defense of the Asserted Claim, at your expense and through legal counsel reasonably acceptable to us, provided that you must proceed in good faith, expeditiously, and diligently, and that the defense that you undertake does not jeopardize any of the Franchisor Parties' defenses. We will have the right: (i) to participate in any defense that you undertake with counsel of our own choosing, at our expense; and (ii) to undertake, direct, and control the defense and settlement of the Asserted Claim (at your expense) we determine that you have not properly and competently assumed defense of the Asserted Claim within a reasonable time and/or if, in our sole judgment, there would be a conflict of interest between us and you.

22 **FORCE MAJEURE**

- 22.1 *Impact.* Neither party will be responsible to the other for non-performance or delay in performance occasioned by causes beyond its control, including without limiting the generality of the foregoing: **(a)** acts of nature; **(b)** acts of war, terrorism, or insurrection; **(c)** strikes, lockouts, labor actions, boycotts, floods, fires, hurricanes, tornadoes, and/or other casualties; and/or **(d)** our inability (and that of our affiliates and/or suppliers) to manufacture, purchase, and/or cause delivery of any services or products used in the operation of the Franchised Business.

- 22.2 *Transmittal of Funds.* The inability of either party to obtain and/or remit funds will be considered within control of such party for the purpose of Section 22.1 above. If any such delay occurs, any applicable time period will be automatically extended for a period equal to the time lost; provided, however, that the party affected makes reasonable efforts to correct the reason for such delay and gives to the other party prompt notice of any such delay; and further provided, however, that you will remain obligated to promptly pay all fees owing and due to us under this Agreement, without any such delay or extension.

23 APPROVALS AND WAIVERS

- 23.1 *Request for Approval.* Whenever this Agreement requires our prior approval or consent, agree to make a timely written request to us therefor, and such approval or consent must be obtained in writing.
- 23.2 *No Warranties or Guarantees.* You acknowledge and agree that we make no warranties or guarantees upon which you may rely, and that we assume no liability or obligation to you, by providing any waiver, approval, consent, or suggestion to you in connection with this Agreement, or by reason of any neglect, delay, or denial of any request therefor.
- 23.3 *No Waivers.* No delay, waiver, omission, or forbearance on our part to exercise any right, option, duty, or power arising out of any breach or default by you or any other franchisee under any of the terms, provisions, covenants, or conditions of this Agreement, and no custom or practice by the parties at variance with the terms of this Agreement, will constitute our waiver of our right to enforce any such right, option, duty, or power as against you, or as to subsequent breach or default by you. If we accept late payments from you or any payments due, that will not be deemed to be our waiver of any earlier or later breach by you of any terms, provisions, covenants, or conditions of this Agreement. No course of dealings or course of conduct will be effective to amend the terms of this Agreement.

24 NOTICES

- 24.1 Any and all notices required or permitted under this Agreement must be in writing, sent in the English language, and personally delivered, sent by certified U.S. mail, or by another method that affords the sender evidence of delivery, of rejected delivery, or attempted delivery to the respective parties at the addresses shown on the signature page of this Agreement (unless and until a different address has been designated by written notice to the other party).
- 24.2 Any notice that gives the sender evidence of delivery, rejected delivery, or delivery that is not possible because the recipient moved and left no forwarding address will be deemed to have been given at the date and time of receipt, rejected, and/or attempted delivery.
- 24.3 The Manual, any changes that we make to the Manual, and/or any other written instructions that we provide relating to operational matters, are not considered to be “notices” for the purpose of the delivery requirements in this Section 24.

25 ENTIRE AGREEMENT AND AMENDMENT

- 25.1 *Entire Agreement.* This Agreement and the exhibits referred to in this Agreement constitute the entire, full, and complete Agreement between the parties to this Agreement concerning the subject matter hereof, and supersede all prior agreements. The parties confirm that: **(a)** they were not induced by any representations other than the words of this Agreement (and the FDD) before deciding whether to sign this Agreement; and **(b)** they relied only on the words printed in this Agreement in deciding whether to enter into this Agreement. However, nothing

in this Agreement is intended as, nor will it be interpreted to be, a disclaimer by us of any representation made in our Franchise Disclosure Document ("**FDD**"), including the exhibits and any amendments to the FDD.

- 25.2 *Amendment.* Except for those changes that we are permitted to make unilaterally under this Agreement, no amendment, change, or variance from this Agreement will be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

26 SEVERABILITY AND CONSTRUCTION

- 26.1 *Introductory Paragraphs.* The parties agree that: (a) they have read and understand the introductory paragraphs of this Agreement (under the heading "Introduction"); (b) that those introductory paragraphs are accurate; and (c) those paragraphs are incorporated into the text of this Agreement as if they were printed here, in full.
- 26.2 *Severability.* Except as expressly provided to the contrary herein, each portion, section, part, term, and/or provision of this Agreement will be considered severable; and if, for any reason, any section, part, term, and/or provision herein is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such will not impair the operation of, or have any other effect upon, such other portions, sections, parts, terms, and/or provisions of this Agreement as may remain otherwise intelligible; and the latter will continue to be given full force and effect and bind the parties hereto; and said invalid portions, sections, parts, terms, and/or provisions will be deemed not to be a part of this Agreement.
- 26.3 *No Third Party Rights.* Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor will be deemed, to confer upon any person or legal entity other than you, we, and such of our respective successors and assigns as may be contemplated (and, as to you, permitted) by Section 16.4 above, any rights or remedies under or by reason of this Agreement.
- 26.4 *Captions Don't Amend Terms.* All captions in this Agreement are intended solely for the convenience of the parties, and no caption will be deemed to affect the meaning or construction of any provision hereof.
- 26.5 *Including.* The parties agree that when used in this Agreement, the terms "includes" and "including" means "*including but not limited to*".
- 26.6 *Survival.* All provisions of this Agreement which, by their terms or intent, are designed to survive the expiration or termination of this Agreement, will so survive the expiration and/or termination of this Agreement.
- 26.7 *Dollars.* All references in this Agreement to "Dollars" are to United States Dollars.
- 26.8 *Time.* All references in this Agreement to dates and times are to the date and time at our then-current principal place of business (currently, in Thornhill, Ontario).
- 26.9 *How We Exercise Our Rights.* Although we may exercise any of our rights, carry out any of our obligations, or otherwise discharge any of our duties under this Agreement directly, through the use of employees, independent contractors, professional advisors (for example, a CPA), or otherwise, we will still remain responsible for the proper performance of our obligations to you under this Agreement.

- 26.10 *Expenses.* Each party will bear all of the costs of exercising its rights and carrying out its responsibilities under this Agreement, except as otherwise provided.
- 26.11 *Counterparts.* This Agreement may be signed in counterparts, and signature pages may be exchanged by fax, each such counterpart, when taken together with all other identical copies of this Agreement also signed in counterpart, will be considered as one complete Agreement.

27 APPLICABLE LAW AND DISPUTE RESOLUTION

- 27.1 *Choice of Law.* This Agreement takes effect only when all of the parties have signed this document. The parties agree that New York has a deep body of law that will aid in interpreting and understanding the terms of this Agreement and that they therefore have agreed that this Agreement will be interpreted and construed exclusively under the laws of the State of New York (which laws will prevail in the event of any conflict of law, without applying New York choice-of-law rules); provided, however, that if the covenants in Section 19 of this Agreement would not be enforced as written under New York law, then the parties agree that those covenants will instead be interpreted and construed under the laws of the state in which the Franchised Business is located. Nothing in this Section 27.1 is intended by the parties to invoke the application of any franchise, business opportunity, antitrust, implied covenant, unfair competition, fiduciary, and/or other doctrine of law of the State of New York (or any other state) that would not otherwise apply without the words of this Section 27.1.
- 27.2 *Choice of Venue.* Subject to Section 27.3 below, the parties agree that any action that you bring against us, in any court, whether federal or state, must be brought only within the courts that have jurisdiction over Erie County, New York. Any action that we bring against you in any court, whether federal or state, may be brought within the state and judicial district in which we maintain our principal place of business.
- 27.2.1 The parties agree that this Section 27.2 will not be construed as preventing either party from removing an action from state to federal court; provided, however, that venue will be as set forth above.
- 27.2.2 The parties hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.
- 27.2.3 Any such action will be conducted on an individual basis, and not as part of a consolidated, common, or class action.
- 27.3 *Mediation.* Before any party may bring an action in court against the other, the parties agree that they must first meet to mediate the dispute (except as otherwise provided in Section 27.5 below). Any such mediation will be non-binding and will be conducted in accordance with the then-current rules for mediation of commercial disputes of JAMS, Inc. (formerly, "Judicial Arbitration and Mediation Services, Inc.") at its location in Washington, D.C.
- 27.4 *Parties Rights Are Cumulative.* No right or remedy conferred upon or reserved to us or you by this Agreement is intended to be, nor will be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each will be cumulative of every other right or remedy.
- 27.5 *Injunctions.* Nothing contained in this Agreement will bar our right to obtain injunctive relief in a court of competent jurisdiction against threatened conduct that will cause us loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

- 27.6 **WAIVER OF JURY TRIALS.** EACH PARTY TO THIS AGREEMENT IRREVOCABLY WAIVES TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THEM AGAINST THE OTHER, WHETHER OR NOT THERE ARE OTHER PARTIES IN SUCH ACTION OR PROCEEDING.
- 27.7 **MUST BRING CLAIMS WITHIN ONE YEAR.** EACH PARTY TO THIS AGREEMENT AGREES THAT ANY AND ALL CLAIMS AND ACTIONS ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE PARTIES' RELATIONSHIP, AND/OR YOUR OPERATION OF THE FRANCHISED BUSINESS, BROUGHT BY ANY PARTY HERETO AGAINST THE OTHER, SHALL BE COMMENCED WITHIN ONE (1) YEAR FROM THE OCCURRENCE OF THE FACTS GIVING RISE TO SUCH CLAIM OR ACTION, OR, IT IS EXPRESSLY ACKNOWLEDGED AND AGREED BY ALL PARTIES, SUCH CLAIM OR ACTION SHALL BE IRREVOCABLY BARRED.
- 27.8 **WAIVER OF PUNITIVE DAMAGES.** EACH PARTY TO THIS AGREEMENT HEREBY WAIVES TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM OF ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER, AND AGREE THAT IN THE EVENT OF A DISPUTE BETWEEN THEM EACH SHALL BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED BY IT.
- 27.9 *Payment of Legal Fees.* You agree to pay us all damages, costs and expenses (including without limitation reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur in: (a) obtaining injunctive or other relief for the enforcement of any provisions of this Agreement (including without limitation Sections 9 and 17 above); and/or (b) successfully defending a claim from you that we misrepresented the terms of this Agreement, fraudulently induced you to sign this Agreement, that the provisions of this Agreement are not fair, were not properly entered into, and/or that the terms of this Agreement (as it may be amended by its terms) do not exclusively govern the parties' relationship.

28 ACKNOWLEDGMENTS

- 28.1 *Your Investigation of the Business Possibilities.* You acknowledge and agree that you have conducted an independent investigation of the business franchised under this Agreement, recognize that this business venture involves business risks, and that your success will be largely dependent upon your ability (or, if you are an entity, your owners as independent businesspersons).
- 28.2 *No Warranties or Guarantees.* We expressly disclaim the making of, and you acknowledge and agree that you have not received, any warranty or guarantee, express or implied, as to the potential volume, profits, or success of the business venture contemplated by this Agreement.
- 28.3 *Receipt of FDD and Complete Agreement.* You acknowledge and agree receipt of a copy of this Agreement, the exhibit(s), and agreements relating to this Agreement (if any), with all of the blank lines filled in, with ample time within which to review with applicable advisors. You also acknowledge that you received the FDD at least fourteen (14) days before the date on which this Agreement was signed.
- 28.4 *You Have Read the Agreement.* You acknowledge and agree that you have read and understood the FDD, this Agreement, and the exhibits to this Agreement.
- 28.5 *Your Advisors.* You acknowledge that we have recommended that you seek advice from advisors of your own choosing (including a lawyer and an accountant) about the potential benefits and risks of entering into this Agreement, and that you have had sufficient time and opportunity to consult with those advisors.

- 28.6 *No Conflicting Obligations.* Each party represents and warrants to the others that there are no other agreements, court orders, or any other legal obligations that would preclude or in any manner restrict such party from: **(a)** negotiating and entering into this Agreement; **(b)** exercising its rights under this Agreement; and/or **(c)** fulfilling its responsibilities under this Agreement.
- 28.7 *Your Responsibility for the Choice of the Protected Territory.* You acknowledge and agree that you have sole and complete responsibility for the choice of the Protected Territory; that we have not (and will not be deemed to have, even by our approval of the Protected Territory) given any representation, promise, or guarantee of your success in the Protected Territory; and that you will be solely responsible for your own success in the Protected Territory.
- 28.8 *Your Responsibility for Operation of the Franchised Business.* Although we retain the right to establish and periodically modify System standards, which you have agreed to maintain in the operation of your franchised Business, you retain the right and sole responsibility for the day-to-day management and operation of the Franchised Business and the implementation and maintenance of system standards at the Franchised Business.
- 28.9 *Different Franchise Offerings to Others.* You acknowledge and agree that we may modify the terms under which we will offer franchises to other parties in any manner and at any time, which offers and agreements have or may have terms, conditions, and obligations that may differ from the terms, conditions, and obligations in this Agreement.
- 28.10 *Our Advice.* You acknowledge and agree that our advice is just that; that our advice is not a guarantee of success; and that you are the party that must reach and implement your own decisions about how to operate your Franchised Business on a day-to-day basis under the System.
- 28.11 *Your Independence.* You acknowledge and agree that:
- 28.11.1 you are the only party that employs and engages your staff (even though we may provide you with advice, guidance, and training);
 - 28.11.2 we are not your employer;
 - 28.11.3 we are not the employer of any of your staff, and even if we express an opinion or provide advice, we will play no role in your decisions regarding their employment (including matters such as recruitment, hiring, compensation, scheduling, employee relations, labor matters, review, discipline, and/or dismissal);
 - 28.11.4 the guidance that we provide, and requirements under which you will operate, are intended to promote and protect the value of the brand and the Proprietary Marks;
 - 28.11.5 when forming and in operating your business, you had to adopt standards to operate that business, and that instead of developing and implementing your own standards (or those of another party), you chose to adopt and implement our standards for your business (including our System and the requirements under this Agreement); and
 - 28.11.6 you have made (and will remain responsible at all times for) all of the organizational and basic decisions about establishing and forming your entity, operating your business (including adopting our standards as your standards), and hiring employees and employment matters (including matters such as recruitment, hiring, compensation,

scheduling, employee relations, labor matters, review, discipline, and/or dismissal), engaging professional advisors, and all other facets of your operation.

28.12 *Success Depends on You.* You acknowledge and agree that the success of the business venture contemplated under this Agreement is speculative and depends, to a large extent, upon your ability as an independent businessperson, your active participation in the daily affairs of the business, market conditions, area competition, availability of product, quality of services provided as well as other factors. We do not make any representation or warranty express or implied as to the potential success of the business venture contemplated hereby.

28.13 *Two or More Signatories.* If two or more persons are signing this Agreement as the “franchisee” (each, a “**Signatory**”), the parties agree that:

28.13.1 Each Signatory will have the power to individually bind “you” with respect to us and third parties;

28.13.2 We have the right to treat each Signatory as having the full authority to bind all other Signatories in any and all matters;

28.13.3 We have the right to treat each Signatory as if s/he represents and can act on behalf of all the other Signatory(ies) in all matters;

28.13.4 Even though there may be more than one Signatory, all of the Signatories’ rights will be one and none of the Signatories will have the right to exercise any right independent of (and/or apart from) one another;

28.13.5 We have the right to communicate with or provide notice to any Signatory, and such communication or notice will be deemed as having been given to all Signatories; and

28.13.6 If there is a conflict among the Signatories (including us receiving conflicting information from or requests between the Signatories), we have the right to select from among any conflicting or inconsistent requests by, or information from, any of the Signatories, and our selection in such case will be final and dispositive with respect to any such conflict.

28.14 *General Release.* If this Agreement is not the first contract between you (and your affiliates) and us (and our affiliates), then you agree to the following:

*You (on behalf of yourself and your parent, subsidiaries and affiliates and their respective past and present members, officers, directors, members, managers, shareholders, agents and employees, in their corporate and individual capacities) and all guarantors of your obligations under this Agreement (collectively, “**Releasors**”) freely and without any influence forever release and covenant not to sue us, our parent, subsidiaries and affiliates and their respective past and present officers, directors, shareholders, agents and employees, in their corporate and individual capacities (collectively “**Releasees**”), with respect to any and all claims, demands, liabilities and causes of action of whatever kind or nature, whether known or unknown, vested or contingent, suspected or unsuspected (collectively, “**claims**”), which any Releasor now owns or holds or may at any time have owned or held, including, without limitation, claims arising under federal, state and local laws, rules and ordinances and claims arising out of, or relating to this Agreement and all other agreements between any Releasor and any Releasee, the sale of any franchise to any Releasor, the development and operation*

of the Sportball Businesses and the development and operation of all other businesses operated by any Releasor that are franchised by any Releasee.

You understand as well that you may later learn of new or different facts, but still, it is your intention to fully, finally, and forever release all of the claims that are released above. This includes your waiver of state laws that may otherwise limit a release (for example, Calif. Civil Code Section 1542, which states that "[a] general release does not extend to claims which the creditor does not know or suspect exist in his [or her] favor at the time of executing the release, which if known by him [or her] must have materially affected his [or her] settlement with the debtor").

You expressly agree that fair consideration has been given by us for this General Release and you fully understand that this is a negotiated, complete and final release of all claims. This General Release does not release any claims arising from representations made in our Franchise Disclosure Document and its exhibits or otherwise impair or affect any claims arising after the date of this Agreement.

IN WITNESS WHEREOF, the parties hereto have duly signed and delivered this Agreement in duplicate on the day and year first above written.

Sportball Systems USA, LLC

Franchisor

Franchisee Entity

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Effective Date: _____

Address for Notices:

Address for Notices:

39 Glen Cameron Road, Unit 8
Thornhill, Ontario L3T 1P1 Canada
Fax: (877) 678-5437
Attn: President

Fax: _____
Attn: _____

SPORTBALL SYSTEMS USA, LLC
FRANCHISE AGREEMENT
EXHIBIT A
DATA ADDENDUM

¶	Section Cross-Reference	Item						
1	1.2	The Office will be at: 						
2	1.3	The Protected Territory under this Agreement will be: 						
3	4.1	The Initial Franchise Fee is (check one): ☐ Thirty Eight Thousand Dollars (\$38,000) if you are entering into your first Franchise Agreement with us; and ☐ Twenty-Eight Thousand Dollars (\$28,000) if this is your second (or additional) Franchise Agreement with us.						
4	4.2	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2">The "Minimum Royalty" fee will be:</td> </tr> <tr> <td style="width: 40%;">First (1st) year of this Agreement</td> <td style="width: 60%;">\$0</td> </tr> <tr> <td>Second (2nd) year and each additional year of this Agreement</td> <td> Six Thousand Dollars (\$6,000) for the year.* *The difference, if any, between Royalties Fees paid during each year and the Minimum Royalty will be due within ten (10) days after each applicable year of the Agreement (anniversary of the Effective Date). </td> </tr> </table>	The "Minimum Royalty" fee will be:		First (1 st) year of this Agreement	\$0	Second (2 nd) year and each additional year of this Agreement	Six Thousand Dollars (\$6,000) for the year.* *The difference, if any, between Royalties Fees paid during each year and the Minimum Royalty will be due within ten (10) days after each applicable year of the Agreement (anniversary of the Effective Date).
The "Minimum Royalty" fee will be:								
First (1 st) year of this Agreement	\$0							
Second (2 nd) year and each additional year of this Agreement	Six Thousand Dollars (\$6,000) for the year.* *The difference, if any, between Royalties Fees paid during each year and the Minimum Royalty will be due within ten (10) days after each applicable year of the Agreement (anniversary of the Effective Date).							

 Franchisee

Initials

 Franchisor

SPORTBALL SYSTEMS USA, LLC
FRANCHISE AGREEMENT
EXHIBIT B
GUARANTEE, INDEMNIFICATION, AND ACKNOWLEDGMENT

In order to induce Sportball Systems USA, LLC ("**Franchisor**") to sign the Sportball Franchise Agreement between Franchisor and _____ ("**Franchisee**"), dated _____, 201____ (the "**Agreement**"), each of the undersigned parties, jointly and severally, hereby unconditionally guarantee to Franchisor and its successors and assigns that all of Franchisee's obligations (monetary and otherwise) under the Agreement as well as any other contract between you and Franchisor (and/or Franchisor's affiliates) will be punctually paid and performed.

Each person signing this Personal Guarantee acknowledges and agrees, jointly and severally, that:

- Upon Franchisor's demand, s/he will immediately make each payment required of Franchisee under the Agreement and/or any other contract with Franchisor and/or its affiliates.
- S/he waives any right to require Franchisor to: **(a)** proceed against Franchisee for any payment required under the Agreement (and/or any other contract with Franchisor and/or its affiliates); **(b)** proceed against or exhaust any security from Franchisee; **(c)** pursue or exhaust any remedy, including any legal or equitable relief, against Franchisee; and/or **(d)** give notice of demand for payment by Franchisee.
- Without affecting the obligations of the undersigned persons under this Guarantee, Franchisor may, without notice to the undersigned, extend, modify, or release any of Franchisee's indebtedness or obligations, or settle, adjust, or compromise any claims against Franchisee. Each of the undersigned persons waive notice of amendment of the Agreement (and any other contract with Franchisor and Franchisor's affiliates) and notice of demand for payment by Franchisee, and agree to be bound by any and all such amendments and changes to the Agreement (and any other contract with Franchisor and Franchisor's affiliates).
- S/he will defend, indemnify and hold Franchisor harmless against any and all losses, damages, liabilities, costs, and expenses (including without limitation reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) resulting from, consisting of, or arising out of or in connection with any failure by Franchisee to perform any of its obligations under the Agreement (and any other contract with Franchisor and Franchisor's affiliates) and/or any amendment to the Agreement.
- S/he will be personally bound by all of Franchisee's covenants, obligations, and promises in the Agreement.
- S/he agrees to be individually bound by all of Franchisee's covenants, obligations, and promises in the Agreement, which include, but are not limited to, the covenants in the following portions of the Agreement: **Section 9.3** (generally regarding trademarks), **Section 11** (generally regarding confidentiality), **Section 16** (generally regarding Transfers), **Section 18** (generally regarding obligations upon termination or expiration of this Agreement), and **Section 19** (generally regarding covenants against competition) of the Agreement.
- S/he understands that: **(a)** this Guarantee does not grant her/him any rights under the Agreement (including but not limited to the right to use any of Franchisor's marks such as the "Sportball" marks) and/or the system licensed to Franchisee under the Agreement; **(b)** that they have read, in full, and understand, all of the provisions of the Agreement that are referred

to above in this Guarantee, and that they intend to fully comply with those provisions of the Agreement as if they were printed here; and **(c)** s/he has had the opportunity to consult with a lawyer of their own choosing in deciding whether to sign this Guarantee.

This Guarantee will be interpreted and construed in accordance with **Section 27** of the Agreement (including but not limited to the waiver of punitive damages, waiver of jury trial, agreement to bring claims within one year, and agreement not to engage in class or common actions). Among other things, that means that this Guarantee will be interpreted and construed exclusively under the laws of the State of New York, and that in the event of any conflict of law, New York law will prevail (without applying New York conflict of law rules).

IN WITNESS WHEREOF, each of the undersigned persons has signed this Guarantee as of the date of the Agreement.

(in his/her personal capacity)

Printed
Name: _____

Date: _____

Home Address:

(in his/her personal capacity)

Printed
Name: _____

Date: _____

Home Address:

(in his/her personal capacity)

Printed
Name: _____

Date: _____

Home Address:

SPORTBALL SYSTEMS USA, LLC
FRANCHISE AGREEMENT
EXHIBIT C
LIST OF PRINCIPALS

Name of Principal	Home Address	Interest %

Initials

Franchisee

Franchisor

SPORTBALL SYSTEMS USA, LLC
FRANCHISE AGREEMENT
EXHIBIT D

SAMPLE FORM OF
NON-DISCLOSURE AND NON-COMPETITION AGREEMENT
*(to be signed by franchisee with its
executive/management personnel)*

THIS NON-DISCLOSURE AND NON-COMPETITION AGREEMENT ("Agreement") is made this ____ day of _____, 201____, by and between _____ (the "**Franchisee**"), and _____, who is a Principal, manager, supervisor, member, partner, or a person in an executive or managerial position with, you (the "**Member**").

Background:

A. Sportball Systems USA, LLC ("**Franchisor**") owns a format and system (the "**System**") relating to the establishment and operation of "Sportball" businesses providing non-competitive sports programs for young children, under its Proprietary Marks, as defined below (each, a "**Business**").

B. Franchisor identifies "Sportball" Businesses by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin (including for example the mark "Sportball") and certain other trade names, service marks, and trademarks that Franchisor currently and may in the future designate in writing for use in connection with the System (the "**Proprietary Marks**").

C. Franchisor and Franchisee have signed a Franchise Agreement ("**Franchise Agreement**") granting Franchisee the right to operate a "Sportball" Business (the "**Franchised Business**") and to offer and sell products, services, and other ancillary products approved by Franchisor and use the Proprietary Marks in connection therewith under the terms and conditions of the Franchise Agreement.

D. The Member, by virtue of his or her position with Franchisee, will gain access to certain of Franchisor's Confidential Information, as defined herein, and must therefore be bound by the same confidentiality and non-competition agreement that Franchisee is bound by.

IN CONSIDERATION of these premises, the conditions stated herein, and for other good and valuable consideration, the sufficiency and receipt of which are acknowledged, the parties agree as follows:

1. Confidential Information. Member agrees that Member will not, during the term of the Franchise Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, persons, partnership, entity, association, or corporation any confidential information, knowledge, or know-how concerning the methods of operation of the business franchised thereunder which may be communicated to Member or of which Member may be apprised by virtue of her/his job working for Franchisee. Any and all information, knowledge, know-how, and techniques that Franchisor designates as confidential will be deemed confidential for purposes of this Agreement, except information which Member can demonstrate came to its attention before disclosure thereof by Franchisee; or which, at or after the time of disclosure by Franchisee to Member, had become or later becomes a part of the public domain, through publication or communication by others.

2. Covenants Not to Compete.

(a) Member specifically acknowledges that, pursuant to the Franchise Agreement, and by virtue of his/her position with Franchisee, Member will receive valuable specialized training and confidential information, including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the System.

(b) Member covenants and agrees that during the term of the Franchise Agreement, except as otherwise approved in writing by Franchisor, Member will not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity:

(i) Divert or attempt to divert any business or customer of the Franchised Business or of any Franchised Business using the System to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with Franchisor's Proprietary Marks and the System; or

(ii) Either directly or indirectly for him/herself or on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity, own, maintain, operate, engage in, or have any interest in any business which is the same as or similar to the Franchised Business.

(c) Member covenants and agrees that during the Post-Term Period (defined below), except as otherwise approved in writing by Franchisor, Member will not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity, Member will not own, maintain, operate, engage in, or have any interest in any business which is the same as or similar to the Franchised Business and which business is, or is intended to be, located within a twenty-five (25) mile radius of the Protected Territory under the Franchise Agreement.

(d) As used in this Agreement, the term "same as or similar to the Franchised Business" will include, but not be limited to, any business that offers sports programs for infants and/or children.

(e) As used in this Agreement, the term "Post-Term Period" means a continuous uninterrupted period of two (2) years from the date of: (i) a transfer as contemplated under Section 16 of the Franchise Agreement; (ii) expiration or termination of the Franchise Agreement (regardless of the cause for termination); (iii) termination of Member's employment with Franchisee; and/or (iv) a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to the enforcement of this Agreement; either directly or indirectly (through, on behalf of, or in conjunction with any persons, partnership, corporation or entity).

3. Injunctive Relief. Member acknowledges that any failure to comply with the requirements of this Agreement will cause Franchisor irreparable injury, and Member agrees to pay all costs (including without limitation reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) incurred by Franchisor in obtaining specific performance of, or an injunction against violation of, the requirements of this Agreement.

4. Severability. All agreements and covenants contained herein are severable. If any of them, or any part or parts of them, will be held invalid by any court of competent jurisdiction for any reason, then the Member agrees that the court will have the authority to reform and modify that provision in order that the restriction will be the maximum necessary to protect Franchisor's and/or Member's legitimate business needs as permitted by applicable law and public policy. In so doing, the Member agrees that the court will impose the provision with retroactive effect as close as possible to the provision held to be invalid.

5. Delay. No delay or failure by the Franchisor or Franchisee to exercise any right under this Agreement, and no partial or single exercise of that right, will constitute a waiver of that or any other right provided herein, and no waiver of any violation of any terms and provisions of this Agreement will be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

6. Third-Party Beneficiary. Member hereby acknowledges and agrees that Franchisor is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with Franchisee. Member further acknowledges and agrees that it is employed by Franchisee only, and that nothing in this Agreement (nor any action by Franchisor to enforce its rights under this Agreement) shall be deemed to render the Franchisor as the Member's employer for any purpose whatsoever.

IN WITNESS WHEREOF, the Franchisee and the Member confirm that each has read and understands the terms of this Agreement, and voluntarily signed this Agreement on the date first written above.

FRANCHISEE

MEMBER

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

EXHIBIT D TO THE DISCLOSURE DOCUMENT
FINANCIAL STATEMENTS

Financial Statements

Sportball Systems USA, LLC

December 31, 2020

Jane Lindsey, CPA
907 RR 620 South, Suite 302
Lakeway, Texas 78734
512-328-6800

SPORTBALL SYSTEMS USA, LLC

Financial Statements

December 31, 2020

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Independent Auditor's Report

To the Member of Sportball Systems USA, LLC

39 Glen Cameron Road, Unit 8

Thornhill, Ontario, Canada L3T 1P1

Report on the Financial Statements

We have audited the accompanying balance sheet of Sportball Systems USA, LLC as of December 31, 2020, and the related statements of income and changes in member equity, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

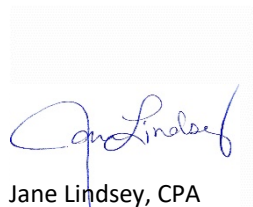
Auditor's Responsibility

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

The audit has been conducted in accordance with the auditing standards generally accepted in the United States of America. The standards necessitate us to plan and perform the audit to gain assurance on the authenticity of the financial statements and to ensure that it is free from any misstatements or possible frauds. The audit includes inspection of the amounts and disclosures in the financial statements. The audit will provide a reasonable basis for our opinion

Opinion

In our opinion, the financial statement referred to above present fairly, in all material respects, the financial position of Sportball Systems USA, LLC as of December 31, 2020 and the results of the related statements of income and changes in member equity, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Jane Lindsey, CPA

907 Ranch Road 620 South, Suite 302

Lakeway, Texas 78734

May 4, 2021

SPORTBALL SYSTEMS USA, LLC

Balance Sheet

12/31/2020

Assets

Current Assets:

Cash	\$51,042
Accounts receivable - net	0
Prepaid expenses	7,080
Total Current Assets	58,122

Other Assets:

Due from related companies	160,551
Total Assets	\$218,673

Liabilities

Current Liabilities:

Accounts payable and accrued liabilities	\$26,075
--	----------

Other Liabilities:

Due to related companies	0
--------------------------	---

Member Equity

Member Equity	192,598
---------------	---------

Total Liabilities and Equity	\$218,673
-------------------------------------	------------------

The accompanying notes are an integral part of these financial statements

SPORTBALL SYSTEMS USA, LLC
Statement of income and Changes in Member Equity
Year ended December 31, 2020

Operating Revenues

Franchise fees	\$ -
Royalty fees	42,955
Interest income	<u>71</u>
Total Revenues	43,026

Operating Expenses

Advertising	1,845
Administration fee	231
Bank service charges	991
Licenses & fees	5,566
Professional fees	26,257
Rent expense	346
Travel expense	<u>3,683</u>
Total Expenses	38,919

Operating Income **4,107**

Income taxes -

Net income **\$ 35,235**

**Member's Equity -
Beginning**

\$ 188,491

Net Income 4,107

Member's Equity - Ending **\$ 192,598**

The accompanying notes are an integral part of these financial statements.

SPORTBALL SYSTEMS USA, LLC

Statement of Cash Flows
Year ended December 31, 2020

Cash Flows from Operating

Activities

Net Income	\$	4,107
-------------------	-----------	--------------

Adjustments to reconcile net income to net cash

Provided (Used) by operating
activities:

Accounts receivable		24,487
---------------------	--	--------

Prepaid expenses		(3,030)
------------------	--	---------

Accounts payable and accrued liabilities		(6,860)
--	--	---------

Net cash provided by operating activities		18,704
--	--	---------------

Cash flows from Financing Activities

Due From related companies		(137,950)
----------------------------	--	-----------

Due to related companies		(88,825)
--------------------------	--	----------

Net cash provided by financing activities		(226,775)
--	--	------------------

Net increase (decrease) in cash	\$	(208,071)
--	-----------	------------------

Cash beginning of year		259,113
-------------------------------	--	----------------

Cash End of Year	\$	51,042
-------------------------	-----------	---------------

Supplemental disclosure of cash flow Information:

Due from Related Companies:

Loan to Sportball Systems Inc.		\$160,551
--------------------------------	--	-----------

Supplemental disclosure of non-cash activity:

In 2020 the company decreased revenues by \$16,327
from prior year accrual adjustments.

The accompanying notes are an integral part of these financial statements.

SPORTBALL SYSTEMS USA, LLC

Notes to Financial Statements

December 31, 2020

1. Organization

Sportball Systems USA, LLC (“the Company”) is a Delaware LLC, formed October 27, 2006. The Company is wholly owned by Sportball Systems, Inc. The Company sells franchises to operate a Sportball franchised business. The Company’s franchise operations provide non-competitive sports programs for children. The Company has adopted accounting policies that are generally accepted in the industry in which it operates.

2. Basis of Presentation

The financial statements of the company have been prepared on the accrual basis in accordance with generally accepted accounting principles. Such method of accounting recognizes revenue and the related receivable when earned and expenses and the related payables when incurred.

3. Significant Accounting Policies

I. Cash and Cash Equivalents

Cash and cash equivalents include currency on-hand and demand deposits with banks or other financial institutions.

II. Accounts Receivable and Allowance for Doubtful Accounts

The Company recognizes revenue from franchise fees when a contract is signed by the franchisee. Revenue from royalty fees are recognized when reported by the franchisees. The Company recognizes an allowance for doubtful accounts to record accounts receivable at estimated net realizable value. The allowance is determined based upon franchise contract performance and assessment of collectability.

III. Franchise Revenue Recognition

The Company recognizes franchise fee revenue according to Statement of Financial Accounting Standards No. 45, an original pronouncement as amended by the Financial Accounting Standards Board. Sales of franchises are by territory and substantially all services of the franchisor are performed at the signing of the franchise agreement. Small territory franchises are for periods of 5 years with options for renewals and master franchises of larger territories are for periods of 20 years. International franchise territories are for periods of 20 years. The Licensee has the right to develop, sell and operate sub franchises in the territory. In addition to franchise fees, franchisees

pay a royalty fee of 8% of monthly gross revenues with a minimum royalty of \$6,000 after the first year.

Operating Revenues during 2020 were significantly lower than prior years due to the severe impairment resulting from the COVID 19 pandemic and the loss of royalties due to mandated shutdowns of franchisee facilities.

	Year Ended December 31, 2020	Year Ended December 31, 2019
Franchise Fees	\$0	\$23,800
Royalty Fees	\$42,955	\$129,534
Operating Expenses	\$38,919	\$108,656
Net Income	\$4,107	\$35,235

Operating revenues for calendar year ending December 31, 2020, decreased 72% compared to the prior year which resulted in Operating Expenses and Net Income decline of 64% and 88%, respectively.

IV. Income Taxes

The company is taxed as a corporation with a marginal rate of 0%.

4. Commitments

The company conducts its operations from office facilities leased and shared with other companies related to the members. There is no lease agreement.

5. Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

6. Related Party Transactions

The loan receivable from Sportball Systems Inc. in the amount of \$160,551 is comprised of the prior year ending balance of \$38,162; a cash payment to another related party, Sportball Ltd., on behalf of Sportball Systems Inc. in the amount of \$110,000; and current year reimbursements and payments. The receivable has no late payment interest provisions and the repayment terms have not been determined.

Financial Statements

Sportball Systems USA, LLC

December 31, 2019

Jane Lindsey, CPA
907 RR 620 South, Suite 302
Lakeway, Texas 78734
512-328-6800

SPORTBALL SYSTEMS USA, LLC

Financial Statements

December 31, 2019

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Independent Auditor's Report

To the Member of Sportball Systems USA, LLC

39 Glen Cameron Road, Unit 8

Thornhill, Ontario, Canada L3T 1P1

Report on the Financial Statements

We have audited the accompanying balance sheet of Sportball Systems USA, LLC as of December 31, 2019, and the related statements of income and changes in member equity, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

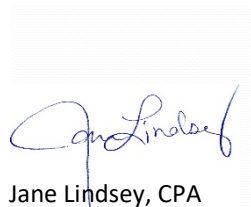
Auditor's Responsibility

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

The audit has been conducted in accordance with the auditing standards generally accepted in the United States of America. The standards necessitate us to plan and perform the audit to gain assurance on the authenticity of the financial statements and to ensure that it is free from any misstatements or possible frauds. The audit includes inspection of the amounts and disclosures in the financial statements. The audit will provide a reasonable basis for our opinion

Opinion

In our opinion, the financial statement referred to above present fairly, in all material respects, the financial position of Sportball Systems USA, LLC as of December 31, 2019 and the results of the related statements of income and changes in member equity, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Jane Lindsey, CPA

907 Ranch Road 620 South, Suite 302

Lakeway, Texas 78734

April 25, 2020

SPORTBALL SYSTEMS USA, LLC

Balance Sheet

12/31/2019

Assets

Current Assets:

Cash	\$259,112
Accounts receivable - net	24,487
Prepaid expenses	4,050
Total Current Assets	287,649

Other Assets:

Due from related companies	22,601
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Total Assets	\$310,250
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Liabilities

Current Liabilities:

Accounts payable and accrued liabilities	\$14,726
--	----------

Other Liabilities:

Due to related companies	107,034
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Member Equity

Member Equity	188,490
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Total Liabilities and Equity	\$310,250
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The accompanying notes are an integral part of these financial statements

SPORTBALL SYSTEMS USA, LLC
Statement of income and Changes in Member Equity
Year ended December 31, 2019

Operating Revenues		
Franchise fees	\$	23,800
Royalty fees		129,534
Interest income		81
Total Revenues		<u>153,414</u>
Operating Expenses		
Advertising		8,265
Administration fee		50,000
Dues & subscriptions		4,255
Licenses & fees		1,997
Office expense		2,229
Professional fees		28,117
Rent expense		1,640
Tax expense		300
Travel expense		11,854
Total Expenses		<u>108,656</u>
Operating Income		44,758
Income taxes		<u>9,523</u>
Net income	\$	35,235
Member's Equity - Beginning		
	\$	153,255
Net Income		<u>35,235</u>
Member's Equity - Ending	\$	188,490

The accompanying notes are an integral part of these financial statements.

SPORTBALL SYSTEMS USA, LLC

Statement of Cash Flows
Year ended December 31, 2019

Cash Flows from Operating Activities

Net Income	\$ 35,235
Adjustments to reconcile net income to net cash	
Provided (Used) by operating activities:	
Accounts receivable	4,460
Prepaid expenses	(1,850)
Accounts payable and accrued liabilities	10,774
Net cash provided by operating activities	13,384

Cash flows from Financing Activities

Due From related companies	61,455
Due to related companies	41,235
Net cash provided by financing activities	102,690

Net increase (decrease) in cash \$ 151,309

Cash beginning of year 107,803

Cash End of Year \$ 259,112

Supplemental disclosure of cash flow Information:

Cash paid during the year for:
Income Taxes \$3,592

Supplemental disclosure of non-cash activity:

During 2019 the company reclassified \$7,034
of related party debt from a terminated
related party entity to debt to parent company.

The accompanying notes are an integral part of these financial statements.

SPORTBALL SYSTEMS USA, LLC

Notes to Financial Statements

December 31, 2019

1. Organization

Sportball Systems USA, LLC (“the Company”) is a Delaware LLC, formed October 27, 2006. The Company is wholly owned by Sportball Systems, Inc. The Company sells franchises to operate a Sportball franchised business. The Company’s franchise operations provide non-competitive sports programs for children. The Company has adopted accounting policies that are generally accepted in the industry in which it operates.

2. Basis of Presentation

The financial statements of the company have been prepared on the accrual basis in accordance with generally accepted accounting principles. Such method of accounting recognizes revenue and the related receivable when earned and expenses and the related payables when incurred.

3. Significant Accounting Policies

I. Cash and Cash Equivalents

Cash and cash equivalents include currency on-hand and demand deposits with banks or other financial institutions.

II. Accounts Receivable and Allowance for Doubtful Accounts

The Company recognizes revenue from franchise fees when a contract is signed by the franchisee. Revenue from royalty fees are recognized when reported by the franchisees. The Company recognizes an allowance for doubtful accounts to record accounts receivable at estimated net realizable value. The allowance is determined based upon franchise contract performance and assessment of collectability.

III. Franchise Revenue Recognition

The Company recognizes franchise fee revenue according to Statement of Financial Accounting Standards No. 45, an original pronouncement as amended by the Financial Accounting Standards Board. Sales of franchises are by territory and substantially all services of the franchisor are performed at the signing of the franchise agreement. Small territory franchises are for periods of 5 years with options for renewals and master franchises of larger territories are for periods of 20 years. International franchise territories are for periods of 20 years. The Licensee has the right to develop, sell and operate sub franchises in the territory. In addition to franchise fees, franchisees

pay a royalty fee of 8% of monthly gross revenues with a minimum royalty of \$6,000 after the first year.

IV. Income Taxes

The company is taxed as a corporation with a marginal rate of 21%.

4. Commitments

The company conducts its operations from office facilities leased and shared with other companies related to the members. There is no lease agreement.

5. Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

6. Related Party Transactions

The Company has receivables from Sportball Systems Inc. and payables to Sportball Ltd, both related party companies. The receivable and debt have no late payment interest provisions and the repayment terms have not been determined. The receivable balances due from Sportball Systems Inc. are comprised of current year expense reimbursements and payments from prior years' receivable balances. The Company has \$100,000 payable to Sportball Ltd. for administrative fees, of which \$50,000 was incurred in 2019.

Financial Statements

Sportball Systems USA, LLC

December 31, 2018 and 2017

Jerry Horne CPA
PO Box 737
Burnet, Tx 78611
512-293-0661

SPORTBALL SYSTEMS USA, LLC

Financial Statements

December 31, 2018 and 2017

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Independent Auditor's Report	1
Audited Financial Statements:	
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Statements of Income and Changes in Member's Equity	3
Statements of Cash Flows	4
Notes to financial Statements	5-7

Independent Auditor's Report

To the Members of Sportball Systems USA, LLC
39 Glen Cameron Road, Unit 8
Thornhill, Ontario, Canada L3T 1P1

Report on the Financial Statements

We have audited the accompanying balance sheets of Sportball Systems USA, LLC (the 'Company'), as of December 31, 2018 and 2017, and the related statements of income and changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sportball Systems USA, LLC and subsidiaries as of December 31, 2018 and 2017, 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.



Jerry Horne CPA
Burnet, Texas 78611
February 25, 2019

SPORTBALL SYSTEMS USA, LLC
Balance Sheets
December 31, 2018 and 2017

ASSETS	2018	2017
Current Assets		
Cash and cash equivalents	\$ 107,803	\$ 133,103
Accounts receivable	28,967	8,399
Prepaid expenses	<u>2,200</u>	<u>700</u>
Total Current Assets	138,970	142,202
Other Assets		
Due from related companies	<u>84,056</u>	<u>56,389</u>
Total Assets	\$ 223,026	\$ 198,591
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 3,952	\$ 3,333
Other Liabilities		
Due to related companies	65,799	62,226
Members Equity	<u>153,275</u>	<u>133,032</u>
Total Liabilities and Equity	\$ 223,026	\$ 198,591

The accompanying notes are an integral part of these financial statements.

SPORTBALL SYSTEMS USA, LLC
Statements of Income and Changes in Members' Equity
Years ended December 31, 2018 and 2017

	2018	2017
Operating Revenues		
Royalty fees	\$ 116,471	\$ 114,141
Interest income	<u>99</u>	<u>422</u>
Total Revenues	116,570	114,563
Operating Expenses		
Advertising	4,988	13,296
Consulting	9,500	18,649
Administration fee	50,000	50,000
Dues and subscriptions	6,381	7,133
Miscellaneous expense	4,767	6,967
Rent	3,902	8,544
Taxes	300	300
Travel expense	5,752	12,772
Professional fees	<u>7,165</u>	<u>3,613</u>
Total Expenses	92,755	89,396
Operating Income	23,815	-6,711
Income taxes	3,572	1,006
Net Income	20,243	-5,704
Members' Equity - Beginning	133,032	138,736
Net Income	<u>20,243</u>	<u>-5,704</u>
Members' Equity - Ending	\$ 153,275	\$ 133,032

The accompanying notes are an integral part of these financial statements.

SPORTBALL SYSTEMS USA, LLC
Consolidated Statements of Cash Flows
Year ended December 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Net Income	\$ 20,243	\$ -5,704
Adjustments to reconcile net income to net cash Provided (Used) by operating activities:		
Accounts receivable	-20,568	-6,342
Prepaid expenses	-1,500	-700
Accounts payable and accrued liabilities	<u>619</u>	<u>-4,894</u>
Net cash provided (used) by operating activities	-1,206	-17,640
Cash flows from Financing Activities		
Due From related companies	-27,667	-33,092
Due to related companies	3,573	12,226
Long term note receivable	<u>0</u>	<u>2,201</u>
Net cash provided (used) by financing activities	-24,094	-18,665
Net increase (decrease) in cash	-25,300	-36,305
Cash beginning of year	<u>133,103</u>	<u>169,408</u>
Cash End of Year	\$ 107,803	\$ 133,103
 Supplemental Disclosure of Cash Flow Information:		
Cash Payments		
Interest	0	0

The accompanying notes are an integral part of these financial statements.

SPORTBALL SYSTEMS USA, LLC
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

1. Organization

Sportball Systems USA, LLC (“the Company”) is a Delaware LLC, formed October 27, 2006. The Company is wholly owned by Sportball Systems, Inc., a Canada corporation. The Company sells franchises to operate a Sportball franchised business. The Company’s franchise operations provide non-competitive sports programs for children. The Company has adopted accounting policies that are generally accepted in the industry in which it operates.

2. Basis of Presentation

The financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recorded when earned and expenses are recorded when the obligations are incurred.

3. Significant Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents include currency on hand and demand deposits with banks or other financial institutions.

Accounts Receivable and Allowance for Doubtful Accounts

The Company recognizes revenue from franchise fees when a contract is signed by the franchisee. Revenue from royalty fees are recognized when reported by the franchisees. The Company recognizes an allowance for doubtful accounts to record accounts receivable at estimated net realizable value. The allowance is determined based upon franchise contract performance and assessment of collectability.

Franchise Revenue Recognition

The Company recognizes franchise fee revenue according to Statement of Financial Accounting Standards No. 45, an original pronouncement as amended by the Financial Accounting Standards Board. Sales of franchises are by territory and substantially all of the services of the franchisor are performed at the signing of the franchise agreement. Territory franchises are for 5 year terms with options for renewals up to 20 years.

International franchise territories are for periods of 20 years. The Licensee has the right to develop, sell and operate sub franchises in the territory. In addition to franchise fees, franchisees pay a royalty fee of 8% of monthly gross revenues with a minimum royalty of \$6,000 after the first year.

Sportball Systems USA, LLC

Notes to Financial Statements

December 31, 2018 and 2017

Income Taxes

The company is taxed as a corporation with a marginal tax rate of 15%.

Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States, require management to make estimates and assumptions that affect the reported amount of assets and liabilities. Actual results could differ from those estimates. Any effects on the company's business, financial position or results of operations resulting from revisions to these estimates are recorded in the period in which the facts that give rise to the revision become known.

4. Commitments

The company conducts its operations from office facilities leased and shared with other companies related to the members. There is no lease agreement.

5. Related Party Transactions

The Company has receivables and payables to Sportball, Ltd, Sportball, Inc., and Sportball Systems, Inc., all related party companies. The receivable and debt has no interest and the repayment terms have not been determined. Expenses for 2018 and 2017 included \$9,500 and \$18,649 in consulting fees to Sportball, Ltd. and \$50,000 in administration fees for both years to the parent company, Sportball Systems, Inc. of Canada. The receivable and payables are classified as long term because repayment terms have not been negotiated.

UNAUDITED FINANCIAL STATEMENTS

THESE FINANCIAL STATEMENTS HAVE BEEN PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED AN OPINION WITH REGARD TO THEIR CONTENT OR FORM.

Sportball Systems USA, LLC
Balance Sheet
As at June 30, 2021

Assets

Current Assets

Cash	118,347
Accounts receivable	5,670
Prepaid expenses	-
Total Current Assets	<u>124,017</u>

Other Assets

Due from related companies	<u>166,038</u>
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Total Assets	<u><u>290,055</u></u>
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Liabilities

Current Liabilities

Accounts payable and accrued liabilities	55,687
--	--------

Member Equity

Member Equity	<u>234,368</u>
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Total Liabilities and Equity	<u><u>290,055</u></u>
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Draft Financial Statements:

Internally prepared from information provided by management.

These statements should not be relied upon by third parties.

Sportball Systems USA, LLC
Statement of Income and Changes in Member Equity
January through July 2021

Operating Revenues

Franchise fees	15,000
Royalty fees	32,914
Interest income	13
Total Revenues	<u>47,926</u>

Operating Expenses

Office	818
Professional fees	2,241
Rent	1,920
Tax	300
Total Expense	<u>5,279</u>

Operating Income 42,648

Income taxes 878

Net Income 41,770

Member's Equity - Beginning 192,599

Member's Equity - Ending 234,368

Draft Financial Statements:

Internally prepared from information provided by management.

These statements should not be relied upon by third parties.

EXHIBIT E TO THE DISCLOSURE DOCUMENT
LIST OF FRANCHISEES

(As of December 31, ~~2019~~2020)

Arizona

Morrison Sports LLC – Phoenix and Scottsdale (since 2009)

Derek Morrison
13802 North Scottsdale Rd, Suite 115
Scottsdale, AZ, 84254
(480) 245-6818
100 locations

California

RK Sports LLC – South Bay (since 2018)

Jonathan Richie
703 Pier Ave, Suite B#310
Hermosa Beach, CA, 90254
(310) 386-6069
19 locations

Morrison Sports LLC – Inland Empire (since 2016)

Derek Morrison
301 9th St., ste. 403, Drop Bin #100
Redlands, CA, 92374
(909) 794-1761
42 locations

New York

Kids Dance Sports LLC - Brooklyn (since 2010)

Madeline Vera
279 Prospect Park West, Apt 1-L
Brooklyn, NY, 11215
(347) 335-0169
6 locations

Texas

AV Sports LLC - Austin (since 2013)

Mica and Alyssa Villalon
7801 Lonesome Dove Cove
Austin, TX 78729
(512) 407-8814
99 locations

TPY Family Sports, LLC (since 2019)

Tim Yates
12406 Adams Ridge Lane
Humble, Texas, 77346
(832) 867-5156

EXHIBIT F TO THE DISCLOSURE DOCUMENT
LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM

(As of December 31, ~~2019~~2020)

None

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

EXHIBIT G TO THE DISCLOSURE DOCUMENT
TABLE OF CONTENTS OF MANUAL

(Total Number of Pages ~~737~~852)

SPORTBALL SYSTEMS USA, LLC
Sportball Manual - Table of Contents

SPORTBALL BUSINESS MANUAL
INDEX

1 Introduction	Pgs. 5 - 10
• Introduction • A unique sports program for children	
2 Setting up your business	Pgs. 11- 22
• Incorporation • Business Registration Online • Business Name Registration and License • Opening a Business Bank Account • Workers Compensation • Administrative Location • Independent Advice	
3 Legal Considerations	Pgs. 23 - 44
• Franchise Agreement • Privacy Legislation • Coach Agreement and Constraints • Intellectual Property • Non-competition & Confidentiality	
4 Program Administration	
4.1 General Program Administration	Pgs. 45 - 66
• Introduction • FAQ • Registering Children with Special Needs • Trial Classes	
4.2 Birthday Party Administration	Pgs. 67 - 82
• Introduction • FAQ	
4.3 Thriva Manual	Pgs. 83 - 94
5 Policies & Procedures	Pgs. 95 - 104
5.1 Registration Policies	
• Refund policy & Parent Communication • Consent to Use Image, Photograph or Video	

5.2 Program Policies	Pgs. 105 - 112
• Arrival & Dismissal Procedure • Allergies & Food-Free Policy	
5.3 Safety Policies	Pgs. 113 - 132
• Safety Introduction • Child-to-Coach Ratios • Sportball Incident Reports • Emergency Procedures • Safety Summary	
6 Building your Business	Pgs. 133 - 166
• Pre-Market Training: ○ Business Development & Market Preparation ○ Business Development Research • Important to Remember • Where to run programs (demographics) • Scheduling	
7 Marketing and Advertising	Pgs. 167 - 204
• The Importance of Marketing and Advertising • Planning • Ideas and Strategies • Different Forms of Paid Advertising • Other Forms of Marketing • Marketing & Advertising on the SIR	
8 Human Resources	
8.1 Recruitment	Pgs. 205 - 236
• Introduction • Recruitment Strategies • Sample Job Posting	
8.2 Interview Process	Pgs. 237 - 278
• The Recruitment Process • The Telephone Interview • The Formal Interview • The Interview Process in Detail • Application for Employment • Coaching Telephone Interview Questionnaire • Working Interview Email: Template • Coaching Interview Feedback Form	
8.3 Employment Package	Pgs. 239 - 278
• Coaches (Overview) • Administration (Overview)	

- Program Directors (Overview)

8.4 Staff Management

Pgs. 279 - 293

- Managing and Leading Coaches

9 Finances

Pgs. 294 - 305

- Payment, Receipts & Banking
- Accounting
- Payroll
- Health Benefits
- Royalties and Advertising

SPORTBALL COACHING MANUAL

INDEX	PAGES
1. POLICIES AND PROCEDURES	Pgs. 5 - 22
• Arrival & Dismissal Policies • Phone Call Procedures • Sportball Drop off Programs • Coaching On Your Own • Head Count Policy • Absenteeism • FAQ	
2. SPORTBALL FORMS	Pgs. 23 - 33
• Duties/Administrative Checklist • Registration Form • Bring a Friend/Free Trial Form • Sportball Incident Report	
3. CLASSROOM MANAGEMENT	Pgs. 34 - 42
• Introduction • Classroom Management Techniques • Separation Anxiety • Effective Communication • Effective Skill Instruction	
4. SAFETY	Pgs. 43-54
• Introduction • Safety Protocol • Emergency Procedures • Sportball Incident Report	
5. GAMES & DESCRIPTIONS	Pgs.55-80

- Obstacle Courses, Races & Relays
 - Tag Games
 - Hoop Activities
 - Rope, Pylon, & Cup activities
 - Group Warm-up/Exercise
 - Ideas for Class Break
6. DEVELOPMENTAL MILESTONES Pgs. 81 - 84
- Introduction
 - Sportball Developmental Milestones Chart
7. JUNIOR PROGRAMS LESSON PLANS (AGES 16mos – 24mos) Pgs. 85- 116
- Pre-Class Announcements
 - Warm-Ups
 - Motor Activities & illustrations
 - Lesson plans
8. PARENT AND CHILD LESSON PLANS (AGES 2-3) Pgs. 117- 164
- Pre-Class Announcements
 - Warm-Ups
 - Motor Activities & illustrations
 - Lesson plans
9. MULTI-SPORT LESSON PLANS (AGES 3-6) Pgs. 165 - 296
- Pre-Class Announcements
 - Warm-Ups
 - Motor Activities & illustrations
 - Lesson plans
10. MULTI-SPORT LESSON PLANS (AGES 6-9) Pgs 1 - 68
- Ages 6-9 Lesson Plans
11. MULTI-SPORT LESSON PLANS (AGES 9-12) Pgs, 1 - 68
- Ages 9-12 Lesson Plans

EXHIBIT H TO THE DISCLOSURE DOCUMENT
FRANCHISEE DISCLOSURE ACKNOWLEDGMENT STATEMENT

As you know, Sportball Systems USA, LLC (the “**Franchisor**”) and you are preparing to enter into a franchise agreement (the “**Franchise Agreement**”) for the establishment and operation of a “Sportball” business (the “**Franchised Business**”). The purpose of this ~~Questionnaire~~Acknowledgement Statement is to determine whether any statements or promises were made to you by employees or authorized representatives of the Franchisor, or by employees or authorized representatives of a broker acting on behalf of the Franchisor (“**Broker**”) that have not been authorized, or that were not disclosed in the Disclosure Document or that may be untrue, inaccurate or misleading. The Franchisor, through the use of this document, desires to ascertain (a) that the undersigned, individually and as a representative of any legal entity established to acquire the franchise rights, fully understands and comprehends that the purchase of a franchise is a business decision, complete with its associated risks, and (b) that you are not relying upon any oral statement, representations, promises or assurances during the negotiations for the purchase of the franchise which have not been authorized by Franchisor.

In the event that you are intending to purchase an existing Franchised Business from an existing Franchisee, you may have received information from the transferring Franchisee, who is not an employee or representative of the Franchisor. The questions below do not apply to any communications that you had with the transferring Franchisee. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. Are you seeking to enter into the Franchise Agreement(s) in connection with a purchase or transfer of an existing Franchised Business from an existing Franchisee?

Yes _____ No _____

2. I had my first face-to-face meeting with a Franchisor representative on _____, 202__.

3. Have you received and personally reviewed the Franchise Agreement(s), each addendum, and/or related agreement provided to you?

Yes _____ No _____

4. Do you understand all of the information contained in the Franchise Agreement(s), each addendum, and/or related agreement provided to you?

Yes _____ No _____

If no, what parts of the Franchise Agreement(s), any Addendum, and/or related agreement do you not understand? (Attach additional pages, if necessary.)

5. Have you received and personally reviewed the Franchisor's Disclosure Document that was provided to you?

Yes _____ No _____

6. Did you sign a receipt for the Disclosure Document indicating the date you received it?

Yes _____ No _____

7. Do you understand all of the information contained in the Disclosure Document and any state-specific Addendum to the Disclosure Document?

Yes _____ No _____

If No, what parts of the Disclosure Document and/or Addendum do you not understand?
(Attach additional pages, if necessary.)

8. Have you discussed the benefits and risks of establishing and operating a Franchised Business with an attorney, accountant, or other professional advisor?

Yes _____ No _____

If No, do you wish to have more time to do so?

Yes _____ No _____

9. Do you understand that the success or failure of your Franchised Business will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, location, lease terms, your management capabilities and other economic, and business factors?

Yes _____ No _____

10. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the actual or potential revenues, profits or operating costs of any particular Franchised Business operated by the Franchisor or its franchisees (or of any group of such businesses), that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

11. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise regarding the amount of money you may earn in operating the franchised business that is in addition to, contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

12. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the total amount of revenue the Franchised Business will generate, that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

13. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise regarding the costs you may incur in operating the Franchised Business that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

14. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a Franchised Business?

Yes _____ No _____

15. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that the Franchisor will furnish to you that is contrary to, or different from, the information contained in the Disclosure Document or Franchise Agreement(s)?

Yes _____ No _____

16. Have you entered into any binding agreement with the Franchisor concerning the purchase of this franchise prior to today?

Yes _____ No _____

17. Have you paid any money to the Franchisor concerning the purchase of this franchise prior to today?

Yes _____ No _____

18. Have you spoken to any other franchisee(s) of this system before deciding to purchase this franchise? If so, who? _____

If you have answered No to question 9, or Yes to any one of questions 10-17, please provide a full explanation of each answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered Yes to question 9, and No to each of questions 10-17, please leave the following lines blank.

I signed the Franchise Agreement(s) and Addendum (if any) on _____, 202____, and acknowledge that no Agreement or Addendum is effective until signed and dated by the Franchisor.

Please understand that your responses to these questions are important to us and that we will rely on them. By signing this Questionnaire, you are representing that you have responded truthfully to the above questions. In addition, by signing this Questionnaire, you also acknowledge that:

A. You recognize and understand that business risks, which exist in connection with the purchase of any business, make the success or failure of the franchise subject to many variables, including among other things, your skills and abilities, the hours worked by you, competition, interest rates, the economy, inflation, franchise location, operation costs, lease terms and costs and the marketplace. You hereby acknowledge your awareness of and willingness to undertake these business risks.

B. You agree and state that the decision to enter into this business risk is in no manner predicated upon any oral representation, assurances, warranties, guarantees or promises made by Franchisor or any of its officers, employees or agents (including the Broker or any other broker) as to the likelihood of success of the franchise. Except as contained in the Disclosure Document, you acknowledge that you have not received any information from the Franchisor or any of its officers, employees or agents (including the Broker or any other broker) concerning actual, projected or forecasted franchise sales, profits or earnings. If you believe that you have received any information concerning actual, average, projected or forecasted franchise sales, profits or earnings other than those contained in the Disclosure Document, please describe those in the space provided below or write "None".

C. You further acknowledge that the President of the United States of America has issued Executive Order 13224 (the "Executive Order") prohibiting transactions with terrorists and terrorist organizations and that the United States government has adopted, and in the future may adopt, other anti-terrorism measures (the "Anti-Terrorism Measures"). The Franchisor therefore requires certain certifications that the parties with whom it deals are not directly involved in terrorism. For that reason, you hereby certify that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, is:

- (i) a person or entity listed in the Annex to the Executive Order;
- (ii) a person or entity otherwise determined by the Executive Order to have committed acts of terrorism or to pose a significant risk of committing acts of terrorism;
- (iii) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism; or
- (iv) owned or controlled by terrorists or sponsors of terrorism.

You further covenant that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, will during the term of the Franchise Agreement(s) become a person or entity described above or otherwise become a target of any Anti-Terrorism Measure.

These questions are asked to confirm our understanding of certain facts. Your answers are not a waiver of any law. Nor are our questions and your answers a disclaimer by us of any information that we have provided in our disclosure document.

Acknowledged this _____ day of _____, 202____.

Sign here if you are taking the franchise as an
INDIVIDUAL

Sign here if you are taking the franchise as a
CORPORATION, LIMITED LIABILITY
COMPANY OR PARTNERSHIP

Signature

Print Name _____

Signature

Print Name _____

Signature

Print Name _____

Signature

Print Name _____

Print Name of Legal Entity

By: _____
Signature

Print Name _____

Title _____

EXHIBIT I TO THE DISCLOSURE DOCUMENT
FORM OF GENERAL RELEASE

The following is our current general release language, which we expect to include in a release that a franchisee and/or transferor may sign as part of a renewal or an approved transfer. We have the right to periodically modify the release.

*Franchisee, its officers and directors, partners, members and managers, owners, and their respective agents, heirs, administrators, successors, and assigns (the "**Franchisee Group**"), hereby forever release and discharge, and forever hold harmless Sportball Systems USA, LLC, its current and former affiliates and predecessors, and their respective shareholders, partners, members, directors, officers, agents, representatives, heirs, administrators, successors, and assigns (the "**Franchisor Group**"), from any and all claims, demands, debts, liabilities, actions or causes of action, costs, agreements, promises, and expenses of every kind and nature whatsoever, at law or in equity, whether known or unknown, foreseen and unforeseen, liquidated or unliquidated, which the Franchisee Group and/or its owners had, have, or may have against any member of the Franchisor Group, including, without limitation, any claims or causes of action arising from, in connection with or in any way related or pertaining, directly or indirectly, to the Franchise Agreement, the relationship created by the Franchise Agreement, or the development, ownership, or operation of the Facility. (The releases given here include the parties' waiver of state laws that might apply to limit a release (such as Calif. Civil Code Section 1542, which states that "[a] general release does not extend to claims which the creditor does not know or suspect exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor")). The Franchisee Group further indemnifies and holds the Franchisor Group harmless against, and agrees to reimburse them for any loss, liability, expense, or damages (actual or consequential) including, without limitation, reasonable attorneys', accountants', and expert witness fees, costs of investigation and proof of facts, court costs, and other litigation and travel and living expenses, which any member of the Franchisor Group may suffer with respect to any claims or causes of action which any customer, creditor, or other third party now has, ever had, or hereafter would or could have, as a result of, arising from, or under the Franchise Agreement or the Facility. The Franchisee Group and its owners represent and warrant that they have not made an assignment or any other transfer of any interest in the claims, causes of action, suits, debts, agreements, or promises described herein.*

[SIGNATURE PAGE FOLLOWS]

ATTEST:

By: _____

Print Name: _____

Title _____

WITNESS:

Print Name: _____

**FOR ENTITY:
FRANCHISEE:**

By: _____

Print Name: _____

Title _____

Date: _____

GUARANTOR:

Print Name: _____

Date: _____

**FOR INDIVIDUAL:
FRANCHISEE:**

Print Name: _____

Date: _____

EXHIBIT J TO THE DISCLOSURE DOCUMENT
COACHING AGREEMENT

COACHING AGREEMENT

THIS COACHING AGREEMENT ("**Agreement**") is made this ____ day of _____, 20____, by and between [name of Franchisee entity] _____ (the "**Franchisee**"), and _____, who is a "Trainee Coach" hereby employed by Franchisee (the "**Coach**").

Background

- A. Sportball Systems USA, LLC ("**Franchisor**") is the licensee of a format and system (the "**System**") relating to the establishment and operation of "Sportball" businesses providing non-competitive sports programs for young children, under its Proprietary Marks, as defined below (each, a "**Business**").
- B. Franchisor identifies "Sportball" Businesses by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin (including for example the mark "Sportball") and certain other trade names, service marks, and trademarks that Franchisor currently and may in the future designate in writing for use in connection with the System (the "**Proprietary Marks**").
- C. Franchisor and Franchisee have signed a Franchise Agreement ("**Franchise Agreement**") granting Franchisee the right to operate a "Sportball" Business (the "**Franchised Business**") and use the Proprietary Marks in connection therewith under the terms and conditions of the Franchise Agreement.
- D. Franchisee will promote training of coach in accordance with the Sportball Coach training program to qualify Coach as a "Certified Coach" over a period of three months.
- E. Franchisee would like to employ Coach, and Coach would like to be employed, to coach Sportball programs for the Franchised Business, which will include classes, camps, events and birthday parties ("**Programs**"), at locations such as sports facilities, community centers, schools and other venues where Programs are conducted ("**Locations**") on the following terms and conditions:

Therefore, recognizing all of the details noted above, the parties have chosen to enter into this Agreement, taking into account all of the promises and commitments that they are each making to one another in this contract, and for other good and valuable consideration (the sufficiency and receipt of which they hereby acknowledge) and they agree as follows:

- 1. Coach is hereby retained as an employee of Franchisee to coach such Programs as Coach and Franchisee may periodically mutually agree, at the times and in the manner Franchisee may require.
- 2. (a) Coach's responsibilities will include, in respect of each Program:
 - (i) preparing the Location;
 - (ii) presence at the Location at least 15 minutes before the start of each Program;
 - (iii) Sign in and sign out registrants at the beginning and end of each Program in accordance with Sportball policy;

- (iv) conducting each Program in the manner Franchisee requires;
 - (v) cleaning up after each Program to Franchisee's standards;
 - (vi) correspondence (telephone, email or other) contact with parents of participants in the Program;
 - (vii) collection and processing of registration forms for participants in the Program; and
 - (viii) meeting with and assisting Franchisor's and the Location's Program coordinator regarding registration and administration of participant files,
 - (b) Coach will be required to attend staff meetings and training workshops approximately four (4) times a year, for which Coach will be paid at such hourly rate as may be mutually agreed.
3. Coach will be paid a fee for each Program which Coach administers at the rates set out in Schedule "A" attached hereto.
 4. Coach is required to wear a Sportball uniform, which uniform shall be paid for by Coach.
 5. Coach may be required to collect and forward to Franchisee payments made by parents or organizations as the fees for participants in the Program. Franchisee will periodically advise Coach regarding the procedures for the collection and forwarding of such payments.
 6. Coach will be responsible to reimburse Franchisee for any equipment destroyed, damaged, lost or stolen during any Programs conducted by Coach. However, Coach will not be responsible for equipment which is required to be replaced because of normal wear and tear.
 7. Coach is required to carry a cell phone to all Programs to be reachable by Franchisee and for use in an emergency and in order to sign in and sign out registrants, where technology supports this function.
 8. Coach agrees to abide by all policy rules and regulations of Franchisee in force from time to time, including without limitation any privacy policies, which rules and regulations will be communicated to Coach as they are implemented or changed.
 9.
 - (a) For each Location at which Coach is coaching, Coach may be provided with rules and regulations. Coach shall become familiar with, and abide by, all such rules and regulations.
 - (b) In addition, in respect of Location at which Coach is coaching, it is required that Coach wear a hat and appropriate sunscreen at all times while he or she is outdoors;
 10.
 - (a) This agreement can be terminated by either party by written notice to the other party at least two (2) weeks before the intended date of termination.
 - (b) Notwithstanding subsection 10(a), Franchisee shall be permitted to terminate this Agreement for cause at any time without notice or compensation in lieu of notice. For the purpose of this subsection, "cause" shall have the meaning ascribed to it at common-law and shall include, without limitation, consistent poor performance on the part of Coach after being advised of the standard required, a wilful act of dishonesty,

breach of trust, theft or other conduct that is materially detrimental to the interests of Franchisee or the Sportball System.

11. Coach confirms that he/she is trained in CPR and that he/she is first-aid certified and will provide updated certificates of CPR and first-aid training by the commencement date of this Agreement and annually thereafter.
12. Recognizing that Coach will be working with children, Coach consents to Franchisee conducting such investigations as it deems necessary or desirable to ensure that Coach qualifies to coach children, and as a condition of his/her employment, Coach will provide a certificate of police clearance with a Vulnerable Sector Screening Clearance to Franchisee by the commencement date of this Agreement.
13. Coach agrees that Coach will not, during the term of the Franchise Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, persons, partnership, entity, association, or corporation any confidential information, knowledge, or know how concerning the methods of operation of the business franchised thereunder which may be communicated to Coach or of which Coach may be apprised by virtue of her/his job working for Franchisee. Any and all information, knowledge, know how, and techniques that Franchisor designates as confidential will be deemed confidential for purposes of this Agreement, except information which Coach can demonstrate came to his/her attention before disclosure thereof by Franchisee; or which, at or after the time of disclosure by Franchisee to Coach, had become or later becomes a part of the public domain, through publication or communication by others.
14. Coach specifically acknowledges that, pursuant to the Franchise Agreement, and by virtue of his/her position with Franchisee, Coach will receive valuable specialized training and confidential information, including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the System. Accordingly, Coach covenants and agrees that during the term of the Franchise Agreement, except as otherwise approved in writing by Franchisor, Coach will not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity, divert or attempt to divert any business or customer of the Franchised Business or of any Business using the System to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with Franchisor's Proprietary Marks and the System.
15. This Agreement is governed by and will be construed in accordance with the laws of the state in which the Franchised Business is conducted by Franchisee.
16. Coach acknowledges that any failure to comply with the requirements of this Agreement will cause Franchisor irreparable injury, and Coach agrees to pay all costs (including without limitation reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) incurred by Franchisor in obtaining specific performance of, or an injunction against violation of, the requirements of this Agreement.
17. No delay or failure by the Franchisor or Franchisee to exercise any right under this Agreement, and no partial or single exercise of that right, will constitute a waiver of that or any other right provided herein, and no waiver of any violation of any terms and provisions of this Agreement will be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

18. Coach hereby acknowledges and agrees that Franchisor is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with Franchisee. Coach further acknowledges and agrees that it is employed by Franchisee only, and that nothing in this Agreement (nor any action by Franchisor to enforce its rights under this Agreement) shall be deemed to render the Franchisor as the Coach's employer for any purpose whatsoever.

IN WITNESS WHEREOF, Franchisee and Coach confirm that each has read and understands the terms of this Agreement, and voluntarily signed this Agreement on the date first written above.

FRANCHISEE

COACH

By: _____

By: _____

Name: _____

Name: _____

Address: _____

Address: _____

Coaching Agreement

Schedule A

- (a) Sportball Programs: \$_____ per one hour class, which is inclusive of the duties set out in Section 2 of the Agreement.

- (b) Sportball birthday parties:
 - (i) at a corporate Location, \$_____ per one and one-half hour birthday party, which is inclusive of the duties set out in Section 2 of the Agreement, except that previously agreed-upon clean-up time will be paid at the same hourly rate.

 - (ii) at an off-site Location:
 - (A) when coaching alone, \$_____ per one hour birthday party, which is inclusive of the duties set out in Section 2 of the Agreement; and

 - (B) when coaching with an assistant, \$_____ per one hour birthday party, which is inclusive of the duties set out in Section 2 of the Agreement.

- (c) Coach will be paid on a bi-weekly basis, in respect of Programs conducted during the previous two weeks, based upon a time sheet submitted by Coach and verified by Franchisee or, at the option of Franchisee, based upon a timesheet prepared by Franchisee.

STATE EFFECTIVE DATES

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below:

STATES	EFFECTIVE DATE
California	October 15, Pending 2020
New York	November 18, Pending 2020
Washington	October 20, 2020

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Sportball Systems USA, LLC ("**SSU**") offers you a franchise, it must provide this disclosure document to you: (a) 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale; or (b) under New York law, at the earlier of (i) your first personal meeting to discuss the franchise, or (ii) 10 business days before you sign a binding agreement with, or make payment to, us or an affiliate in connection with the proposed franchise sale; or (c) Iowa requires that we give you this disclosure document at the earlier of the first personal meeting or 14 days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship; or (d) Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If SSU does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the appropriate state agency listed on Exhibit A.

~~SSU is the~~The franchisor, ~~with its offices is Sportball Systems USA, LLC, located~~ at 39 Glen Cameron Road, Unit 8, Thornhill, Ontario, Canada L3T 1P1 ~~(tel: . Its telephone number is (877) 678-5437)). Sportball Systems USA, LLC authorizes the agents listed in Exhibit A to receive service of process for it in the particular state.~~

The issuance date of this disclosure document is ~~August 10, 2020~~July 20, 2021.

The franchise seller is ~~Jason D'Rocha~~, Carmella Gelgor and Mark Gelgor at 39 Glen Cameron Road, Unit 8, Thornhill, Ontario, Canada L3T 1P1 (tel: (877) 678-5437)). Any additional individual franchise sellers involved in offering the franchise are: _____.

Sportball Systems USA, LLC authorizes the respective state agencies identified on Exhibit A to receive service of process for it in the particular state.

I received a disclosure document dated ~~August 10, 2020~~July 20, 2021, that included the following Exhibits:

A. List of State Agencies/Agents for Service of Process	F. List of Franchisees Who Have Left The System
B. State Specific Addenda	G. Table of Contents of Manual
C. Franchise Agreement	H. Franchisee Disclosure Acknowledgment Statement
D. Financial Statements	I. Form of General Release
E. List of Franchisees	J. Coaching Agreement

Date: _____, 202_____
(Do not leave blank)

Signature of Prospective Franchisee

Print Name

RECEIPT

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If SSU does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the appropriate state agency listed on Exhibit A.

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Date: _____, 202_____
(Do not leave blank)

Signature of Prospective Franchisee

Print Name

Please sign, date, and return this copy to us