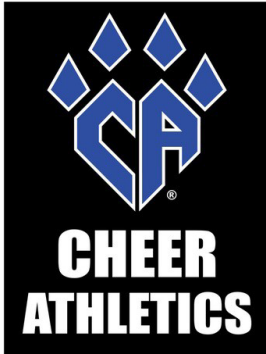


## FRANCHISE DISCLOSURE DOCUMENT



**Cheer Athletics Holdings, LLC**  
a Texas limited liability company  
3712 E. Plano Parkway,  
Bldg B, Suite 100  
Plano, Texas 75074  
(972) 275-6781  
[www.cheerathletics.com](http://www.cheerathletics.com)

As a franchisee, you will operate a training-facility/gym, especially focused on competitive and recreational cheerleading and dance, under the mark CHEER ATHLETICS and other related trademarks

The total investment necessary to begin operation of a CHEER ATHLETICS franchise is between \$591,717.00 to \$1,241,346.00. This includes \$75,000.00 that must be paid to the franchisor or its affiliate.

This disclosure document summarizes certain provisions of your Franchise Agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

**Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient to you. To discuss the availability of disclosures in different formats, contact Cheer Athletics Holdings, LLC at the address and phone number listed above.

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all 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](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: March 25, 2025

## How to Use This Franchise Disclosure Document

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

| QUESTION   | WHERE TO FIND INFORMATION  |
|--|--|
| <b>How much can I earn?</b>  | Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibits F-1 and F-2. |
| <b>How much will I need to invest?</b>   | Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.   |
| <b>Does the franchisor have the financial ability to provide support to my business?</b> | Item 21 or Exhibit G includes financial statements. Review these statements carefully.   |
| <b>Is the franchise system stable, growing, or shrinking?</b>                            | Item 20 summarizes the recent history of the number of company-owned and franchised outlets.   |
| <b>Will my business be the only CHEER ATHLETICS business in the area?</b>                | Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.  |
| <b>Does the franchisor have a troubled legal history?</b>                                | Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.   |
| <b>What's it like to be a CHEER ATHLETICS franchisee?</b>                                | Item 20 or Exhibits F-1 and F-2 list current and former franchisees. You can contact them to ask about their experiences.  |
| <b>What else should I know?</b>  | The questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure documents 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 and 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 may also have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the Specific State Addenda. See the Table of Contents for the location of the State Specific Addenda.

### Special Risks to Consider About *This* Franchise

Certain states require the following risk(s) be highlighted.

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Texas. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement of disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Texas than in your own state.
2. **Financial Condition.** The Franchisor's financial condition as reflected in the financial statements (see Item 21) calls into question the Franchisor's financial ability to provide services and support to you.
3. **Short Operating History.** The Franchisor is at an early stage of development and has a limited operating history. The franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.

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

## MICHIGAN NOTICE

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 against you joining an association of franchisees.
- (b) A requirement that you assent to a release, assignment, novation, waiver or estoppel which would deprive you of rights and protections provided under the Michigan Franchise Investment Law. This does not preclude you, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits us to terminate your franchise prior to the expiration of its term except for good cause. Good cause includes your failure to comply with any lawful provision of the Franchise Agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits us to refuse to renew your franchise without fairly compensating you by repurchase or other means for the fair market value at the time of expiration, of your inventory, supplies, equipment, fixtures and furnishings. Personalized materials which have no value to us, and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This provision applies only if:
  - (i) The term of the franchise is less than five years; and
  - (ii) You are prohibited by the Franchise Agreement or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising or other commercial symbol in the same area subsequent to the expiration of the franchise or if you do not receive at least six months advance notice of our intent not to renew the franchise.
- (e) A provision that permits us to refuse to renew the franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This provision does not require a renewal provision in the Franchise Agreement or other agreement.
- (f) A provision requiring that arbitration or litigation be conducted outside of Michigan. This does not preclude you from entering into an agreement, at the time of the arbitration, to conduct arbitration at a location outside of Michigan.
- (g) A provision which permits us to refuse to permit a transfer of ownership of the franchise, except for good cause. This provision does not prevent us from exercising a right of first refusal to purchase the franchise. Good cause includes, but is not limited to:
  - (i) The failure of the proposed transferee to meet our then-current reasonable qualifications or standards.
  - (ii) The fact that the proposed transferee is a competitor of ours.
  - (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 us or to cure any default in the Franchise Agreement existing at the time of the proposed transfer.
- (h) A provision that requires you to resell to us items that are not uniquely identified with the franchisor. This does not prohibit a provision that grants us 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 it prohibit a provision that grants us the right to acquire the assets of a franchise for the market or appraised value of such assets if you have breached the lawful provisions of the Franchise Agreement and have failed to cure the breach in the manner provided in (c), above.
- (i) A provision which permits us to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to you unless provision has been made for providing the

required contractual services.

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

Any questions concerning this notice should be directed to the Michigan Department of Attorney General, Consumer Protection Division, Antitrust and Franchise Unit, 670 Law Building, Lansing, Michigan 48913 (517) 373-7117.

**CHEER ATHLETICS HOLDINGS, LLC**  
**FRANCHISE DISCLOSURE DOCUMENT**  
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**Exhibits**

- A. List of State Administrators and Agents for Service of Process
- B. Franchise Agreement and Exhibits
- C. General Release (Sample Form)
- D. State Addenda and Franchise Agreement Riders
- E. Table of Contents of Operating Manual
- F-1. List of Current Franchisees
- F-2. List of Franchisees Who Have Left the System
- G. Financial Statements
- H. Franchisee Disclosure and Compliance Questionnaire
- I. State Effective Dates
- J. Receipts

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

In this disclosure document, “Cheer Athletics,” “Franchisor,” “we,” “us,” or “our” means Cheer Athletics Holdings, LLC, the franchisor. “Franchisee,” “you” or “your” means the person who buys a CHEER ATHLETICS Franchised Business. The franchisee may be an individual, corporation, partnership or limited liability company. If you are an individual, you may assign all of your rights and interests in the Franchise Agreement to a legal business entity, upon certain conditions.

In this disclosure document, the term “you” includes the franchisee, if the franchisee is a sole proprietorship. The term “Owners” or “Principals” refer to anyone with a beneficial ownership in the franchisee, including general and limited partners of a partnership, shareholders of a corporation, and members of a limited liability company.

The Franchisor

Cheer Athletics Holdings, LLC is a Texas limited liability company, originally formed in the state of Texas, with an effective date of January 7, 2020.

We do business under our company name and under the name “CHEER ATHLETICS” or “CA.” We also do business under the name “DANCE ATHLETICS” or “DA.” We maintain our principal business address at 3712 E. Plano Parkway, Bldg B, Suite 100, Plano, Texas 75074. We do not do business under any other name. Our telephone number is (972) 275-6781. Our agents for service of process are identified in Exhibit A to this disclosure document.

We grant a franchise for the right to establish and operate a training-facility/gym, especially focused on competitive and recreational cheerleading and dance, under the Proprietary Marks and System described below.

We have never engaged in any other business activity nor offered franchises in any other lines of business.

Cheer Athletics Holdings, LLC has not owned or operated any gyms or training facilities, but our affiliates have operated similar businesses as early as 1997.

Our Parent/Predecessor

We are wholly owned by Cheer Athletics Brands, LLC (“CA-Brands”), a limited liability company formed in the state of Texas on April 25, 2013.

CA-Brands is our parent company, owning all membership interests in our limited liability company. CA-Brands owns all of the CHEER ATHLETICS brand-related intellectual property and has granted us the right to use the intellectual property and to license it to our franchisees.

CA-Brands is also the sole owner of our affiliates, each of which is further described below: Cheer Athletics-Austin, LLC; Cheer Athletics-Frisco, LLC; Cheer Athletics-Plano, Inc.; and Cheer Athletics-Columbus, LLC.

In 2015, CA-Brands founded and became the original owner of a CHEER ATHLETICS branded training-facility/gym located in Charlotte, North Carolina (the “Charlotte-Gym”). In 2018, CA-Brands sold its ownership in the Charlotte-Gym to a third-party, Cheer Concepts, LLC (with which neither we nor CA-Brands has any common ownership), which thereafter used the CHEER ATHLETICS System and Marks. In 2020, Cheer Concepts, LLC signed a franchise agreement with us, becoming one of our franchisees.

CA-Brands previously sold four CHEER ATHLETICS franchises in 2020, which it assigned to us in the same year. CA-Brands no longer sells CHEERS ATHLETICS franchises. CA-Brands has never engaged in any other business activity nor offered franchises in any other lines of business.



### Franchisor's Affiliates

Cheer Athletics-Plano, Inc. Through common ownership, we are affiliated with Cheer Athletics- Plano, Inc. ("CA-Plano"). CA-Plano was originally incorporated in the state of Texas on November 18, 1997, under the name "Cheer Athletics, Inc." It changed its name to Cheer Athletics-Plano, Inc. on July 11, 2013. It has owned and operated the CHEER ATHLETICS training-facility/gym located at 3712 E. Plano Parkway, Bldg B, Suite 100, Plano, Texas 75074, since that gym opened in 1997. CA-Plano owns all of the DANCE ATHLETICS brand-related intellectual property. CA-Plano has granted us the right to use the intellectual property and to license it to our franchisees.

Cheer Athletics-Austin, LLC. Through common ownership, we are affiliated with Cheer Athletics-Austin, LLC ("CA-Austin"), a Texas limited liability company formed on May 1, 2013. CA-Austin founded and became the original owner of a CHEER ATHLETICS branded training- facility/gym located in Austin, Texas (the "Austin-Gym"). In 2018, CA-Brands sold its ownership in the Austin-Gym to a third-party, Capital Athletics, LLC (with which neither we nor CA-Brands has any common ownership), which thereafter used the CHEER ATHLETICS System and Marks. In 2020, Capital Athletics, LLC signed a franchise agreement with us, becoming one of our franchisees.

Cheer Athletics-Frisco, LLC. Through common ownership, we are affiliated with Cheer Athletics-Frisco, LLC ("CA-Frisco"), a Texas limited liability company formed on August 14, 2013. CA-Frisco owned and operated the Cheer Athletics training-facility/gym located at Fieldhouse USA, 6155 Sports Village Road, Frisco, Texas 75033, since that gym first opened in 2015 until it was sold to a third-party, Double Punch Double, LLC (with which neither we nor CA-Brands has any common ownership) in 2020. Double Punch Double, LLC signed a franchise agreement with us, becoming one of our franchisees.

Cheer Athletics-Columbus, LLC. Through common ownership, we are affiliated with Cheer Athletics-Columbus, LLC ("CA-Columbus"), an Ohio limited liability company formed on April 4, 2016. CA-Columbus has owned and operated the CHEER ATHLETICS training-facility/gym located at 764 Morrison Road, Gahanna, Ohio 43230, since that gym since it first opened in 2016 until it was sold to a third-party, MY Athletics, LLC (with which neither we nor CA-Brands has any common ownership) in 2020. MY Athletics, LLC signed a franchise agreement with us, becoming one of our franchisees.

None of our affiliates have ever engaged in any other business activity, and none have offered franchises in any line of business.

### Description of the Franchised Business

The Franchise Agreement. Under our franchise agreement ("Franchise Agreement") (included as Exhibit B to this disclosure document), you will have the right to establish and operate a business which operates a distinctive type of training-facility/gym, especially focused on competitive and recreational cheerleading and dance. You must operate your Franchised Gym at a specified geographic location using our Proprietary Marks and System, described below (hereafter referred to as the "Franchised Location" or "Franchised Gym" or the "Franchised Business"). You will operate the Franchised Business using a unique and distinctive business format (the "System") as we specify in the Franchise Agreement and its operating manual(s) (the "Operating Manual" or "Manual").

Cheer Athletics System. The System includes our trademarks/service marks and copyrights, the names "CHEER ATHLETICS," "CA," "DANCE ATHLETICS," "DA," and other related trademarks, uniform standards, specifications and procedures for operations, equipment, inventory and staffing, the quality and uniformity of services and reporting, training and assistance, and its advertising and promotional programs. You will operate your Franchised Business under certain trade names, service marks, trademarks, trade dress, logos, emblems and indicia of origin, including the marks, "CHEER ATHLETICS," "CA," and other trade names, service marks, and trademarks which we now designate, or may designate in the future, for use in connection with the System (the "Proprietary Marks" or "CHEER ATHLETICS Marks").

You will offer and sell fitness services and products, at a distinctive type of training-facility/gym, especially focused on competitive and recreational cheerleading and dance, to the general public, all in accordance with our established systems. As discussed below, we may require that you obtain certain products or services from vendors that we designate from time to time, and we may be the sole exclusive vendor in certain circumstances.

CHEER ATHLETICS businesses are characterized by our System. Some of the features of our System may include (a) distinctive exterior and interior design, decor, color schemes, fixtures, and furnishings; (b) uniform standards, specifications, and procedures for operations; (c) purchasing and sourcing systems and procedures; (d) procedures for management control; (e) training and operational assistance; and (f) marketing and promotional programs. We may periodically change and improve the System.

You will operate your Franchised Business at a location approved by us in writing (your “Franchised Location”). You must conduct the Franchised Business in accordance with then-current standards.

### Market and Competition

The gym and fitness industry is developed and intensely competitive. You will serve the general public and will compete with other coaches, gyms, and fitness facilities offering similar services, training and equipment. These other individuals and businesses compete on the basis of factors such as price, service, location, and expertise. These businesses are often affected by other factors as well, such as changes in economic conditions, population, demographics, and real estate development, and the popularity of the specific types of services provided (such as competitive or recreational cheerleading or dance). Depending on your actual locations, you may experience seasonal changes.

Your competitors may include national, regional or local coaches, gyms and training facilities, some of which may be franchised. Your competitors may include other CHEER ATHLETICS businesses, including those owned by us, our affiliates or our other franchisees.

### Industry-Specific Laws and Regulations.

The products and services you sell may be subject to local, county, and state regulation. Some state and local laws/regulations/ordinances may require special permits to provide health and fitness services. You and your employees may need to pass a test to obtain such permits. In the event that you seek to sell food, there may be laws governing food storage, preparation and service, and inspections relating to these laws. Many state and local laws/regulations/ordinances require food service permits for the handling of food. There may be laws requiring washrooms and other facilities for customers and employees, and access laws related to disabled patrons and employees. You may also need a business license, and possibly other licenses or permits, from your local or state government to operate your business. You should consult with your own legal counsel to determine the applicability of these and other laws and regulations to the operation of your Franchised Business.

It is important that you comply with all laws and regulations in this area and that you become educated regarding retail services and requirements. Some of these laws and regulations may require special certification, licensing, and registrations before you can begin providing services.

Among other licenses and permits you may need are: Zoning or Land Use Approvals, Sunday Sale Permits, Sales and Use Tax Permits, Special Tax Stamps, Fire Department Permits, Food Establishment Permits, Health Permits, Food Handler’s Permit, Alarm Permits, County Occupational Permits, Retail Sales Licenses, and Wastewater Discharge Permits. There may be other laws, rules or regulations which may affect your Franchised Business, including laws concerning the protection of customer’s credit card numbers and financial data, minimum wage and labor laws along with the ADA, OSHA and EPA considerations.

Some state and local governments have adopted provisions, or are considering proposals, that regulate

indoor air quality, including the limitation of smoking tobacco products in public places such as the type of center you will operate.

We are not obligated to provide you with guidance about these laws and regulations and you are solely responsible for knowing about and complying with all laws and regulations applicable to your Franchised Business. We recommend that you consult with your attorney for an understanding of these laws.

The United States enacted the “Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001” (the “USA Patriot Act”). We are required to comply with the USA Patriot Act. To help us comply with the USA Patriot Act, we ask you in the Franchise Agreement to confirm for us that neither you nor your directors, officers, shareholders, partners, members, employees, or agents are suspected terrorists or persons associated with suspected terrorists or are under investigation by the U.S. government for criminal activity. You may review the Patriot Act and related regulations at: <http://www.treasury.gov/offices/enforcement/ofac/sdn>.

## **ITEM 2 BUSINESS EXPERIENCE**

Below is a list of our directors, principal officers, and other individuals who will have management responsibility related to the sale or operation of franchises offered under this disclosure document. Unless otherwise noted, the individuals listed below are employed by Cheer Athletics Holdings, LLC, in Plano, Texas.

### **Joseph K. Melton – Manager.**

Mr. Melton is one of our Managers. He has held this position since we were first formed. Mr. Melton is also an owner and manager of our affiliate CA-Brands. He also serves as a manager/director and officer of our affiliates: CA-Plano; CA-Austin; CA-Frisco; and CA-Columbus. He has held these positions with each of our affiliates since they were each first formed. He founded our first CHEER ATHLETICS location in Plano in 1994 and has been actively involved with CHEER ATHLETICS since.

### **John B. Habermel – Manager.**

Mr. Habermel is one of our Managers. He has held this position since we were first formed. Mr. Habermel is also an owner and manager of our affiliate CA-Brands. He also serves as a manager/director and officer of our affiliates: CA-Plano; CA-Austin; CA-Frisco; and CA- Columbus. Mr. Habermel first joined the CHEER ATHLETICS business in 1996 and became a co-owner shortly thereafter.

### **Angela M. Rogers – Manager.**

Ms. Rogers is one of our Managers. She has held this position since we were first formed. Ms. Rogers is also an owner and manager of our affiliate CA-Brands. She also serves as a manager/director and officer of our affiliates: CA-Plano; CA-Austin; CA-Frisco; and CA-Columbus. She co-founded our first CHEER ATHLETICS location in Plano in 1994 and has been actively involved with CHEER ATHLETICS since.

### **Donald “Chad” Wright – Franchisee Liaison.**

Mr. Wright holds the position of Franchisee Liaison. He has held this position since we were first formed. Mr. Wright also assists with operations and management of our affiliates: CA-Plano, CA-Austin, and CA-Columbus. He first joined our CHEER ATHLETICS location in Plano in 2012.

## **ITEM 3 LITIGATION**

*Hannah Gerlacher and Jessica Gerlacher v. Cheer Athletics, Inc., Cheer Athletics-Plano, LLC, Cheer Athletics-Frisco, LLC, Cheer Athletics Holdings, LLC, Cheer Athletics Brands, LLC, United States All Star Federation, and Jason McCartney* (Cause No. D-1-GN-21003338). On July 19, 2021, Plaintiffs, being former athletes of our affiliates, filed this action against the U.S. All Star Federation (“USASF”), Jason

McCartney, us and our affiliates in the 126<sup>th</sup> District Court in Travis County, Texas. Plaintiffs allege that McCartney, an employee of our affiliate, sexually abused them. Plaintiffs further allege that they filed a complaint with the USASF and that the USASF took no actions in response to the complaint. The Plaintiffs have brought claims against us and our affiliates for negligence; agency, respondeat superior and vicarious liability; negligent hiring, retention, training, screening, and supervision, and failure to warn; and gross negligence. We and our affiliates have denied all claims as to our liability for these actions. The lawsuit is currently in the discovery stages.

*Jane Doe 1 and Jane Doe 2 v. Cheer Athletics, Inc., Cheer Athletics Holdings, LLC, Cheer Athletics-Plano, Inc., and Jason McCartney* (Cause No. DC-21-17919). On December 21, 2021, Plaintiffs, being former athletes of our affiliate, filed this action against Jason McCartney, us, and our affiliate in the 194<sup>th</sup> District Court in Dallas County, Texas. Plaintiffs allege that McCartney, an employee of our affiliate, sexually abused them. The Plaintiffs brought claims against us and our affiliate for negligence; agency, respondeat superior and vicarious liability; negligent hiring, retention, training, screening, and supervision, and failure to warn; fraudulent concealment and equitable tolling; and gross negligence. We and our affiliates denied all claims as to our liability for these actions, and specifically asserted that both Plaintiffs' claims were barred by the applicable statute of limitations. The case was dismissed on December 21, 2023 in conjunction with a confidential settlement agreement.

*Jane HK Doe, individually and on behalf of John HS Doe, a minor, and John HC Doe, a minor v. United States All Star Federation, Inc., Varsity Spirit, LLC, Cheer Athletics, Inc., Angela Rogers, Jeremiah Harris, and Doe Defendants 1-100*, (Cause No. 048-319785-20). On September 14, 2020, Plaintiffs filed this action against the U.S. All Star Federation ("USASF"), Varsity Spirit, Cheer Athletics, Inc. (the predecessor entity to one of our affiliates), and one of our owners and managers ("Rogers"). Also named in the suit was Jeremiah "Jerry" Harris, known to many from his appearance in a cheer related Netflix series and the media attention that followed. The action was filed in the 471<sup>st</sup> District Court in Tarrant County, Texas. Plaintiffs allege that Harris engaged in sexual misconduct by soliciting nude photographs and sexual acts from Plaintiffs, and assert claims against Rogers and our affiliate for negligence; negligent supervision; negligent hiring/retention; negligent misrepresentation; intentional infliction of emotional distress; sexual harassment; and vicarious liability. Rogers and our affiliates denied all claims as to their liability for these actions because Plaintiffs were never affiliated with Cheer Athletics in any way, nor did any of the acts complained of occur at any Cheer Athletics location and/or with Cheer Athletics' knowledge. Rogers and affiliate further denied the claims based on the fact that Harris was never an employee of any of our affiliates and his only connection to Cheer Athletics was as an athlete for one of the gyms located in Texas. The case was dismissed on October 13, 2022 in conjunction with a confidential settlement agreement.

Other than these actions, no litigation is required to be disclosed in this Item.

#### **ITEM 4 BANKRUPTCY**

No bankruptcies are required to be disclosed in this Item.

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

**Initial Franchise Fee.** You must pay us a \$75,000.00 initial franchise fee, regardless of the size of your location ("Initial Franchise Fee"). The Initial Franchise Fee is due in full upon the signing your Franchise Agreement and is fully earned and non-refundable.

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

| Type of Fee <sup>1</sup>              | Amount   | Due Date  | Remarks   |
|---------------------------------------|--|---|---|
| Royalty                               | 10% of Gross Revenues.   | Monthly. If and when we provide you with reporting software, Royalty payments will be due weekly. | See Note 2 and Note 3.  |
| Advertising Fee                       | Currently 0%, but up to 3% of Gross Revenues.  | Monthly. If and when we provide you with reporting software, Royalty payments will be due weekly. | See Note 2 and Note 3.  |
| Minimum Local Advertising Expenditure | Currently 3%, but up to 5% of Gross Revenues.  | Monthly.  | Not payable to us. This amount will be paid by you on local advertising, in addition the Advertising Fee. |
| Website Fee                           | Then-current fee, as described in Manual. Currently \$0 per month.   | On demand.  | See Note 4  |
| Software Fee                          | Then-current fee, as determined by Franchisor.   | On demand.  | See Note 5  |
| Late Payment Charge & Interest        | \$100 on each Royalty or Advertising Fee payment not received within 5 days of due date.<br><br>Interest at 18% per annum for any payment not received within 30 days of due date. | On demand.  |   |
| Audits                                | Cost of audit.   | As incurred.  | Payable only if audit shows understatement of 3% or more of Gross Revenues for any reporting period.      |
| Curable Violation Fee                 | \$200 per violation of any curable term of default (under the Franchise Agreement) and/or any material violation of any operating procedure  | On demand.  |   |

| Type of Fee <sup>1</sup>     | Amount  | Due Date   | Remarks   |
|------------------------------|---|--|---|
|                              | (as described in the Manual or otherwise in writing)  |  |   |
| Additional Training          | Then-current fee (currently, \$250), as described in Manual.  | When incurred.                                     | Initial training is provided to up to 3 persons at no additional charge. We may require you to pay a fee for each additional attendee. You must pay for all additional training required by us. |
| Insurance Reimbursement      | Amount of insurance procured for you by us, plus interest at 18% per annum.   | On demand.   | See Note 6.   |
| Transfer Fee                 | \$10,000  | Time of Transfer.                                  | See Note 7.   |
| Renewal                      | \$25,000  | Upon execution of the renewal Franchise Agreement. | See Note 8.   |
| Expenses for Site Evaluation | At your request, Franchisor will provide one (1) on-site site-evaluation of your proposed location at no additional fee. You may be required to reimburse us for reasonable expenses associated with our travel.<br><br>If you request additional on-site evaluations, you will be required to submit our then-standard fee for the evaluation (currently, \$0) and reimburse us our costs of travel. | As incurred.                                       | See Note 9.   |
| Mystery Shopper Fees         | Amount charged by service provider.   | As incurred.                                       | See Note 10.  |
| Hold Harmless,               | Amount of loss or   | As incurred.                                       | See Note 11.  |

| Type of Fee <sup>1</sup>   | Amount   | Due Date     | Remarks  |
|--|--|--------------|--|
| Indemnification, and Defense   | damages, plus costs.   |              |  |
| Collection Costs, Attorneys' Fees, Mediation Fees and Arbitration Fees | Costs of collection, attorneys' fees, mediation fees, and arbitration fees.      | As incurred. | See Note 12.   |
| Evaluation and Testing Fees  | Costs of evaluation and testing of alternative service and/or product providers. | As incurred. | Payable only if you request to purchase supplies from an unapproved supplier. See Note 13. |

**Note 1:** All fees are imposed by us, are payable to us, and are non-refundable, unless otherwise noted. We do not impose or collect any other fees or payment for any third party.

**Note 2 – Gross Revenues:** The term “Gross Revenues” is defined in the Franchise Agreement to mean all sales and other income (recognized on an accrual basis), whether cash or credit (regardless of collection in the case of credit), less (i) refunds and discounts made to customers in good faith and in accordance with Franchisor’s policies, and (ii) sales or excise taxes which are separately stated and which Franchisee may be required to and does collect from clients/customers and pays to any federal, state, or local taxing authority.

**Note 3 – Royalty and Advertising Fees:** You will be required to pay Royalty Fees and Advertising Fees to Franchisor on a monthly basis. In the event that we develop Software (and we license this Software to you) or we designate a Software provider, which provides functionality for reporting Gross Revenues to us, you will be required to pay Royalty Fees and Advertising Fees on a weekly basis, instead of on a monthly basis.

**Note 4 – Website Fee:** Franchisee shall pay to Franchisor any fee imposed by Franchisor, or Franchisee’s *pro rata* share of any fee imposed by a third-party service provider, as applicable in connections with hosting any Website established and/or maintained by Franchisor.

**Note 5 – Software Fee:** Franchisor has not yet developed any Software for use by its franchisees. (See Item 11) However, in the event that Franchisor does develop such Software, Franchisee shall be required to pay a license fee to Franchisor, in an amount determined by Franchisor.

**Note 6 – Insurance:** Under the Franchise Agreement, you are obligated to obtain various types of insurance with specified amounts of coverage and deductibles. If you fail to obtain or maintain such insurance coverage, we may, but are not obligated to, obtain the required insurance and keep it in force and effect. If we obtain such insurance, you shall pay us, upon demand, the cost thereof, together with interest thereon at the rate of 18% per annum, or the highest rate allowed by law, whichever is less.

**Note 7 – Transfer Fee:** Either Franchisee or the transferee franchisee shall pay to Franchisor a transfer fee of \$10,000.00, to cover Franchisor’s legal and administrative and other expenses in connection with any transfer of any interest in Franchisee, the Franchise Agreement, or the Franchised Business. However, no transfer fee will be required in the case of a transfer (i) of any interest in the Franchise to Franchisee’s spouse; (ii) of less than 20% of the ownership interest if you are a corporation, partnership, or limited liability company, and (iii) of the entire franchise to any entity, solely for the convenience of ownership.

**Note 8 – Renewal:** If you renew the Franchise Agreement at the expiration of the original term or a subsequent renewal term, you must pay us a renewal fee equal to \$25,000.00.

**Note 9 – Site Evaluation Fee:** There is no fee for one (1) site evaluation. However, you will be required to

reimburse us for reasonable expenses associated with necessary travel to the Site. The reasonable expenses associated with our trip include the costs of travel, lodging, and meals for our representatives to travel to your proposed location. If Franchisee requests additional on-site evaluations, you will be required to submit our then-standard fee (currently, \$0), and reimburse us for our costs of travel, as described above.

**Note 10 – Mystery Shopper Fees:** Under the Franchise Agreement, you may be required to participate in any “mystery shopper” quality control and evaluation program implemented by Franchisor. You may be required to pay any then-current charges imposed by any evaluation service engaged by Franchisor.

**Note 11 – Hold Harmless and Indemnification:** Under the Franchise Agreement, you will be required to indemnify, hold harmless and defend Franchisor against and from all fines, proceedings, claims, demands or actions of any kind or nature and from anyone whomsoever arising out of or otherwise connected with Franchisee’s operation of the Franchised Business (excluding, however, liabilities caused by Franchisor’s gross negligence or intentional misconduct).

**Note 12 – Mediation Fees, Attorneys’ Fees, Arbitration Fees, and Collection Costs:** Prior to bringing any claim against Franchisor, you must first try to settle the dispute by mediation, and both parties will bear their own costs and expenses in such mediation. In the event that any arbitration or judicial proceeding is filed by either you or us, the prevailing party shall be entitled to recover its attorneys’ fees, court/arbitration costs, and other collection.

**Note 13 – Evaluation and Testing of Alternative Service and/or Product Providers:** Under the Franchise Agreement, you will be required to reimburse us for the reasonable costs of all evaluation and testing of non-approved alternative service and/or product providers and/or their products.

## ITEM 7 YOUR ESTIMATED INITIAL INVESTMENT

| Type of Expenditure   | Amount    |           | Method of Payment | When Due                              | To Whom Payment is to be Made |
|---|-----------|-----------|-------------------|---------------------------------------|-------------------------------|
|   | Low       | High      |                   |                                       |                               |
| Initial Franchise Fee <sup>1</sup>  | \$75,000  | \$75,000  | Lump sum          | When you sign the Franchise Agreement | Franchisor                    |
| Pre-Opening Initial Training <sup>2</sup>                                 | \$5,595   | \$5,595   | Lump Sum          | As Incurred                           | Third-parties                 |
| Leasehold Security Deposit <sup>3,4</sup>                                 | \$21,908  | \$60,669  | Lump sum          | At signing of lease                   | Landlord, Utilities           |
| Leasehold Improvements -<br>- Store Construction / Build-Out <sup>5</sup> | \$101,115 | \$296,604 | As Agreed         | As Incurred                           | Landlord, Contractors         |
| Leasehold Rent – 3 months <sup>3</sup>                                    | \$65,725  | \$182,007 | As Agreed         | As Incurred                           | Landlord, Contractors         |
| Architectural Drawings  | \$10,112  | \$50,558  | As Agreed         | As Incurred                           | Architect                     |
| Equipment – Gym <sup>6</sup>  | \$161,784 | \$337,050 | As Agreed         | As Incurred                           | Suppliers                     |



| Type of Expenditure  | Amount    |             | Method of Payment | When Due    | To Whom Payment is to be Made            |
|--|-----------|-------------|-------------------|-------------|--|
|  | Low       | High        |                   |             |  |
| Equipment & Supplies – Office <sup>7</sup>   | \$2,696   | \$6,741     | As Agreed         | As Incurred | Suppliers                                |
| Computer / POS System <sup>8</sup>   | \$2,500   | \$7,500     | As Agreed         | As Incurred | Suppliers                                |
| Signs <sup>9</sup>   | \$3,371   | \$33,705    | As Agreed         | As Incurred | Suppliers                                |
| Licenses & Permits <sup>10</sup>   | \$944     | \$8,089     | Lump sum          | As Incurred | Government                               |
| Professional Fees <sup>11</sup>  | \$2,022   | \$6,741     | As Agreed         | As Incurred | Professionals                            |
| Insurance Premium, Excluding Workers Compensation Insurance – 3 months <sup>12</sup> | \$3,451   | \$8,629     | As Agreed         | As Arranged | Insurance Company                        |
| Optional Grand Opening Event <sup>13</sup>   | \$0       | \$6,741     | As Agreed         | As Incurred | Suppliers                                |
| Additional Funds – 3 months <sup>14</sup>  | \$135,494 | \$155,717   | As Needed         | As Incurred | Your Employees, Suppliers, and Creditors |
| TOTAL <sup>15</sup>  | \$591,718 | \$1,241,346 |                   |             |  |

All fees and payments are non-refundable, unless otherwise stated.

**Note 1 – Initial Franchise Fee:** See Item 5 for a description of the Initial Franchise Fee. Franchisor does not finance any fee.

**Note 2 – Pre-Opening Initial Training:** We do not charge a fee for training. You may, however, incur expenses such as transportation, lodging, meals, and wages. The figures include estimated roundtrip airfare for two attendees, a double occupancy hotel room, and estimated costs for transportation to and from the hotel and the training location. These figures assume that you or a principal of the franchisee entity serves as your General Manager. If you choose to hire a General Manager who is not a principal of the franchisee entity, you may incur additional expenses for the payment of the General Manager's wages. You are also required to complete an approved training course on identifying and reporting sexual, emotional, and physical misconduct prior to opening. The figures above assume you choose to engage our recommended service provider for this training. The current training fee charged by our recommended service provider is \$2,500, which includes the training fee and one year of support in addressing manners which are covered in the training course that may arise. See Item 11 for more information about our training requirements.

**Note 3 – Real Estate Lease:** If you do not own or purchase a location for your Franchised Business, you must lease the appropriate commercial space. Typical locations are retail and commercial areas near office and/or residential areas. We anticipate that you will need total commercial space of between 15,000 and 25,000 square feet. The monthly rental for leased premises varies depending upon various factors including location, the type of structure, and the then-current local real estate market conditions. You should obtain

estimates of rental costs by contacting local commercial realtors before you sign the Franchise Agreement. The leasehold deposit reflected in the chart estimates a one-month security deposit. The lower figure assumes you will lease a space with 15,000 square feet and the higher figure assumes you will lease a space with 25,000 square feet. In addition, some landlords may require additional security deposits or rental payments upon execution of a lease. The estimated security deposit is based upon one month's rent. The estimated range does not include costs you may incur in consulting local commercial realtors or general commercial contractors.

**Note 4 – Utilities:** Utilities may be included in your lease. In that case, you will not need to pay any security which are separately associated with utilities. Otherwise, you may need to pay a deposit to your utility provider(s).

**Note 5 – Leasehold Improvements – Store Construction / Build-Out:** Once you purchase or rent the real estate and/or building for your Franchised Business, you will need to construct the building and/or modify the building to comply with the physical standards for a Franchised Gym. The amount you are required to spend on this construction and/or build-out will vary depending on various factors including, the initial condition/state of your owned/leased structure/premises and then-current market rates for construction labor and materials. You should obtain your own estimates of such cost by contacting local commercial realtors and general commercial contractors in your area before you sign the Franchise Agreement. The lower figure assumes you will build out a space with 15,000 square feet and the higher figure assumes you will build out a space with 25,000 square feet. The estimated range does not include costs you may incur in consulting with local commercial realtors or general commercial contractors.

**Note 6 – Equipment – Gym:** This range reflects the cost of purchasing training-facility/gym equipment reasonably appropriate (in Franchisor's sole discretion) to outfit the premises, to Franchisor's then-current standards. If you elect to finance or lease these items, you will incur a monthly lease expense in lieu of the expenses for purchase described in this chart. Such expense could vary, depending upon the type of lease, length of financing, interest rates, and any fees.

**Note 7 – Equipment & Supplies – Office:** This amount includes estimated costs associated with a computer, printer, computer software, furniture, furnishings, telephones, other office equipment and fixtures, stationery and other paper, and other similar office equipment and supplies.

**Note 8 – Computer / POS System:** You must purchase or lease specified computers and related hardware, along with required third-party software necessary to operate the Franchised Business. The estimate includes the cost of these items that we currently require. We may periodically require franchisees to update their systems to our then-current standards. See Item 11 under the heading "Computer System" for additional information.

**Note 9 – Signs:** This amount includes signs for your Franchised Business.

**Note 10 – Licenses and Permits:** As stated in Item 1, some states (or other governmental bodies) require you and/or your employees to obtain special licenses/permits related to the operation of businesses and/or operating a training-facility/gym. The figures contained in the chart do not include the costs associated with any bonding requirements. This estimate does not include any research or time necessary to prepare for any testing necessary to obtain such licensing. The costs of obtaining these licensing and permits will vary according to local and state regulations. You should consult your lawyer or your state and local authorities about the specific legal requirements for licenses, permits, and related types of expenses in your area. You are responsible for all costs associated with all licenses and permits.

**Note 11 – Professional Fees:** This amount includes estimated amounts for the review of franchise documents and other contracts by a professional such as an attorney or CPA. This estimate does not include professional fees for the creation of any legal entity.

**Note 12 – Insurance Premium (for 3 months):** You may be required to pay your entire annual insurance

premium initially, or your insurance provider may allow you to pay it over a period of months and/or require a down payment. The figures in this chart represents the estimated amount you will pay for your insurance deposit and first three months of payments. These figures do NOT include Workers Compensation Insurance, which is calculated on the amount of your annual payroll and is rated by each individual state and by the individual employee categories; therefore, there may be a large variation in premiums. See Item 8 and the franchise agreement for more information regarding insurance requirements.

**Note 13 – Grand Opening:** The Franchise Agreement does not require you to conduct any sort of grand opening event.

**Note 14 – Additional Funds – 3 Months:** This estimate covers the first three months of operating expenses to the extent they are not covered by sales revenue. It does NOT include any salary or other payments to you or your principals. It does NOT include any lease payments, sales tax or any other type of tax or fee that may be levied in connection with your Franchised Business. This is an estimate only, however, and there is no assurance that additional capital will not be necessary.

The stated estimated ranges are based upon our affiliates' own experience in owning and operating CHEER ATHLETICS businesses. You should review these estimates with a business advisor before making a decision to purchase a franchise from us.

## **ITEM 8**

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

You may only offer and sell products and services which we authorize, as specified by us in writing ("Permitted/Required Products and/or Services"). We may unilaterally add and delete products or services to or from the Permitted/Required Products and/or Services at any time. We may also designate any products or services as optional.

#### **Products**

##### **General**

We may require you to purchase from our approved or designated suppliers or distributors all products and services necessary to construct and operate the Franchised Business, including: (1) fixtures, furniture, equipment, signs, items of decor, and audio/visual systems, (2) uniforms, shirts, and all merchandise and items intended for retail sale (whether or not bearing our Marks), (3) advertising, point-of-purchase materials, and other printed promotional materials, (4) gift certificates and stored value cards, (5) stationery, business cards, contracts, and forms, (6) bags, packaging, and supplies bearing our Marks, (7) insurance coverage, (8) architectural services and, (9) accounting and bookkeeping services.

All products sold or offered for sale at the Franchised Business must be approved by us and meet our then-current standards and specifications, which may include brand requirements. You must purchase, install, and use all fixtures, furnishings, equipment, décor, supplies, computers and communications hardware and software, signs, and materials, as we may reasonably require in the Manuals or other written materials (collectively, "Gym Items"). You must purchase all additional products and other Gym Items solely from manufacturers, distributors, and suppliers who demonstrate to our continuing reasonable satisfaction the ability to meet our standards and specifications, who possess adequate quality controls and capacity to supply your needs promptly and reliably, and who have been approved by us in the Manuals or otherwise in writing. You may not purchase, offer, or sell any products, or use at your Franchised Business any products or Gym Items, which we have not previously approved as meeting our standards and specifications. Although we are not currently a supplier of products, we have the right to be an approved supplier of some items. We may disapprove of products and suppliers based on our desire to consolidate System purchases through fewer suppliers. We may designate a single supplier, which may be us or one of our affiliates, for any products, equipment, supplies, or services, in which event you must purchase such items exclusively from the designated supplier.

You must acquire and use our designated computer-software/POS-system. You must acquire the gym equipment we designate from our designated supplier. The uniforms, athletic practice wear, and warmup clothing, and certain other apparel and products you offer to your athletes (for their direct purchase with the supplier) must be from our designated or approved suppliers. You must also purchase championship-rings from our designated supplier.

Prior to opening your Franchised Business, you must complete a training course on identifying and reporting sexual, emotional, and physical misconduct. You must purchase and complete the course with our designated or approved providers. In the event we require additional trainings, you must purchase and complete those courses with our designate or approved providers.

None of our officers owns an interest in any privately-held suppliers, or a material interest in any publicly-held suppliers. Occasionally, our officers may own non-material interests in publicly-held companies that may supply products or services to our franchisees.

If you desire to purchase any item from an unapproved supplier (except for Proprietary Products, which are discussed below), you must submit a written request for approval to us. 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, at our option, either to us or to an independent certified laboratory designated by us, for testing. You will reimburse us for the reasonable cost of all evaluation and testing of such suppliers and/or their products. We will notify you within 90 days of your request as to whether you may purchase products from the proposed supplier. We reserve the right, at our option, to re-inspect the facilities and products of any such approved supplier, and to revoke its approval upon the supplier's failure to continue to meet any of our criteria.

Our specifications either: (1) are contained in the Manuals; or (2) will be provided to you upon request. We, however, have no obligation to make available to prospective suppliers the standards and specifications that we deem confidential. When approving suppliers, we consider whether they demonstrate the ability to meet our standards and specification and whether they possess adequate quality controls and capacity to supply your needs promptly and reliably. However, our approval may be withheld for any reason.

We estimate that these required purchases will represent approximately 75% to 85% of your total purchases in establishing the Franchised Business, and approximately 75% to 85% in the continuing operation of the Franchised Business.

We may establish strategic alliances or preferred vendor programs with suppliers that are willing to supply some Products, equipment, or services to some or all of the Gyms 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, equipment and services, and we may refuse to approve proposals from franchisees to add new suppliers if we believe that action would not be in the best interests of the System or the franchised network of Gyms. There are currently no purchasing arrangements or distribution cooperatives in our System.

We and/or our affiliates have not derived any revenue from purchases or leases from any of franchisees' purchases. However, we and/or our affiliates, reserve the right to receive rebates, discounts, credits, or other incentives from one or more approved suppliers which are based upon your purchase from such suppliers. We may use any amounts that we receive from suppliers for any purpose that we deem appropriate. There are currently no purchasing or distribution cooperatives for the CHEER ATHLETICS System. We do not provide material benefits to you (for example, renewal or granting additional franchises) based on your purchase of particular products or services or use of particular suppliers. We may negotiate purchase arrangements with suppliers, including price terms, for the benefit of the franchisees, but currently no such arrangements exist.

### Proprietary Products

The Proprietary Products that are or may be offered and sold in Franchised Businesses are or will be manufactured in accordance with our proprietary formulae and specifications. In order to maintain the high standards of quality and uniformity associated with Proprietary Products sold at all Franchised Businesses in the System, you must purchase Proprietary Products only from the suppliers and distributors that we designate in our sole discretion, and you may not offer or sell any Proprietary Products that have not been purchased from us or our designated supplier at or from the Franchised Business. We will have the right to periodically introduce additional Proprietary Products, or to withdraw Proprietary Products.

### **Computer System**

You will need to acquire (either by purchase or lease) the computer hardware and software system that we may specify from time to time. The computer hardware and software system refers to cash register or point of sale systems, hardware, software for the management and operation of the Franchised Business and for reporting and sharing information with us, and communication systems (including modems, cables, etc.). See Item 11 under the heading “Computer System” for more information.

### **Insurance**

You also must obtain, before beginning any operations under the Franchise Agreement, and must maintain in full force and effect at all times during the term of the Franchise Agreement, at your own expense, an insurance policy or policies protecting you, us, our affiliates, and our respective officers, directors, partners, and employees. The types and amounts of insurance are discussed in Item 7, and include the following: All-Risk Insurance on all furniture, fixtures, equipment, supplies and other property using in the operation of the Franchised Business; Commercial General Liability Insurance in the minimum amount of \$1,000,000 aggregate/single occurrence coverage; product liability insurance in the minimum amount of \$1,000,000 aggregate/single occurrence coverage; product liability insurance in the minimum amount of \$1,000,000 aggregate/single occurrence coverage; automobile insurance with a minimum combined single limit of \$1,000,000; Employee Dishonesty Insurance with a minimum limit of \$10,000; excess umbrella policy insurance in the minimum amount of \$1,000,000 aggregate/single occurrence coverage; personal property insurance in the minimum amount of \$150,000 coverage; workers compensation insurance, as required by the laws of the state in which your Franchised Business operates; and abuse and molestation liability insurance for \$1,000,000. All insurance policies must name us, and the landlord of your Franchised Location, and each party’s respective officers and directors, as additional insureds. All policies must be written by a responsible carrier or carriers whom we determine to be acceptable and must provide at least the types and minimum amounts of coverage specified in the Franchise Agreement or otherwise in the Manuals or otherwise in writing. Additionally, we may designate one or more insurance companies as the insurance carrier(s) for CHEER ATHLETICS Franchised Businesses. If we do so, we may require that you obtain your insurance through the designated carrier(s). We do not derive revenue as a result of our franchisees purchasing insurance coverage from designated carriers. We provide no material benefits to franchisees based on their use of an approved insurance carrier.

### **Leases**

If you will occupy the premises of your Franchised Business under a lease, then you must, before executing the lease, submit the lease to us for our review and approval, which will not be unreasonably withheld. Your lease or sublease (or rider to the lease or sublease) must contain the lease terms and conditions that we may reasonably require in writing, as currently set forth in Exhibit 10 to the Franchise Agreement. We provide no material benefits to franchisees for leasing any particular space for the Franchised Business.

### **Design and Construction**

You must hire a licensed architect (as described below) to prepare all required construction plans and specifications to suit the shape and dimensions of the site. We have the right to designate one or more suppliers of design and/or architecture services to perform these services for our system. During any period that we have designated a design or architecture firm prior to the time you begin to develop your Franchised

Business, you must employ this designated supplier to prepare all designs and plans for the Franchised Business. If we have not designated suppliers for design and architecture services for your geographic area, you must locate and employ a qualified design consultant and architect who are licensed in your jurisdiction and who are reputable and experienced in providing design and architecture services. (See Item 11 under the subheading “Construction and Layout of Business” for additional information.) You must hire a qualified licensed general contractor, who is acceptable to us, to construct the Franchised Business. We do not derive revenue or other material consideration as a result of our franchisees using a designated architect or contractor. We provide no material benefits to franchisees based on their use of a designated architect or contractor.

At our request, but not more often than once every five (5) years, unless sooner required by your lease, you must refurbish the Franchised Business, at your expense, to conform to the Franchised Gym design, trade dress, color schemes, and presentation of the Proprietary Marks in a manner consistent with the then-current image for new CHEER ATHLETIC Franchised Businesses. This may include structural changes, installation of new equipment and signs, remodeling, redecoration, and modifications to existing improvements, and must be completed pursuant to the standards, specifications and deadlines as we may specify.

### **Advertising**

As noted in Item 11 below, we will have the right to review and approval all marketing plans and promotional materials that you propose to use. You may not implement any marketing plan or use any promotional material without our prior written consent. We reserve the right to require that you purchase certain marketing and promotional materials from us or our affiliate. We or our affiliate may derive revenue through the sale and distribution of these marketing and promotional materials to our franchisees. As of the date of this disclosure document, we have received no revenue as a result of franchisee purchases. As a new franchisor, we do not have an exact basis to predict the percentage of our revenues which we will derive from the marketing and promotional materials franchisees will purchase from us.

## **ITEM 9 FRANCHISEE'S OBLIGATIONS**

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

| <b>Obligation</b>  | <b>Section(s) in Franchise Agreement</b> | <b>Disclosure Document Item</b> |
|--|--|---------------------------------|
| a. Site selection and acquisition/lease                        | Section 1.2, Article 3                   | Items 6 and 11                  |
| b. Pre-opening purchases/leases                                | Articles 3, 7, and 11                    | Items 7, 8, and 11              |
| c. Site development and other pre-opening requirements         | Articles 3 and 7                         | Items 6, 7, and 11              |
| d. Initial and ongoing training                                | Sections 6.1(e)-(f), 7.1, and 7.15       | Items 6, 7, and 11              |
| e. Opening   | Articles 3, 4, and 7                     | Items 7 and 11                  |
| f. Fees  | Articles 4 and 5                         | Items 5, 6, 7, and 11           |
| g. Compliance with standards and policies/<br>Operating Manual | Articles 7 and 9                         | Items 8 and 11                  |
| h. Trademarks and proprietary information                      | Articles 8, 9, 10, and 14                | Items 13 and 14                 |
| i. Restrictions on products/services offered                   | Section 7.3                              | Items 8 and 16                  |

| Obligation   | Section(s) in Franchise Agreement             | Disclosure Document Item |
|--|---|--------------------------|
| j. Warranty and customer service requirements          | Sections 7.2 and 7.12                         | Items 8 and 11           |
| k. Territorial development and sales quotas            | None  | None                     |
| l. Ongoing product/service purchases                   | Sections 6.2, 9.1.4, and 9.5, and Article 7   | Item 8                   |
| m. Maintenance, appearance and remodeling requirements | Article 7                                     | Items 11 and 17          |
| n. Insurance   | Section 7.9                                   | Items 6 and 7            |
| o. Advertising   | Articles 5 and 11                             | Items 6, 7, and 11       |
| p. Indemnification                                     | Section 7.9 and Article 17                    | Item 6                   |
| q. Owner's participation/ management/staffing          | Articles 7 and 15                             | Items 1, 11, and 15      |
| r. Records and reports                                 | Section 7.8 and Article 5                     | Item 6                   |
| s. Inspections and audits                              | Article 7                                     | Items 6 and 11           |
| t. Transfer  | Article 12                                    | Items 6 and 17           |
| u. Renewal   | Section 2.2                                   | Item 17                  |
| v. Post-termination obligations                        | Sections 15.3-15.10 and Article 14            | Item 17                  |
| w. Non-competition covenants                           | Section 7.16 and Article 15                   | Item 17                  |
| x. Dispute resolution                                  | Sections 10.2 and 18.6 and Articles 15 and 16 | Item 6 and 17            |
| y. Guaranty  | Section 1.2, Article 3                        | Item 6 and 11            |

## ITEM 10 FINANCING

Franchisor does not offer direct or indirect financing. Franchisor will not guarantee any note, lease or other obligation.

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

**Except as disclosed below, Cheer Athletics Holding, LLC is not required to provide you with any assistance.**

### **Pre-Opening Obligations**

Before you open your business, we will:

1) We will consider your request for approval of a Specific Location of your Franchised Business and notify you of our approval (Franchise Agreement – Section 1.2) and designate your protected territory. (Franchise Agreement – Section 1.3.)

2) We will admit up to 3 trainees to our initial training, and use the following general training outline, agenda and schedule, which is subject to change. (Franchise Agreement – Sections 6.1.e-f., 7.1.) Attendance at training sessions is required. We will not provide you with any assistance in hiring employees.

a. Pre-opening training. Prior to you opening your own Franchised Business, we will provide up to five (5) days of initial training (as we deem appropriate) for up to 3 trainees at one or more of our affiliates' CHEER ATHLETICS businesses, located in Plano, Texas and/or such other place as we may designate. We will not charge any fee for such training for these three (3) individuals. You must pay the travel and living expenses for these three (3) individuals related to this training. You will receive no compensation for your on-the-job training.

b. Opening assistance training. During the initial opening and operating period of your Franchised Business, we will send one (1) designated trainer/consultant for a period of up to five days to your Franchised Business to train and/or consult with your general manager, owners and staff, as we deem appropriate in our sole discretion.

3) At no charge to you, provide you or the approved design firm and/or architect with our prototype plans, standard layouts, and/or specifications for the construction of a Franchised Business and for the exterior and interior design and layout, fixtures, equipment, furnishings, and signs. You will be responsible for hiring your own architect or employing a design firm and/or architecture firm designated by us to adapt the plans to your site (with our approval as described below under the heading "Construction and Layout of Business"), and for hiring a contractor to build the Franchised Business in accordance with those approved plans. You are also responsible for compliance with all local and other requirements relating to the plans, including for example, zoning, code, and compliance with the Americans with Disabilities Act. (Franchise Agreement, Sections 6.1.d.)

4) Provide you a list of all equipment, supplies, and initial inventory required to operate your Franchised Business. (Franchise Agreement – Section 6.1.c.)

5) Lend you one (1) paper copy of our Operating Manual. (Franchise Agreement – Section 6.1.h.)

6) Inform you of trade and operating procedures and methods as we deem appropriate. (Franchise Agreement – Section 6.1.i.)

7) Provide you approved sources for purchasing supplies, equipment and materials. (Franchise Agreement – Section 6.1.k.)

8) At our discretion, inspect and approve the Franchised Business for opening before the initial opening. You may not start operation of your Franchised Business until receiving our approval to do so. (Franchise Agreement, Section 6.1.g.)

### **Post-Opening Obligations**

During your operation of the Franchised Business, we will:

1) Allow you to use the Marks, and other copyrighted materials, for the Franchised Business. (Franchise Agreement – Section 6.1.b.)

2) Continue to loan you one (1) paper copy of our Operating Manual, as may be modified from time to time (Franchise Agreement – Section 6.1.h.)

3) Provide trade and operating procedures and methods, as may exist or be developed or modified. (Franchise Agreement – Section 6.1.i.)

4) Provide a copy of any existing business and reporting forms as we may create for your use in your Franchised Business. (Franchise Agreement – Section 6.1.j.)

5) Provide you approved sources for purchasing supplies, equipment and materials. (Franchise Agreement – Section 6.1.k.)

6) Provide you with periodic assistance, to the extent we deem necessary. (Franchise Agreement – Section 6.1.l.)



7) Send you periodic newsletters, bulletins, and such other materials, information and assistance as we deem necessary. (Franchise Agreement – Section 6.1.m.)

8) In the event that we develop our own proprietary Software for use by our franchisees, license you a copy of such Software, at a fee to be determined by Franchisor. (Franchise Agreement – Section 6.2.)

9) Provide the other assistance as described in the rest of this Item 11, below.

### **Site Selection**

If you do not already possess a location that we find acceptable for your Franchised Gym when you sign our Franchise Agreement, we will designate a general area (“Site Selection Area”) in which you will buy or lease a premises for your Franchised Gym. We generally will not own the site or lease it to you. You will be given up to twelve (12) months in which to find, secure, and open a suitable site within the Site Selection Area for the operation of your Franchised Gym. In the event you do not find and secure a suitable site within this time frame we may terminate the Franchise Agreement and you will receive no refund of any fees paid. You must obtain our written approval of your site, which we will not unreasonably withhold. We will approve or refuse to approve your proposed site within 30 days of receiving all requested information. The criteria that we use to evaluate the site includes general location, neighborhood, traffic patterns, parking, size, physical characteristics of existing building, and lease terms. Such approved site location shall be deemed your “Specific Location,” “Location,” or “Franchised Location.” Unless we agree in writing otherwise, you must conduct the opening of your Franchised Business by the earlier of (i) 365 days after signing the Franchise Agreement, or (ii) 180 days after we approve the site for your Franchised Business. In the event you do not open within this time frame we may terminate the Franchise Agreement and you will receive no refund of any fees paid.

### **Construction and Layout of Business**

You are responsible for developing your Franchised Business. We will provide our standard plans, layouts and/or specifications for a CHEER ATHLETICS Franchised Business, to the design firm or architect that we have designated or approved (as described below). You are responsible for conforming the site to local ordinances and building codes and obtaining any required permits. These plans and layouts are not intended, with respect to your particular location, to contain, address, or comply with the requirements of any federal, state, or local law, code, or regulation, including those concerning the Americans with Disabilities Act (the “**ADA**”) or similar rules governing public accommodations for persons with disabilities. We may from time to time change our prototypes and plans (including our specifications for the interior and exterior appearances) of CHEER ATHLETICS Franchised Businesses, and develop or approve variations on our prototypes and plans to reflect locations with differing sizes, structural elements, visibility, and other relevant factors. You must hire a licensed architect to prepare all required construction plans and specifications to suit the shape and dimensions of the site. We have the right to designate one or more suppliers of design and/or architecture services to perform these services for our system. During any period that we have designated a design or architecture firm prior to the time you begin to develop your Franchised Business, you must employ the designated supplier to prepare all designs and plans for the Franchised Business. If we have not designated suppliers for design and architecture services for your geographic area, you must locate and employ a qualified design consultant and architect who are licensed in your jurisdiction and who are reputable and experienced in providing design and architecture services. You will be responsible for paying for all design and architecture services. During any period that we have designated a general contractor to provide construction services and/or oversight prior to the time you begin to develop your Franchised Business, you must employ the designated supplier to perform all such services. If we have not designated a general contractor for construction services for your geographic area, you must locate and employ a qualified general contractor who has all necessary permits or licenses in your jurisdiction and who is reputable and experienced in providing general contractor construction services and who is approved by us in writing. You must provide to us a copy of any design, architectural, engineering, and/or construction plans which you may obtain for the development of your own Franchised Gym, and provide

us an unlimited license to use any such plans by us, our affiliates, or any of our other franchisees.

You are responsible for constructing, remodeling, and decorating the site. We are not obligated to assistance in providing necessary equipment, signs, fixtures, opening inventory, and supplies. However, we will provide a list of required equipment, supplies, and initial inventory and our specifications for these items, which may include purchasing from designated or approved suppliers. We do not deliver or install these items.

### **Opening of Franchised Business**

We estimate that the time period between the signing of the Franchise Agreement and the start of operations will be approximately nine (9) to twelve (12) months. Factors that may affect this time period include your ability to obtain financing or building permits, zoning and local ordinances, weather conditions, shortages, or delayed installation of equipment, fixtures and signs. Unless we agree in writing otherwise, you must conduct the opening of your Franchised Business by the earlier of (i) 365 days after signing the Franchise Agreement, or (ii) 180 days after we approve the site for your Franchised Business. In the event you do not open within this time frame we may terminate the Franchise Agreement and you will receive no refund of any fees paid.

### **Computer System**

You will need to acquire (either by purchase or lease) the computer hardware and software system (a “**Computer System**”) that we may specify from time to time. (Franchise Agreement, Section 9.) The term Computer System refers to cash register or point of sale systems, hardware, software for the management and operation of the Franchised Business and for reporting and sharing information with us, and communication systems (including modems, cables, etc.). Our requirements may fluctuate as does the price and availability of new computer technology. The Computer System requirements are set forth in our Manuals or as otherwise described to you, in writing. The hardware and software that we currently use is not proprietary to us but is proprietary property to the vendor.

Currently, your Computer System must meet or exceed the following minimum standards:

- Desktop or laptop computer with display/monitor (15.6” display at 1920x1080 [laptop only])
- Intel Core i5 processor (1.6 GHz)
- 8 GB SDRAM
- 256 GB SSD
- Gigabit LAN (10/100/1,000 MBPS)
- 8.02.11 AC Wireless (laptop only)
- USB 3.1 Type A
- Microsoft Windows 10 Professional
- Microsoft Office (latest version)
- Printer/scanner/copier/fax
- High speed Internet access (as further described below).

Currently, we require you to use the iClass Pro software / point of sale system. Currently, we require that this software / point of sale system be purchased from our designated supplier.

We currently do not require, but strongly recommend, that you to maintain contracts for hardware and software maintenance, support and upgrade services for the communications and information systems. We are not obligated to maintain, repair, upgrade, or update your systems. You will be required to maintain a high-speed (i.e., at least 12 MBPS) internet connection at all times. We reserve the right to change our specifications in the future to take advantage of technological advances or to adapt the system to meet operational needs and changes. Other than providing you with information regarding our specifications and requirements for the Computer System, we are not required to assist you in obtaining hardware, software

or related services. We will endeavor to keep these changes infrequent and reasonable in cost, but the Franchise Agreement does not impose a limit as to the number or cost of such changes to the Computer System. We anticipate that the cost to purchase the required systems is between \$2,000 and \$6,000. There are no required annual costs for maintenance, updating, upgrading, or support contracts. If you choose to voluntarily update or upgrade your computer system, these expenses range from \$500 to \$1,500, depending on whether the system is a PC or Mac.

You must provide us with access to your Computer System and all point-of-sales and payment processing methods you use for the Franchised Business, in the form and manner that we may request. We reserve the right to download sales, other data and communications from your Computer System. There is no contractual limitation on our right to receive this information. We will exclusively own all data provided by you, downloaded from your Computer System, and otherwise collected from your Computer System. We will have the right to use such data in any manner that we deem appropriate without compensation to you. We will also have the right to establish a website or other electronic system providing private and secure communications (e.g., an extranet or intranet) between us, our franchisees, and other persons and entities that we determine appropriate, which requires you to have high speed internet access at all times. If we require, you must establish and maintain access to the extranet or intranet in the manner we designate. Additionally, we may from time to time prepare agreements and policies concerning the use of the extranet that you must acknowledge and/or sign. (Franchise Agreement, Section 9.)

### **Advertising Programs**

You will be required to pay an advertising fee (see Item 6). At our discretion, this advertising fee will be allocated to (a) national and/or regional advertising funds for the common benefit of franchisees (“Advertising Funds” or “Funds”) or (b) a regional advertising or promotional cooperative, described below. Company-owned and affiliate-owned locations in the United States are required to make contributions on the same basis as other comparable franchisees. No sums contributed by you are refundable.

Our advertising program for the products and services offered by CHEER ATHLETICS currently consists of Internet and social media advertising and digital newsletters. Our advertising and marketing materials are created in-house.

You may use your own advertising materials if we have approved them prior to first publication or use. To request our approval, you must provide us a copy of the proposed materials and a description of their intended use and the media in which you intend to use them. We will use good faith efforts to approve or disapprove your materials within 15 days from the date we receive them. You may not use the materials until they are expressly approved by us, and we have the right to disapprove materials that we have previously approved.

Currently, no advertising council of franchisees exists to advise us on our advertising policies.

### **Advertising Funds.**

For so long as we choose to do so, at our sole discretion, we will maintain and administer the Advertising Funds. The monies in the Advertising Funds will be maintained in an account separate from our other accounts. Such sums will not be used to defray any of our operating expenses, except for reasonable costs and expenses we incur in the administration and operating of the Funds. We will maintain separate bookkeeping accounts for each Fund. Sums are to be used for the benefit of all franchisees within the System or within a region. We are not obligated in administering any Funds to make expenditures for you which are equivalent or proportionate to your contribution or to ensure that you benefit directly or indirectly from any advertising. The Funds and any earnings on the Funds shall otherwise inure to your benefit. The Funds are not trust funds, and we do not owe you any fiduciary obligations related to them.

It is anticipated that all contributions to and earnings of the Funds shall be expended for advertising and/or

promotional purposes during the taxable year within which the contributions are made. If, however, excess amounts remain in the Funds at the end of such taxable year, all expenditures in the following taxable year(s) shall be made first out of accumulated earnings from previous years, next out of earnings in the current year, and finally from contributions. If your Franchise Agreement is terminated for any reason, all advertising fees paid by Franchisee shall be forfeited to the Fund(s). Although we intend the Funds to be of perpetual duration, we maintain the right to terminate any Funds. No Funds shall be terminated, however, until all moneys in the specific Fund have been expended for advertising and/or promotional purposes or returned to contributors on the basis of their respective contributions. Upon your reasonable request, we will provide you an annual unaudited statement of Fund contributions and expenditures. During our last fiscal year ending December 31, 2024, we spent 100% of our advertising dollars on the engagement of a third party marketing company to produce and place advertisements.

The Funds may be used as follows: to pay the costs of conducting market surveys and research; to employ public relations firms or advertising agencies; to prepare and produce video, audio and written marketing materials and/or templates; to publish or copy marketing materials; to create and/or maintain a Website; and to take any other actions or purchase and other goods or services reasonably anticipate to benefit the Marks or the System. We may use monies in the Funds to provide for placement of advertising on behalf of the entire System. However, most placement will likely be done on a local basis, typically by local advertising agencies hired by individual franchisees or advertising cooperatives.

#### Cooperatives.

We have the right under the Franchise Agreement to designate any geographical area for the purpose of establishing a regional advertising and promotional cooperative (“Cooperative”), and to determine whether a Cooperative is applicable to your Franchised Business. If we have established a Cooperative applicable to your Franchised Business at the time you begin operation under the Franchise Agreement, you must immediately become a member of such Cooperative. If we establish a Cooperative applicable to your Franchised Business at any later time during the term of your Franchise Agreement, you must become a member of such Cooperative no later than thirty (30) days after the date on which the Cooperative commences operations. If your Franchised Business is within the territory of more than one Cooperative, you will be required to be a member of only one Cooperative.

If we establish a Cooperative, we will allocate a portion of the Advertising Fee to the Cooperative. See Item 6 for a calculation of the Advertising Fee. Each Cooperative will be organized, governed and administered pursuant to bylaws, in a form and manner, and will commence operations on a date, approved in advance by us in writing. Each Cooperative will be organized for the exclusive purpose of administering regional advertising programs and developing, subject to our approval, standardized advertising materials for used by the members in local advertising and promotion. No promotional or advertising plans or materials may be use by a Cooperative or furnished to it members without our prior approval. Under the Franchise Agreement, we reserve the right to change, dissolve, merge or terminate any Cooperative. If a Cooperative is established in an area where a company-owned or affiliate-owned business is located, such company-owned or affiliate-owned business will have voting power on any fees imposed by the Cooperative to the same extent as other franchisees. If established, the bylaws of a Cooperative will be available for review. Pursuant to its bylaws, an unaudited accounting of the operation of a Cooperative will be prepared annually by the Cooperative and will be made available to you during regular business hours, once during each calendar year.

#### Local Advertising Requirements.

In addition to your contribution to our Advertising Funds, we may require you to spend up to five percent (5%) of your Gross Revenues per month on your own local advertising.

#### Software

As of the Effective Date of this disclosure document (see cover page), we have not developed any of our

own proprietary operation software in connection with the operation of the Franchised Business. And we do not promise that we will develop any such software. However, in the event that we do develop any proprietary software, we will provide it to you, and you will be required to use it, subject to the requirements of the Franchise Agreement (Franchise Agreement – Section 9.1).

### **Website**

We have the right but not the obligation, to establish and maintain a Website, which may, without limitation, promote the Marks, the System, any or all of the Permitted/Required Products and/or Services, our company-owned locations, our affiliate-owned locations, franchised locations, and/or the offer and sale of CHEER ATHLETICS franchises. We shall have the sole right to control all aspects of the Website, including, but not limited to, its design, content, functionality, links to the websites of third parties, legal notices, and policies and terms of usage. We also have the right to discontinue the operation of the Website. You will be obligated to pay us any fee imposed by us, or your *pro rata* share of any fee imposed by a third-party service provider, as applicable in connection with hosting the Website. We shall have the right, but not the obligation, to designate one or more web page(s) to describe you, the Franchised Business, and/or your location, with such web page(s) to be located within our Website. You shall comply with Franchisor's policies with respect to the creation, maintenance, and content of any such web pages, and we shall have the rights to limit and/or discontinue the content and/or operation of such Website and web pages.

Except as we approve in advance in writing, you may not establish or maintain a separate Website, or otherwise maintain a presence or advertise on the Internet or any other public computer network in connection with your Franchised Business. If we grant approval, you must establish and operate your Website in accordance with our standards and policies provided to you in the Manual or otherwise in writing.

### **Confidential Operating Manual**

The Table of Contents of the Operating Manual is attached as Exhibit “E” to this disclosure document. Our Operating Manual is currently 151 pages.

### **Training**

Before your Franchised Business opens and no more than 90 days after the effective date of the franchise agreement, you must complete all of our initial training requirements. You, if the franchisee is a sole proprietorship, or your Designated Principal, if the franchisee is a business entity, and, if applicable, your General Manager must attend and successfully complete, to our satisfaction, the initial training program that we offer at a location designated by us. Additionally, we may also require that two (2) other persons, for a total of three (3) individuals (including the Designated Principal and General Manager), attend and successfully complete the initial training program. We will bear the cost of all training (instruction and required materials) for the initial training program and all other training, except as described below regarding additional training and assistance that we provide at your Franchised Business. 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).

If you (or the Designated Principal) or the General Manager cease active employment in the Franchised Business, then you must enroll a qualified replacement (who must be reasonably acceptable to us) in our initial training program promptly following cessation of employment of said individual, provided that you may train General Managers as explained below. The replacement Designated Principal and any required managers shall complete the initial training program as soon as is practicable, but in no event later than any time periods we specify from time to time in the Manuals and otherwise in writing. Replacement managers must be trained according to our standards, and you may be permitted to provide such training directly, provided you meet our then-current standards for qualifying as a training facility. We have the right to review any personnel you trained and to require that such persons attend and complete, to our satisfaction, our initial training program.

As also described in Item 11 (Pre-Opening Obligations) above, your initial training will include both initial training at our own location, or such other location as we approve (“Corporate- Location-Training” or “Franchisor-Location-Training”) as well as initial training and opening assistance at your Franchised Business (“Franchised-Location-Training”). We will not charge you a fee for any of this initial training. However, you shall be responsible for all travel, lodging, meal or other costs you or your own representatives may incur in attending or participating in any of this initial training. You and your representatives will not be compensated by us for any time or effort spent in initial training, including any on-the-job training. You will be solely responsible to compensate your representatives for their time and effort, if appropriate.

#### **Initial Franchisor-Location-Training.**

Your initial Franchisor-Location-Training will take place at least 30 days prior to you opening your Franchised Business. It will be conducted at our Affiliate-Owned store in Plano, Texas, or at such other location as we may determine on an as-needed basis. Chad Wright oversees our training program. Mr. Wright has been working in the cheerleading industry since 1998 and has been working with CHEER ATHLETICS since 2012. The subjects covered in the initial Franchisor- Location-Training are described below. We currently anticipate that you will receive up to five days of instruction and on-the-job training as part of the initial Franchisor-Location-Training. The materials for the training will be provided through our Manuals, handouts and use of other presentation tools. We have the right to change the duration and content of our initial training program.

#### **FRANCHISOR-LOCATION-TRAINING PROGRAM**

(30 days prior to opening new Franchised Gym)

| <b>Subjects</b>                    | <b>Hours of Classroom Training</b> | <b>Hours of On the Job Training</b> | <b>Location</b>                           |
|------------------------------------|------------------------------------|-------------------------------------|---|
| Introduction / Corporate Structure | 1                                  | 0                                   | Plano, Texas or Other Designated Location |
| Technology                         | 4                                  | 4                                   | Plano, Texas or Other Designated Location |
| Insurance                          | 1                                  | 1                                   | Plano, Texas or Other Designated Location |
| USASF Policies/Overview            | 4                                  | 2                                   | Plano, Texas or Other Designated Location |
| Gym Training                       | 2                                  | 15                                  | Plano, Texas or Other Designated Location |
|                                    | =====                              | =====                               |   |
| <b>TOTALS</b>                      | <b>12</b>                          | <b>22</b>                           |   |

#### **Initial Franchised-Location-Training.**

Your initial Franchised-Location-Training will take place in the time frame immediately before, during, and after you open your Franchised Business. We will provide one or more of our representatives for the purpose of facilitating the opening of your Franchised Business. They will provide assistance and training for up to five (5) days during the period of time one week before and one week after your opening. Prior to the time our representative(s) arrives at your Franchised Business, you must have hired and substantially

completed the training of your initial staff of employees. During this pre-opening training and opening assistance, our representative will assist you in establishing and standardizing procedures and techniques essential to the operation of a CHEER ATHLETICS Franchised Business. We will not be responsible for training or offering guidance with respect to compliance with any laws, ordinance, or other legal matters. If you request additional days of on-site training in connection with your opening, or at a later time, we may charge you our then-current per diem training fee for the additional training provided; and you will also have to reimburse us for all out-of-pocket costs and expenses associated with the additional training, including lodging, food, and travel arrangements of the trainers.

Currently, our training staff is run by Joseph Melton, John Habermel, Angela Rogers and/or Chad Wright, each of whose biographical information is contained in Item 2 of this disclosure document. Mr. Habermel has worked with us since 1994 and has 31 years of experience in the cheerleading industry. Mr. Melton has worked with us since 1996 and, along with Ms. Rogers, opened our Plano location. Mr. Melton has 32 years of experience in the cheerleading industry. Ms. Rogers has worked with us since 1996 and opened our Plano location. Ms. Rogers has 31 years of experience in the cheerleading industry. Mr. Wright has worked with us since 2012 and has 25 years of experience in the cheerleading industry. We may use additional instructors on our training staff to conduct our training programs. All instructors will have a minimum of three experience with us or in the cheerleading industry.

#### **Additional Mandatory Initial Training**

Prior to opening the Franchised Business, you, if the franchisee is a sole proprietorship, or your Designated Principal, if the franchisee is a business entity, your General Manager, and any other personnel we require, must attend and complete an approved training course on identifying and reporting sexual, emotional, and physical misconduct. We may identify designated or approved courses and designated and approved providers of such courses. You must provide us with the documentation we request to evidence your compliance with this requirement.

#### **Additional Training Programs**

We may hold, and require you to attend, annual conferences to discuss sales, techniques, personnel training, bookkeeping, accounting, inventory control, performance standards, advertising programs and/or merchandising procedures, or other topics we deem appropriate. We may also require you to attend and complete additional training, in addition to and beyond initial training. We may charge you a fee to attend these conferences or any additional training. Additionally, your employees will be responsible for all expenses incurred by you and your employees in connection with any conferences or training, including costs of travel, accommodations, meals, and wages. We may also require you to attend conferences and training sessions, which will be held at our offices in Plano, Texas, or at another designated location.

### **ITEM 12 TERRITORY**

The Franchise Agreement grants you the right to operate the Franchised Business at a specific location agreed upon by you and us (your “Specific Location” or “Location”). The Specific Location will be located within a site selection area that we mutually agree on before the Franchise Agreement is signed (“Site Selection Area”). There is no territorial protection within the Site Selection Area.

Once you have identified an acceptable location for the Franchised Gym, we will provide you a “Protected Territory,” which will be defined in the Exhibit 1 to the Franchise Agreement and will be a ten (10) mile radius around your Specific Location. Unless we agree, in writing, otherwise, you must operate your Franchised Business at the Specific Location.

Once a site is identified for the Franchised Gym, you may relocate the Franchised Gym only with our written consent. We will consent to relocation if your lease expires or terminates through no fault of yours, or if the Franchised Gym premises is destroyed or materially damaged by fire, flood, or other natural

catastrophe, and you are not default of the Franchise Agreement or any other agreement with us or our affiliates.

During the term of the Franchise Agreement, we will not award to another party a franchise to operate a CHEER ATHLETICS Gym within Protected Territory.

As further discussed below, we reserve all other rights. 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. We may own, acquire, establish, and operate, and license others the right to establish and operate, businesses substantially similar to the Franchised Business, under the Marks at any locations outside the Territory. Although we currently have no plans to do so, we may own, acquire, establish, and operate, and license others the right to establish and operate, businesses substantially similar to the Franchised Business, under other proprietary marks at any locations inside or outside the Territory.

We, our affiliate(s), and/or other CHEER ATHLETICS franchisees (or licensees) may conduct or participate in advertising and promotional activities that target or are directed to potential customers who may reside or work in your Protected Territory (including, but not limited to, commercials on television and radio stations that broadcast, and advertisements in newspapers and magazines that circulate, in your Protected Territory). You maintain rights to your Protected Territory even if the population in your Protected Territory increases.

#### Our Reserved Rights under the Franchise Agreement.

Under the Franchise Agreement, we and our affiliates retain all the rights that we do not specifically grant to you. Among the rights that we retain are the following (the following list is only for purposes of illustration and is not meant to limit our rights). We are not required to compensate you if we exercise any of the rights specified below inside your Protected Territory.

(1) We may own, acquire, establish, and/or operate and license others to establish and operate businesses, including CHEER ATHLETICS Franchised Businesses operating under the Proprietary Marks and the System selling the Permitted/Required Products and/or Services at any location outside your Protected Territory regardless of their proximity to, or potential impact on, your Protected Territory or Franchised Business.

(2) We may own, acquire, establish and/or operate, and license others to establish and operate, businesses under proprietary marks other than the Proprietary Marks, whether such businesses are similar or different from the Franchised Business, at any location within or outside the Protected Territory, notwithstanding their proximity to the Protected Territory or the Specific Location or their actual or threatened impact on sales of the Franchised Business, although we have no current plans to do so.

(3) We may sell and to distribute, directly or indirectly, or to license others to sell and to distribute, directly or indirectly, any products (including the Proprietary Products) through alternative channels of distribution, including, wholesalers, distributors, or through outlets that are primarily retail in nature, or through mail order, toll free numbers, or the Internet, including those products bearing our Proprietary Marks, provided that distribution within the Protected Territory shall not be from a CHEER ATHLETICS Gym established under the System that is operated from within the Protected Territory.

(4) We may acquire, be acquired by, merge, affiliate with, or engage in any transaction with other businesses (whether competitive or not), with locations or businesses located anywhere, including the Protected Territory. These transactions may include arrangements involving competing businesses and dual branding or brand conversions. You must participate at your expense in any conversion as instructed by us.



### ITEM 13 TRADEMARKS

Our affiliate, Cheer Athletics Brands, LLC (“CA-Brands”) owns and has registered the following Marks on the Principal Register of the United States patent and Trademark Office. All required affidavits and renewals have been filed.

| Mark  | Registration Number | Registration Date  | International Class |
|---|---------------------|--------------------|---------------------|
| CHEER ATHLETICS   | 2501872             | October 30, 2001   | 041                 |
| CHEER ATHLETICS   | 2905422             | November 30, 2004  | 018, 024, and 025   |
|    | 2492448             | September 25, 2001 | 041                 |
|   | 2581206             | June 18, 2002      | 025                 |
| G3FCA2A   | 6635934             | February 8, 2022   | 025                 |
| THE BEST OF THE BEST  | 6649663             | February 22, 2022  | 041                 |
|  | 7692928             | February 18, 2025  | 041                 |

We will also grant you the right to offer certain dance products and services under the name “DANCE ATHLETICS,” “DA,” and other current or future Marks. Our affiliate, CA-Brands has applied to register the following Mark on the Principal Register of the USPTO. This application was filed based on actual use.

| Mark            | Serial Number | Application Date | International Class |
|-----------------|---------------|------------------|---------------------|
| DANCE ATHLETICS | 98372019      | January 23, 2024 | 041                 |

We do not have a federal registration for our principal trademark. Therefore, our trademark does not have many legal benefits and rights as a federally registered trademark. If our right to use the trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

We are aware of one infringing use of the DANCE ATHLETICS trademark in Hamden, Connecticut. We have notified them of their infringement and are pursuing enforcement.

We do not know of any superior priority rights or infringing uses that could materially affect your use of the principal marks in any state. There are no presently effective material determinations of the U.S. Patent and Trademark Office, the Trademark Trial Board and Appeal Board, the trademark administrator of any state or any court, nor any pending infringement, opposition, or cancellation proceeding, or pending material litigation involving the Marks which may be relevant to their ownership, use, or licensing.

CA-Brands has granted us an irrevocable, unlimited license to use and sublicense the CHEER ATHLETICS Marks. No agreements limit our rights to use or license the use of the Marks.

You must follow our rules when you use these Marks. You may not use a name or Mark as part of your corporate name or with modifying words, designs, or symbols. You may not use our registered name in the sale of unauthorized products or services or in a manner not authorized in writing by us.

You must notify us immediately when you learn about an infringement or challenge to your use of our Marks. We may then take the action that we think is appropriate. We are not obligated to defend or indemnify you for any infringement claim. However, in the event that we decide to defend, prosecute, or settle any claim related to our Marks, or any of our other intellectual property, we have the exclusive control over any such litigation or proceedings. You must execute any and all documents, and to render such assistance as we may deem reasonably necessary to carry out such defense prosecution or settlement.

Franchisor reserves the right to change or modify its Marks at any time, in its sole discretion. Franchisee shall, upon demand by Franchisor, discontinue its use of any Mark and adopt, at Franchisee's sole cost and expense, any replacement name or mark selected by Franchisor, and Franchisor will have no liability to Franchisee therefore.

#### **ITEM 14**

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

There are no patents that are material to the franchise. We claim copyright protection in the original materials used in the System, including the Manual and related materials, business forms, training materials, the content and design of our website, and advertisement and promotional materials ("Copyrighted Works"), although these materials have not been registered with the United States Registrar of Copyrights and/or any state governmental authority. The Copyrighted Works are considered proprietary and/or confidential, are considered our property, and may be used by you only as provided in the Franchise Agreement.

There is no presently effective determination of the U.S. Copyright Office (Library of Congress) or any court affecting our copyrights. There is no currently effective agreement that limits our right to use and/or license our copyrights. You must also promptly tell us when you learn about unauthorized use of any of our proprietary information. We are not obligated to take any action but will respond to this information as we think appropriate. We have no actual knowledge of any infringements that could materially affect the ownership, use, or licensing of the copyrights. You may not use any of our Copyrighted Works on the Internet without our written permission. This includes display of the Copyrighted Works on commercial websites, gaming websites, and social networking websites.

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

You or at least one Designated Principal must attend our initial training as described in Item 11. We do not require that you personally supervise the Franchised Business. However, the Franchised Business must at all times be under the on-site supervision of a General Manager. This General Manager may be either you, your Designated Principal, or another individual designated by you and approved by us, in writing. We recommend, but do not require, the General Manager to have an equity interest in the Franchised Business. The General Manager must have successfully completed our initial training program and any other mandatory training programs. The General Manager must devote his/her best efforts to the operation of the Franchised Business. The General Manager may not have an interest in or business relationship with any business competitor of Franchisor, the Franchised Business, or any of Franchisor's other franchisees. The General Manager must sign a written agreement to maintain confidentiality of the trade secrets described in Item 14 and to conform with the covenants not to compete described in Item 17.

In the event that the franchisee is a legal business entity, each individual who owns a 10% or greater interest in the franchisee entity must sign a guaranty agreement assuming and agreeing to discharge all obligations of the "Franchisee" under the Franchise Agreement.

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

Under the Franchise Agreement, you must offer and sell all services and goods that we require and may only offer and sell services and goods that we authorize, either in our Manual or otherwise in writing. (See Item 8 of this disclosure document). We may add, eliminate, and change goods and service items periodically, and you must comply with all directives. There are no limits on our right to make changes. Your ability to provide certain goods or services may also be conditioned upon you obtaining licensing from your state or local government. (See Item 1 of this disclosure document). We have the right to establish pricing guidelines and directive for goods and services to the extent permitted by law. These guidelines may include minimum and maximum pricing thresholds. You must comply with our maximum and minimum pricing requirements to the extent permitted by law.

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

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

| <b>Provision</b>                                  | <b>Section in Franchise Agreement</b> | <b>Summary</b>  |
|---|---------------------------------------|---|
| a. Length of the franchise term                   | Section 2.1                           | 10 years  |
| b. Renewal or extension of the term               | Section 2.2                           | If certain conditions are met, you can renew for 2 additional 5-year terms.   |
| c. Requirements for franchisee to renew or extend | Section 2.2                           | You provide prior notice to us; you are not in default of any agreement with us; you have not received more than 3 written notices of default and/or noncompliance during the preceding term (whether or not subsequently cured or remedied by you); you sign a new Franchise Agreement with the then-current terms (which may differ from your |

| Provision                                  | Section in Franchise Agreement | Summary  |
|--|--------------------------------|--|
|  |                                | previous Franchise Agreement); you pay a renewal fee; you refurbish, remodel, and redecorate your Franchised Business to meet then-existing standards; you sign a general release; you comply with then-current qualifications and training; we are then offering and selling licenses to new franchisees.   |
| d. Termination by franchisee               | No provision                   | No contractual right to terminate, but you may terminate under any grounds permitted by law.   |
| e. Termination by franchisor without cause | No provision                   | Not applicable.  |
| f. Termination by franchisor with cause    | Article 13                     | We can terminate for cause.  |
| g. “Cause” defined – curable defaults      | Section 13.2                   | You have 30 days to cure: failure to pay us; non-submission of reports; failure to operate in compliance with our Manual, Standards, or the Franchise Agreement; understatement of Gross Revenues; breach of any other provision of the Franchise Agreement, related agreement, or the lease or sublease for the Franchised Gym; or failure to resolve customer complaints to Franchisor’s satisfaction.   |
| h. “Cause” defined – non-curable defaults  | Section 13.1                   | Non-curable defaults include: failure to timely start training; failure to satisfactorily complete training within 90 days of the Effective Date; failure to open Franchised Business within the earlier of 365 days after you sign the Franchise Agreement or 180 days after you purchase or lease your site; failure to maintain continuous operation; bankruptcy or insolvency; failure to comply with applicable laws and failure to timely cure a notice of noncompliance; unapproved transfers; maintain false books or submit false reports; foreclosure or seizure; final judgment remains unsatisfied for 30 days; levy of execution against your assets that is not discharged within 15 days; material misrepresentation relating to the acquisition of the Franchised Business; felony conviction or other unfavorable conduct; repeated defaults even if cured; continued operation is a danger to public health or safety or the health or safety of customers or students; termination of your lease or foreclosure of your property; breach of covenants not to compete. |
| i. Franchisee’s obligations                | Sections 14.1, 15.3,           | Cease operations; cease use of our name, marks,  |

| Provision   | Section in Franchise Agreement | Summary  |
|---|--------------------------------|--|
| on termination/<br>nonrenewal   | and 15.4                       | methods and materials, de-identify; return all confidential materials; delete proprietary software and data; pay amounts due under the Franchise Agreement (including liquidated damages for future amounts due); cancel assumed name(s); assign to us or cancel, as we direct, all telephone numbers, web sites and listings; maintain insurance; noncompetition; non-solicitation.   |
| j. Assignment of contract by franchisor                                 | Section 12.1                   | No restriction on our right to transfer or assign.   |
| k. “Transfer” by franchisee – definition                                | Section 12.2                   | Includes transfer of any interest in the Franchise Agreement or change in ownership of franchisee.   |
| l. Franchisor’s approval of transfer by franchisee                      | Section 12.2                   | We must approve all transfers, in writing, but will not unreasonably withhold approval. Certain transfers to an entity controlled by franchisee do not require our consent.  |
| m. Conditions for franchisor’s approval of transfer                     | Section 12.2(b)                | Conditions include: your monetary and other obligations have been satisfied; transferor’s right to receive is secondary to our rights; you sign a general release; if transferee will get less than all of your rights, then transferee will execute documents making transferee jointly and severally liable for all of your obligations; if transferee will get all or a majority of your rights, then transferee will sign a new franchise agreement and related agreements with the then-current terms; transferee must complete training, at its own expense; transferee must meet our qualifications; you refrain from disclosing our confidential information; the required transfer fee is paid. |
| n. Franchisor’s right of first refusal to acquire franchisee’s business | Section 12.4                   | We can match any offer.  |
| o. Franchisor’s option to purchase franchisee’s business                | No provision                   | Not applicable.  |
| p. Death or disability of franchisee                                    | Section 12.5                   | Franchise or ownership must be transferred to us in accordance with our right-of-first refusal unless (a) the transferee meets our standards or retains someone else who meets our standards, and (b) all other conditions of transfer are met, except there is no obligation to pay a transfer fee.   |
| q. Non-competition covenants during the                                 | Section 15.2                   | You may not engage in, have any interest in, or provide any assistance to, any business that is in   |

| Provision   | Section in Franchise Agreement | Summary   |
|---|--------------------------------|---|
| term of the franchise   |                                | competition with us; no diversion of any present or prospective customer of ours to a competitor; no solicitation of ours or any of our affiliate's management employees.   |
| r. Non-competition covenants after the franchise is terminated or expires | Sections 15.3, 15.4            | For 2 years after termination or expiration: no involvement with competing business within 50 miles of the location of your Franchised Business or the location of any of our other franchisees; or within your Protected Territory; no solicitation of any of your customers or any customer of our other franchisees.   |
| s. Modification of the agreement  | Section 18.2                   | No modifications of the Franchise Agreement, unless signed by both parties.   |
| t. Integration/merger clause  | Section 18.2                   | The Franchise Agreement and its exhibits constitute the entire, full agreement between the parties. Any other promises may not be enforceable, subject to state law.<br><br>Notwithstanding the foregoing, nothing in any agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits and amendments. |
| u. Dispute resolution by arbitration or mediation                         | Section 16.2                   | Claims, controversies, or disputes from or relating to the franchise agreement, except for actions seeking injunctive relief and actions we bring which are related to or based on our Marks or Confidential Information, must be arbitrated by the American Arbitration Association. Any claims by you must be mediated first.                                 |
| v. Choice of forum  | Sections 16.2, 16.3, and 16.5  | Subject to applicable state law, all arbitration and litigation will be held in the county where our principal place of business is located at the time mediation and/or arbitration occurs, currently Plano, Texas.<br><br>Venue for any other proceeding is the courts in the county in which we maintain our principal place of business.                    |
| w. Choice of law  | Section 16.4                   | Subject to applicable state law, Texas law applies.   |

## ITEM 18 PUBLIC FIGURES

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

## ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example by providing 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 Chad Wright c/o Cheer Athletics Holdings, LLC, 3712 E. Plano Parkway, Bldg B, Suite 100, Plano, Texas 75074, Telephone: (972) 275-6781, the Federal Trade Commission, and the appropriate state regulatory agencies.

## ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

**Table No. 1**  
**Systemwide Outlet Summary**  
**For Years 2022 – 2024**

| Outlet Type   | Year | Outlets at the Start of the Year | Outlets at the End of the Year | Net Change |
|---------------|------|----------------------------------|--------------------------------|------------|
| Franchised    | 2022 | 11                               | 12                             | +1         |
|               | 2023 | 12                               | 13                             | +1         |
|               | 2024 | 13                               | 18                             | +5         |
| Company Owned | 2022 | 1                                | 1                              | 0          |
|               | 2023 | 1                                | 1                              | 0          |
|               | 2024 | 1                                | 1                              | 0          |
| Total Outlets | 2022 | 12                               | 13                             | +1         |
|               | 2023 | 13                               | 14                             | +1         |
|               | 2024 | 14                               | 19                             | +5         |

**Table No. 2**  
**Transfers of Outlets from Franchisees to New Owners**  
**For Years 2022 – 2024**

| State  | Year | Number of Transfers |
|--------|------|---------------------|
| Totals | 2022 | 0                   |
|        | 2023 | 1                   |
|        | 2024 | 1                   |

**Table No. 3**  
**Status of Franchised Outlets**  
**For Years 2022 - 2024**

| State          | Year | Outlets at Start of Year | Outlets Opened | Terminations | Non-Renewals | Reacquired by Franchisor | Ceased Operations-Other Reasons | Outlets at End of the Year |
|----------------|------|--------------------------|----------------|--------------|--------------|--------------------------|---------------------------------|----------------------------|
| Colorado       | 2022 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1                          |
|                | 2023 | 1                        | 1              | 0            | 0            | 0                        | 0                               | 2                          |
|                | 2024 | 2                        | 0              | 0            | 0            | 0                        | 0                               | 2                          |
| Florida        | 2022 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1                          |
|                | 2023 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1                          |
|                | 2024 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1                          |
| Illinois       | 2022 | 0                        | 0              | 0            | 0            | 0                        | 0                               | 0                          |
|                | 2023 | 0                        | 0              | 0            | 0            | 0                        | 0                               | 0                          |
|                | 2024 | 0                        | 1              | 0            | 0            | 0                        | 0                               | 1                          |
| Kentucky       | 2022 | 0                        | 0              | 0            | 0            | 0                        | 0                               | 0                          |
|                | 2023 | 0                        | 0              | 0            | 0            | 0                        | 0                               | 0                          |
|                | 2024 | 0                        | 1              | 0            | 0            | 0                        | 0                               | 1                          |
| Missouri       | 2022 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1                          |
|                | 2023 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1                          |
|                | 2024 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1                          |
| Nebraska       | 2022 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1                          |
|                | 2023 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1                          |
|                | 2024 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1                          |
| New York       | 2022 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1                          |
|                | 2023 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1                          |
|                | 2024 | 1                        | 1              | 0            | 0            | 0                        | 0                               | 2                          |
| North Carolina | 2022 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1                          |
|                | 2023 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1                          |
|                | 2024 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1                          |
| Ohio           | 2022 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1                          |
|                | 2023 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1                          |
|                | 2024 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1                          |
| Pennsylvania   | 2022 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1                          |
|                | 2023 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1                          |
|                | 2024 | 1                        | 1              | 0            | 0            | 0                        | 0                               | 2                          |
| Texas          | 2022 | 3                        | 1              | 0            | 0            | 0                        | 0                               | 4                          |
|                | 2023 | 4                        | 0              | 0            | 0            | 0                        | 0                               | 4                          |
|                | 2024 | 4                        | 1              | 0            | 0            | 0                        | 0                               | 5                          |



| State  | Year | Outlets at Start of Year | Outlets Opened | Terminations | Non-Renewals | Reacquired by Franchisor | Ceased Operations- Other Reasons | Outlets at End of the Year |
|--------|------|--------------------------|----------------|--------------|--------------|--------------------------|----------------------------------|----------------------------|
| Totals | 2022 | 11                       | 1              | 0            | 0            | 0                        | 0                                | 12                         |
|        | 2023 | 12                       | 1              | 0            | 0            | 0                        | 0                                | 13                         |
|        | 2024 | 13                       | 5              | 0            | 0            | 0                        | 0                                | 18                         |

**Table No. 4**  
**Status of Company-Owned / Affiliate Owned Outlets**  
**For Years 2022 - 2024**

| State | Year | Outlets at Start of Year | Outlets Opened | Outlets Reacquired From Franchisees | Outlets Closed | Outlets Sold to Franchisees | Outlets at End of the Year |
|-------|------|--------------------------|----------------|-------------------------------------|----------------|-----------------------------|----------------------------|
| Texas | 2022 | 1                        | 0              | 0                                   | 0              | 0                           | 1                          |
|       | 2023 | 1                        | 0              | 0                                   | 0              | 0                           | 1                          |
|       | 2024 | 1                        | 0              | 0                                   | 0              | 0                           | 1                          |
| Total | 2022 | 1                        | 0              | 0                                   | 0              | 0                           | 1                          |
|       | 2023 | 1                        | 0              | 0                                   | 0              | 0                           | 1                          |
|       | 2024 | 1                        | 0              | 0                                   | 0              | 0                           | 1                          |

**Table No. 5.**  
**Projected Openings as of December 31, 2024**

| 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 |
|-------|---|--|---|
| Total | 0   | 0  | 0   |

Attached as Exhibit F-1 is a list of names, addresses, and business telephone numbers of all franchisees under franchise agreements with us as of December 31, 2024.

Attached as Exhibit F-2 is a list of the name, city and state, and the current business telephone number (or, if unknown, the last known home telephone number) of every franchisee who had a franchise business terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our most recently completed fiscal year ending December 31, 2024, or who has not communicated with us within 10 weeks from the issuance date of this disclosure document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the last three fiscal years, we have not signed confidentiality clauses with any current or former franchisee.

## ITEM 21

### FINANCIAL STATEMENTS

Attached as Exhibit G are our audited financial statements for our fiscal years ending on December 31, 2024, December 31, 2023, and December 31, 2022. Our fiscal year ends December 31.

## **ITEM 22 CONTRACTS**

Attached to this disclosure document are the following agreements that you may be required to sign:

Exhibit “B”      Franchise Agreement and Exhibits.

Exhibit “D”      State Addenda and Franchise Agreement Riders.

## **ITEM 23 RECEIPTS**

Attached as the last two (2) pages of this disclosure document (Exhibit “J”) are duplicate receipts. Please sign both copies. Retain one copy for your records and return the “Franchisor Copy” to Chad Wright, Cheer Athletics Holdings, LLC, 3712 E. Plano Parkway, Bldg B, Suite 100, Plano, Texas 75074; Telephone: (972) 275-6781.

**CHEER ATHLETICS**  
**FRANCHISE DISCLOSURE DOCUMENT**

**EXHIBIT A:**

**LIST OF STATE ADMINISTRATORS AND  
AGENTS FOR SERVICE OF PROCESS**

## **List of State Administrators**

### **California**

Department of Financial Protection and Innovation  
320 West 4th Street, Suite 750  
Los Angeles, California 90013  
(866) 275-2677

### **Hawaii**

Commissioner of Securities of the State of Hawaii  
Department of Commerce and Consumer Affairs  
Business Registration Division  
Securities Compliance Branch  
335 Merchant Street, Room 203  
Honolulu, Hawaii 96813  
(808) 586-2722

### **Illinois**

Office of Attorney General  
500 S. Second Street  
Springfield, Illinois 62701  
(217) 782-4465

### **Indiana**

Franchise Section  
Securities Division  
302 W. Washington St., Room E-111  
Indianapolis, Indiana 46204  
(317) 232-6681

### **Maryland**

Office of Attorney General  
Securities Division  
200 St. Paul Place  
Baltimore, Maryland 21202  
(410) 576-7042

### **Michigan**

Consumer Protection Division  
Antitrust and Franchise Unit  
Department of Attorney General  
525 W. Ottawa St.  
G. Mennen Williams Bldg., 1<sup>st</sup> Floor  
PO Box 30212  
Lansing, Michigan 48909  
(517) 335-7622

### **Minnesota**

Department of Commerce  
85 7<sup>th</sup> Place East, Suite 280  
St. Paul, Minnesota 55101  
(651) 539-1500

### **New York**

NYS Department of Law  
Investor Protection Bureau  
28 Liberty Street, 21<sup>st</sup> Floor  
New York, New York 10005  
212-416-8222

### **North Dakota**

North Dakota Securities Department  
600 East Boulevard Avenue  
State Capitol – 5<sup>th</sup> Floor Dept. 414  
Bismarck, North Dakota 58505-0510  
(701) 328-4712

### **Rhode Island**

Securities Division  
Department of Business Regulation  
1511 Pontiac Avenue  
John O. Pastore Complex – Building 68-2  
Cranston, Rhode Island 02920  
(401) 462-9527

### **South Dakota**

Division of Insurance  
Securities Regulation  
124 S. Euclid, Suite 104  
Pierre, South Dakota 57501  
(605) 773-3563

### **Virginia**

State Corporation Commission  
Division of Securities and Retail Franchising  
1300 Main Street, 9<sup>th</sup> Floor  
Richmond, Virginia 23219  
(804) 371-9051

### **Washington**

Washington State Department of Financial  
Institutions  
Securities Division  
P.O. Box 41200  
Olympia, Washington 98504-1200  
(360) 902-8760

### **Wisconsin**

Franchise Administrator  
Division of Securities  
Department of Financial Institutions  
345 West Washington Avenue  
Madison, Wisconsin 53703  
(608) 266-8557

## **AGENTS FOR SERVICE OF PROCESS**

### **Illinois**

Illinois Attorney General  
500 South Second Street  
Springfield, Illinois 62701

### **Michigan**

Michigan Department of Attorney General  
Consumer Protection Division  
Franchise Section  
525 W. Ottawa Street  
G. Mennen Williams Bldg., 1<sup>st</sup> Floor  
Lansing, Michigan 48913

### **Minnesota**

Minnesota Commissioner of Commerce  
Minnesota Department of Commerce  
85 7<sup>th</sup> Place East, Suite 280  
St. Paul, Minnesota 55101-2198

### **New York**

Secretary of State of the State of New York  
One Commerce Plaza  
99 Washington Avenue  
Albany, New York 12231

### **Texas**

Joseph Melton  
1300 E. Plano Parkway, Suite C  
Plano, Texas 75074

### **Washington**

Securities Administrator  
Washington Department of Financial Institutions  
Securities Division  
150 Israel Road SW  
Tumwater, Washington 98501

**CHEER ATHLETICS**  
**FRANCHISE DISCLOSURE DOCUMENT**

**EXHIBIT B:**  
**FRANCHISE AGREEMENT AND EXHIBITS**

**CHEER ATHLETICS FRANCHISE AGREEMENT**

**BETWEEN**

**CHEER ATHLETICS HOLDINGS, LLC (“FRANCHISOR”)**

**AND**

---

**(“FRANCHISEE”)**

**Franchise Agreement**  
**Summary Pages**

|  |   |
|--|---|
| <b>EFFECTIVE DATE:</b>                 | _____   |
| <b>FRANCHISEE(S):</b>                  | _____   |
| <b>ADDRESS FOR NOTICES:</b>            | _____   |
| Telephone Number:                      | _____   |
| Email Address:                         | _____   |
| <b>DESIGNATED PRINCIPAL:</b>           | _____   |
| <b>GENERAL MANAGER (if any):</b>       | _____   |
| <b>SITE SELECTION AREA:</b>            | _____   |
| <b>INITIAL FRANCHISE FEE:</b>          | \$75,000.00   |
| <b>ROYALTY FEE:</b>                    | 10% of Gross Revenue  |
| <b>ADVERTISING FUND CONTRIBUTION:</b>  | An amount specified by the Franchisor periodically, but not to exceed 3% of Gross Revenue     |
| <b>LOCAL MARKETING EXPENDITURE:</b>    | An amount specified by the Franchisor periodically, but not to exceed 5% of Gross Revenue     |
| <b>TRANSFER FEE:</b>                   | \$10,000.00   |
| <b>RENEWAL FEE:</b>                    | \$25,000.00   |
| <b>FRANCHISOR ADDRESS FOR NOTICES:</b> | Cheer Athletics Holdings, LLC<br>3712 E. Plano Parkway, Bldg B, Suite 100, Plano, Texas 75074 |



**CHEER ATHLETICS  
FRANCHISE AGREEMENT  
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| IDENTIFICATION OF FRANCHISEE                                | Exhibit 2  |
| SERVICE MARKS   | Exhibit 3  |
| AUTHORIZATION FOR ELECTRONIC TRANSFER OF FUNDS              | Exhibit 4  |
| IRREVOCABLE POWER OF ATTORNEY (Tax Records)                 | Exhibit 5  |
| IRREVOCABLE POWER OF ATTORNEY (Web Site)                    | Exhibit 6  |
| IRREVOCABLE POWER OF ATTORNEY (Telephone Number)            | Exhibit 7  |
| RESTRICTIVE COVENANT AGREEMENT                              | Exhibit 8  |
| PERSONAL GUARANTY   | Exhibit 9  |
| LEASE ADDENDUM  | Exhibit 10 |
| SBA ADDENDUM  | Exhibit 11 |

## CHEER ATHLETICS FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the “Agreement”), is made and entered into as of the Effective Date reflected in the Summary Pages (the “Effective Date”) by and between Cheer Athletics Holdings, LLC, a Texas limited liability company, with principal place of business at 3712 E. Plano Parkway, Bldg B, Suite 100, Plano, Texas 75074 (hereinafter, “Franchisor,” “we,” “us” or “our”), and the franchisee identified in the Summary Pages (collectively and individually referred to as “Franchisee,” “you,” “your” or “yours”). Franchisee is further identified on Exhibit 2 attached hereto and by this reference incorporated herein.

### RECITALS

A. For the purposes of this Agreement, the term “CHEER ATHLETICS” refers to Franchisor’s branded trademark, “CHEER ATHLETICS.”

B. Franchisor has created and developed and is in the process of further developing a valuable system for the establishment and operation of a business which operates a distinctive type of training facility, especially focused on competitive and recreational cheerleading and dance (the “System”).

C. The System consists of distinctive methods and procedures for operating such a business, utilizing uniform standards, specifications and procedures for operations, equipment, inventory and staffing, the quality and uniformity of services and reporting, training and assistance, and its advertising and promotional programs – all related to the operation of cheerleading and dance training facilities/gyms, under the mark “CHEER ATHLETICS” and other related trademarks -- some of which are described in the confidential operations manual and confidential instructional materials which Franchisor has created and/or shall create or modify in the future (the “Manual” or “Manuals”) for the promotion and operation of Franchisee’s franchised training facility/gym.

D. Franchisor and/or its affiliates have registered or obtained the rights to the service marks listed on the attached Exhibit 3 with the United States Patent and Trademark Office, as described in Exhibit 3. As set forth therein, we have the rights to use and license/sublicense to you the rights to use such service marks, as well as any derivatives thereof, and certain other logos, designs, trade names, business names, trademarks, and trade symbols (collectively referred to as the “Marks” or the “CHEER ATHLETICS Marks”). Any agreements to limit our rights to use or license the use of the Marks are described in Exhibit 3.

E. Franchisor may continue to develop, use, and control the use of the Marks in order to identify to the public the source of products and services marketed thereunder and under the System, and to represent the System’s standards of quality, appearance, and services.

F. Franchisor has granted and/or intends to grant to one or more other parties (“CHEER ATHLETICS Franchisee(s)”) the right and license to operate a franchise and to use the Marks and the System under other franchise agreements.

G. Franchisee understands and acknowledges the importance of Franchisor’s standards of quality, service, and appearance, of opening and operating a Franchise in conformity with Franchisor’s standards and specifications as presented in Franchisor’s Manuals and updates, and of preserving the confidentiality of the System.

H. In the event that Franchisee is legal business entity, Franchisor is only willing to execute this Agreement if each of the owners of the Franchisee holding at least ten percent (10%) ownership interest in Franchisee executes a Personal Guaranty in the form attached hereto as Exhibit 9.

I. Franchisee will operate its franchised business at a specific location approved by Franchisor (the “Premises”).

J. Franchisee desires to purchase and operate a CHEER ATHLETICS franchised business in accordance with all of the terms and conditions of this Agreement.

NOW, THEREFORE the parties agree as follows:

## **SECTION 1 APPOINTMENT**

1.1 Grant of Franchise. Franchisor grants to Franchisee the right, and Franchisee undertakes the obligations, upon the terms and conditions of this Agreement, to establish and operate a training facility/gym (hereafter referred to as the “Franchised Location” or “Franchised Gym” or “Franchised Business”) using Franchisor’s System and the right to use in the operation of the Franchised Gym the Marks and the System, as they may be changed, improved, and further developed from time to time in Franchisor’s sole discretion, only at the Specific Location, as described in Section 1.2 below.

1.2 Site Selection Area and Specific Location. You will operate your Franchised Gym in the “Site Selection Area” described in the attached Exhibit “1.” At or before the time you buy or lease the premises for your Franchised Gym, the specific address will be added to Exhibit “1” (hereinafter, the “Specific Location”). You must obtain our prior written approval for the site of the Franchised Gym. You may not relocate the Franchised Gym without our prior written approval as set forth in this Agreement.

1.3 Protected Territory. Except as set forth in Section 1.5, below, during the term of this Agreement, Franchisor promises not to operate itself, nor award to any other party a franchise to operate, a CHEER ATHLETICS franchised business within ten (10) miles of your Specific Location (“Protected Territory”). Franchisee acknowledges that this franchise is non-exclusive and is granted subject to the terms and conditions of Section 8.6 hereof.

1.4. Reserved Rights of Franchisor. Franchisor specifically reserves all rights not expressly granted to Franchisee in this agreement. Such expressly reserved rights, include, but are not limited to the following.

(a) We may own, acquire, establish, and operate, and license others to establish and operate, businesses substantially similar to the Franchised Business, whether under the Marks or other proprietary marks, at any locations outside the Protected Territory.

(b) We may offer, sell and distribute, directly or indirectly, or license others to sell and to distribute, directly or indirectly, any products and/or services which utilize the Marks or other proprietary marks at any location inside or outside the Protected Territory through any other channels of distribution, including other stores, mail order, catalog sales, over the Internet, and retail or governmental/military channels. The Internet is a channel of distribution reserved exclusively to us, and you may not independently market on the Internet.

(c) We may purchase or be purchased by, or merge or combine with competing businesses wherever located, including a chain of company-owned or franchised locations that competes directly with your Franchised Business.

(d) We may offer franchises in the future, and may have done so in the past, on terms we deem appropriate, including terms that differ from this Agreement.

## **SECTION 2 TERM AND RENEWAL**

2.1 Initial Term. Except as otherwise provided, the initial term of this Agreement shall be for a period of ten (10) years. Such initial term shall commence on the Effective Date of this Agreement, and shall end ten (10) years thereafter (the “Expiration Date”).

2.2 Renewal. Franchisee may, at its option, renew the license granted under this Agreement

for two (2) additional consecutive terms of five (5) years each, provided that Franchisee complies with the following requirements:

(a) Franchisee has given Franchisor written notice of its election to renew not less than nine (9) months, but not more than one year, before the Expiration Date;

(b) Franchisee is not in default under any provision of this Agreement, any amendment hereof or successor hereto, or any other agreement or instrument between Franchisor and Franchisee, and has substantially complied with all of the terms and conditions of all such agreements during the respective terms thereof;

(c) Franchisee has not received more than 3 written notices of default and/or noncompliance during the preceding term (whether or not subsequently cured or remedied by Franchisee);

(d) Franchisee executes Franchisor's then-current form of Franchise Agreement, which agreement shall supersede in all respects this Agreement, and the terms of which may differ from the terms of this Agreement, including, without limitation, different Royalties and different advertising contributions, fees or requirements; provided, however, the agreement offered to Franchisee upon renewal shall not require Franchisee to again pay the Initial Franchise Fee required by Section 4 hereof, or its equivalent;

(e) Franchisee pay Franchisor a renewal fee equal to the amount stated in the Summary Pages for each term of renewal, paid upon execution of the renewal franchise agreement;

(f) Franchisee shall refurbish, remodel, and redecorate the Franchised Business, including (without limitation) obtaining new or replacement equipment, to meet the then-existing standards for new franchisees;

(g) If permitted by the laws of the state in which the Franchised Business is located, Franchisee shall execute a general release, in a form prescribed by Franchisor, of any and all claims against Franchisor and its subsidiaries and affiliates, and their respective officers, directors, agents and employees, in their corporate and individual capacities; and

(h) Franchisee shall comply with Franchisor's then-current qualification and training requirements, including, without limitation, any training requirements specifically designed for renewing Franchisees.

Notwithstanding the foregoing, Franchisee shall have no right to renew if Franchisor is not offering and selling licenses to new franchisees at the time of the Expiration Date or anytime in the nine (9) months prior to the Expiration Date.

2.3 Continued Operation Following Expiration. If Franchisor permits Franchisee to continue to operate the Franchised Business after the Expiration Date, but before the execution by Franchisee of a new Franchise Agreement for a renewal term as required by Section 2.2(c) above, then the temporary continuation of the Franchised Business will be on a month-to-month basis, and will be terminable at the will of Franchisor by giving Franchisee written notice of termination at least thirty (30) days before the termination is effective. If the laws of the jurisdiction in which the Franchisee or the Franchised Business are located require a longer notice period, the thirty-day period will be deemed modified to be the shortest notice period required by the laws of such jurisdiction.

### **SECTION 3 PREMISES LOCATION & CONSTRUCTION**

3.1 Location of Premises. Franchisee shall lease or purchase the premises for the operation of the Franchised Gym (as previously defined, the "Premises") within one year of the Effective Date. The Premises shall be located in the Site Selection Area and at the Specific Location, as set forth in Section 1.2 above.

3.1.1 Prior Approval. Prior to executing a lease for your Premises, you must submit the proposed lease agreement to us for our review and approval, which shall not be unreasonably withheld. However, Franchisee specifically agrees that any review and/or approval by Franchisor is not intended to constitute any sort of legal review or advice for the benefit of Franchisee. You are strongly encouraged to consult your own legal counsel to review your proposed lease agreement. Additionally, any approval by Franchisor of your proposed lease agreement shall not constitute any sort of advice as to the business terms of such lease or that the location and or terms will guarantee or increase the likelihood of Franchisee's success.

3.1.2 Addendum to Lease. If Franchisee leases the Premises from a third-party (i.e., as opposed to purchasing the Premises), the written lease agreement must contain the lease terms and conditions that we reasonably require, including the terms set forth in the attached Exhibit 10. The provisions of this Section 3.1.2 shall apply to any and all amendments to such lease and any and all subsequent leases and lease renewal agreements. You shall provide to Franchisor a true and correct copy of all leases and amendments, if any, within ten (10) days after the execution of such lease or amendment.

3.2 Preparing the Premises. Before commencing any construction of the Franchised Business, Franchisee, at its expense, shall comply, to Franchisor's satisfaction, with all of the following requirements:

3.2.1 Franchisee shall employ a qualified, licensed architect or engineer who has been approved or designated (as described below) by Franchisor to prepare, subject to Franchisor's approval, preliminary plans and specifications for site improvement and/or construction of the Franchised Gym based upon prototype plans and/or specifications furnished by Franchisor. Franchisor shall have the right to designate one or more suppliers of design services and/or architecture services to supply such services to the System. If Franchisor designates a design firm and/or architecture firm prior to the time Franchisee commences to develop the Franchised Gym, Franchisee shall employ such designated supplier(s) to prepare all designs and plans for the Franchised Gym, unless Franchisee obtains Franchisor's prior written approval to use an alternative professional. If Franchisor has not designated a design firm or architecture firm, Franchisee shall be responsible for locating and employing a qualified design consultant and architect who is/are licensed in the jurisdiction in which the Franchised Gym will be located, and who is reputable and experienced in providing design and architecture services. Franchisee shall be solely responsible for payments for all design and architecture services. Franchisee expressly acknowledges and agrees that Franchisor shall not be liable for the unsatisfactory performance of any contractor, firm, supplier, professional or consultant retained by Franchisee, whether or not designated by Franchisor.

3.2.2 Franchisee shall comply with all federal, state and local laws, codes and regulations, including the applicable provisions of the ADA regarding the construction, design and operation of the Franchised Gym. In the event Franchisee receives any complaint, claim, other notice alleging a failure to comply with the ADA, Franchisee shall provide Franchisor with a copy of such notice within five (5) days after receipt thereof.

3.2.3 Franchisee shall be responsible for obtaining all zoning classifications and clearances that may be required by state or local laws, ordinances, or regulations or that may be necessary or advisable owing to any restrictive covenants relating to the Premises. After having obtained such approvals and clearances, Franchisee shall submit to Franchisor, for Franchisor's approval, final plans for construction based upon the preliminary plans and specifications. Franchisor's review and approval of plans shall be limited to review of such plans to assess compliance with Franchisor's design standards for CHEER ATHLETIC Franchised Businesses, including such items as trade dress, presentation of Proprietary Marks, and the providing to the potential customer of certain products and services that are central to the functioning of CHEER ATHLETICS Franchised Businesses. Such review is not designed to assess compliance with federal, state or local laws and regulations, including the ADA, as compliance with such laws is the sole responsibility of Franchisee. Once approved by Franchisor, such final plans shall not thereafter be changed or modified without the prior written permission of Franchisor. Any such change

made without Franchisor's prior written permission shall constitute a default and Franchisor may withhold its authorization to open the Franchised Business until the unauthorized change is rectified (or reversed) to Franchisor's reasonable satisfaction. If requested by Franchisor, prior to opening the Franchised Business and prior to renovating the Franchised Business after its initial opening, Franchisee shall execute such documents reasonably requested to certify that any proposed renovations comply with the ADA.

3.2.4 Franchisee shall obtain all permits and certifications required for the lawful construction and operation of the Franchised Business and shall certify in writing to Franchisor that all such permits and certifications have been obtained.

3.2.5 Franchisee shall employ a qualified licensed general contractor who has been approved or designated by Franchisor to construct the Franchised Business and to complete all improvements. Franchisee shall obtain and maintain in force during the entire period of construction the insurance required under Section 7 below. Franchisee expressly acknowledges and agrees that Franchisor shall not be liable for the unsatisfactory performance of any contractor retained by Franchisee.

3.2.6 Throughout the construction process, Franchisee shall comply with Franchisor's requirements and procedures for periodic inspections of the Premises, and shall fully cooperate with Franchisor's representatives in such inspections by rendering such assistance as they may reasonably request.

3.2.7 Franchisee agrees to use in the construction and operation of the Franchised Business only those brands, types or models of construction and decorating materials, fixtures, equipment, furniture and signs that the Franchisor has approved for CHEER ATHLETICS Franchised Businesses as meeting its specifications and standards for quality, design, appearance, function, and performance. Franchisee further agrees to place or display at the premises of the Franchised Business only such signs, emblems, lettering, logos, and display materials that are from time to time approved in writing by Franchisor. Franchisee may purchase approved types or models of construction and decorating materials, fixtures, equipment, furniture, and signs from any supplier approved or designated by Franchisor (which may include Franchisor and/or its affiliates), which approval may not be unreasonably withheld. If Franchisee proposes to purchase any type or model of construction or decorating material, fixture, equipment, furniture, or sign not then approved by the Franchisor, and/or any such item from any supplier which is not then approved by the Franchisor, Franchisee shall first notify Franchisor in writing and shall submit to Franchisor sufficient specifications, photographs, drawings and/or other information or samples for a determination by Franchisor of whether such brand or type of construction or decorating material, fixture, equipment, furniture or sign complies with its specifications and standards. Franchisor may, in its sole discretion, refuse to approve any such item(s) and/or supplier(s) that does not meet Franchisor's standards or specifications.

3.3 Opening Date. Unless delayed by the occurrence of events constituting "force majeure" as defined in Section 3.4 below, Franchisee shall construct, furnish, and open the Franchised Business in accordance with this Agreement within the earlier of twelve (12) months following the execution of this Agreement or 180 days after the Specific Location is identified and secured through lease or purchase. Time is of the essence. Franchisee shall provide Franchisor with (a) written notice of its specific intended opening date; and (b) request for Franchisor's approval to open on such date. Such notice and request shall be made no later than fifteen (15) days prior to such intended opening date. Additionally, Franchisee shall comply with all other of Franchisor's pre-opening requirements, conditions and procedures (including, without limitation, those regarding pre-opening scheduling, training, and communications) as set forth in this Agreement, the Manuals, and/or elsewhere in writing by Franchisor, and shall obtain Franchisor's written approval as to the opening date prior to opening the Franchised Business.

3.4 Force Majeure. As used in this Agreement, "force majeure" means acts of God (such as tornadoes, earthquakes, hurricanes, floods, fire or other natural catastrophe); strikes, lockouts or other

industrial disturbances; war, terrorist acts, riot or other civil disturbance; epidemics; or other similar forces which could not, by the exercise of reasonable diligence, have been avoided; provided, however, that neither an act or failure to act by a government authority, nor the performance, nonperformance, or exercise of rights by your lender, contractor, or other person qualifies as a Force Majeure unless the act, failure to act, performance, non-performance, or exercise of rights resulted from a Force Majeure. Your financial inability to perform or your insolvency is not a Force Majeure.

3.5 Relocation. You may relocate the Franchised Gym only with Franchisor's prior written consent. Franchisor will grant its consent if your lease expires or terminates through no fault of yours, or if the Gym premises is destroyed or materially damaged by fire, flood, or other natural catastrophe (an "Innocent Loss or Casualty"). Selection of the relocation site and Gym construction, renovation, and opening shall be governed by this Article 3; provided that if the relocation occurred as a result of an Innocent Loss or Casualty event, the Gym must be open for business at the new location within 180 days of closing at the previous location; however, if the relocation occurred for any other reason, the Gym must be open for business at the new location within five (5) days of closing at the previous location. You are solely responsible for all relocation costs and expenses.

## **SECTION 4 INITIAL FRANCHISE FEE**

4.1 Initial Franchise Fee. In consideration of the franchise granted here, Franchisee shall pay Franchisor an initial fee (the "Initial Franchise Fee") in the amount stated in the Summary Pages. The Initial Franchise fee due and payable to Franchisor upon the execution of this Agreement, in consideration of, among other things, the administrative and other expenses incurred by Franchisor in furnishing items and services to Franchisee as described in Section 6 and for Franchisor's lost or deferred opportunity to franchise to others. The Initial Franchise Fee is not refundable. Franchisee shall pay the Initial Franchise Fee by cash, cashier's check, or money order.

## **SECTION 5 OTHER FEES**

5.1 Royalty Fee. During the term of this Agreement, Franchisee shall pay Franchisor a continuing royalty fee ("Royalty Fee" or "Royalty") in the amount stated in the Summary Pages.

5.1.1 Except as set forth in Section 5.10 below Royalty Fees, shall be calculated and paid on monthly basis. Franchisee shall pay all Royalty Fees to Franchisor on or before the fifth (5<sup>th</sup>) day of each month based upon the Gross Revenues of the preceding month, unless otherwise provided in the Manuals. Franchisee shall also pay Franchisor, in addition to the Royalty Fees payable hereunder, all federal, state and local sales or use taxes that may be levied or assessed, in whole or in part, against any Royalty Fees payable to Franchisor. Franchisor reserves the right to collect any Royalty Fee from Franchisee by virtue of an automatic withdrawal, or electronic funds transfer, or the like from Franchisee's bank account.

5.2 Advertising Fee. Franchisee shall pay to such national and/or regional advertising funds (collectively, the "Funds") as Franchisor has established or may establish for advertising for the System, a continuing "Advertising Fee" equal to the amount stated in the Summary Pages.

5.2.1 Except as set forth in Section 5.10 below, Advertising Fees shall be calculated and paid on a monthly basis. Franchisee shall pay all Advertising Fees to the Funds on or before the fifth (5<sup>th</sup>) day of each month based upon the Gross Revenues of the preceding month, unless otherwise provided in the Manuals. Franchisee shall also pay Franchisor, in addition to the Advertising Fees payable hereunder, all federal, state and local sales or use taxes that may be levied or assessed, in whole or in part, against any Advertising Fees payable to Franchisor. Franchisor reserves the right to collect any Advertising Fee from Franchisee by virtue of an automatic withdrawal, or electronic funds transfer, or the like from Franchisee's bank account.

5.3 Website Fee. As discussed in Section 11.8 hereof, Franchisee shall pay to Franchisor a monthly fee, as determined by Franchisor, for creating, updating, maintaining or hosting any Website established and/or maintained by Franchisor, as set forth in the Manuals.

5.4. Late Payment. Franchisee shall pay Franchisor (or the Funds, as the case may be) a late fee of \$100.00 on each Royalty or Advertising Fee payment that is not received by Franchisor within five (5) days after the due date. Any payments that are not received by Franchisor within thirty (30) days after the same become due will bear interest at the rate of 18% per annum, or the highest rate allowed by law, whichever is lower, from the date payment is due to the date payment is received by Franchisor, regardless of any subordinate agreement that may be in effect to postpone payment of royalties.

5.5 Gross Revenues. The term “Gross Revenues” means all sales and other income (recognized on an accrual basis), whether cash or credit (regardless of collection in the case of credit), less (i) refunds and discounts made to customers in good faith and in accordance with Franchisor’s policies, and (ii) sales or excise taxes which are separately stated and which Franchisee may be required to and does collect from clients and pays to any federal, state, or local taxing authority. For the purpose of clarity, Gross Revenue is not reduced by payment processing fees or fees assessed by point-of-sales systems, payment management or processing applications, or any other fees or expenses except as specifically provided in this Section.

5.6 Non-Compliance Fees (for Noncompliance and/or Violation of Curable Default Provisions). Franchisee shall pay Franchisor a fee of \$200.00 per violation for any material violation of any operating procedure (as described in the Manual) or any violation of any curable term of default, as described in Section 13.2, within five (5) days of written notice of same. Any payments of such fee(s) that are not received by Franchisor within thirty (30) days after the same become due will bear interest at the rate of 18% per annum, or the highest rate allowed by law, whichever is lower, from the date payment is due to the date payment is received by Franchisor, regardless of any subordinate agreement that may be in effect to postpone payment of Royalties.

5.7 Taxes on Amounts Paid to Franchisor. All payments required to be made by Franchisee to Franchisor shall be the gross amount determined according to the applicable paragraph, without deduction for any sales, use, withholding, gross receipts, or other taxes (other than income taxes) that may be levied or assessed on the payments by any state, county, or municipality in which the Franchised Business is located or operates, in which Franchisee resides, or which otherwise possesses the power to tax Franchisee or the Franchised Business. Franchisee shall remit to the appropriate taxing authorities all sales, use, withholding, gross receipts, or other taxes (other than income taxes) levied or assessed on amounts paid by Franchisee to Franchisor which would otherwise be due from Franchisor, shall promptly deliver to Franchisor receipts of applicable governmental authorities showing that all such taxes were properly paid in compliance with applicable law, and shall indemnify and defend Franchisor and hold Franchisor harmless from and against all liability for such taxes (including interest and penalties thereon). Franchisee shall fully and promptly cooperate with Franchisor to provide such information and records as Franchisor may request in connection with any application by Franchisor to any taxing authority with respect to any tax credits, including the execution and delivery of a power-of-attorney in the form attached hereto as Exhibit 5, or such other form as Franchisor may prescribe or accept.

5.8 Electronic Funds Transfer. Franchisor may require Franchisee to pay all Royalties, Advertising Fees, interest, late charges, attorney fees, and any other amounts due Franchisor or any affiliate of Franchisor through an electronic depository transfer account established at a national banking institution approved by Franchisor. Within 120 days after the Effective Date and prior to opening the Franchised Business, Franchisee shall establish the electronic depository transfer account and execute and deliver to Franchisor an authorization for electronic funds transfer (in such form set forth in the attached Exhibit 4, or such other form as Franchisor or Franchisee’s bank may prescribe) for direct debits from the account. At all times thereafter during the term of this Agreement, Franchisee shall ensure that Franchisor has access to the account for purposes of receiving electronic funds transfer payments, and Franchisee shall comply with



procedures specified by Franchisor and perform such acts as may be necessary to accomplish payment by electronic funds transfer. Franchisee hereby authorizes Franchisor to initiate debit entries and credit correction entries to the account for payment of Royalty Fees, Advertising Fees, attorney fees, interest, late fees, and other any amounts payable to Franchisor or any affiliate of Franchisor. Franchisee shall make funds available in sufficient amounts to meet its obligations as they become due. Once established, Franchisee may not close the account without Franchisor's consent. If Franchisee has not timely reported Franchisee's Gross Revenues to Franchisor for any reporting period, then Franchisor is hereby authorized by Franchisee to debit Franchisee's electronic depository transfer account in an amount equal to the amounts payable by Franchisee for the last reporting period for which Franchisor received a Monthly Sales Report. Nothing in this paragraph is to be construed to waive Franchisee's obligations to submit any reports, records or other materials required by this agreement.

**5.9 Site-Evaluation Fee & Reimbursements.** As discussed in Section 6.1.a., at your request, Franchisor will provide one (1) on-site evaluation of a single proposed Specific Location, at no charge. However, you may be required to reimburse us our reasonable expenses associated with our trip. The reasonable expenses associated with our trip include the costs of travel, lodging and meals for our representatives to travel to your proposed location. If Franchisee requests additional site evaluations, you will be required to submit our then-standard fee for the evaluation, and reimburse us for our costs of travel, as described above.

**5.10 Switch of Reporting/Payment from Monthly to Weekly Basis.** Upon 30-day written notice, Franchisor may, at its sole option and in writing, require that all reporting and payments otherwise required to be performed/made by Franchisee on a monthly basis under this Agreement shall thereafter be performed/made at a time, frequency, and day of Franchisor's election.

## **SECTION 6 DUTIES OF FRANCHISOR**

**6.1** Provided that no default of the terms and conditions of this Agreement by Franchisee has occurred, Franchisor shall provide, at such times and in the manner determined by Franchisor in its sole judgment, the follow assistance and services to Franchisee:

(a) Designation of your Specific Location and/or Site Selection Area, as provided in Sections 1.2 and 3.1.

- i. At Franchisee's request, Franchisor will provide one (1) on-site evaluation of a single proposed Specific Location, at no charge. However, you may be required to reimburse us our reasonable expenses associated with our trip, as set forth in Section 5.9.
- ii. If Franchisee requests additional on-site evaluations, you will be required to submit our then-standard fee for the evaluation, and reimburse us for our costs of travel, as set forth in Section 5.9.

(b) Use of Franchisor's Marks for the Franchised Business and copyrighted materials designated from time-to-time by Franchisor for Franchisee's use, during the term of this Agreement.

(c) Designation of certain equipment, supplies, and initial inventory necessary to operate the Franchised Business.

(d) Provision of prototype plans, standard layouts, and/or specifications for the construction of a Franchised Business and for the exterior and interior design and layout, fixtures, equipment, furnishings, and signs as provided in Article 3.

(e) Initial training, for up to five (5) days, as Franchisor deems appropriate, for up to three (3) persons, which shall include you or your Designated Principal (as applicable) and your General Manager

(if any), at one of Franchisor's approved training locations. Franchisor will not charge any fee for such training for these three (3) individuals ("Corporate-Location-Training"). However, you must pay the travel and living expenses for these three (3) individuals related to this training. You will receive no compensation for your on-the-job training.

(f) Additional initial training and opening assistance for up to five (5) days at the Franchised Business – in the period of time of one week before to one week after your Franchised Business opens for operation – as we deem appropriate in our sole discretion ("Franchised-Location-Training").

(g) Inspection and approval of the location and facilities of the Franchised Business for opening before the initial opening. (Franchisee may not start operation of its Franchised Business until Franchisor has provided approval to do so.)

(h) Provision of a copy of Franchisor's Manuals, on loan for the term of this Agreement.

(i) Trade and operating procedures and methods as set forth in the Manuals (which shall be maintained as confidential and secret by Franchisee).

(j) A copy of any existing business and reporting forms created by Franchisor for use by Franchisees in its Franchised Business.

(k) Notification of any approved sources for purchasing supplies, products, equipment and materials necessary for the ongoing operation of the Franchised Business.

(l) Periodic assistance to the extent Franchisor deems necessary.

(m) Periodic newsletters, bulletins, and such other materials, information and assistance as Franchisor may from time to time deem necessary.

6.2 Software. As discussed in Section 9.9, Franchisor may, but is not obligated to develop and license certain "Software" to Franchisee. In the event that Franchisor develops such Software, Franchisor shall license Franchisee, at a fee to be determined by Franchisor, to use the Software described in Section 9.9 of this Agreement (which may be provided on compact disk or downloaded via a franchisee extranet).

6.3 Any program, training, support, facility, group, meeting, advertising, account, contract, agreement, membership, discount, subscription, license, visitation, consultation, or any other form of assistance in existence at the signing of this Agreement or that may be initiated by Franchisor in the future and not specifically provided for in this Section shall not be an obligation of the Franchisor and may be discontinued or modified at any time in the sole judgment of Franchisor.

## **SECTION 7 DUTIES OF FRANCHISEE**

7.1 Training. You or your Designated Principal (as applicable) and your General Manager (if any) must complete, to Franchisor's satisfaction, Franchisor's initial training program described in Sections 6.1(e)-(f). In connection with the initial training program described in Sections 6.1(e)-(f) above, Franchisor shall provide and pay for the instructors, and training materials utilized in such training. Franchisee shall be responsible for all other expense incurred by Franchisee or its trainees, including, without limitation, the cost of travel, room, board, and wages. If Franchisee, Franchisee's Designated Principal, or General Manager fail to complete the initial Corporate-Location-Training training program to the satisfaction of Franchisor or fails to begin the training program within ninety (90) days after the Effective Date, then Franchisor may terminate this Agreement, without refund of any money paid by Franchisee. You or your Designated Principal (as applicable) and your General Manager (if any) and any other employee Franchisor designates, also shall attend and complete, to Franchisor's satisfaction, any additional training programs and annual conferences or meetings as Franchisor may reasonably require from time to time. Franchisor may charge Franchisee a fee for any additional training, conferences, and meetings, in an amount set forth in the

Manuals. In connection with such training, conference, or meeting, Franchisee shall be responsible for all expenses incurred by Franchisee or its designees, including, without limitation, the cost of travel, room, board and wages, and any training fee charged by Franchisor. Prior to opening your Franchised Business, you or your Designated Principal (as applicable), your General Manager (if any), and any other personnel the Franchisor designates, must complete, to Franchisor's satisfaction, the training course(s) designated or approved by Franchisor regarding identifying and reporting sexual, emotional, and physical misconduct, at your cost and expense. You must submit the documentation requested by Franchisor to evidence your compliance with this provision.

**7.2 System Standards.** Franchisee acknowledges and agrees that every detail of the System is important, not only to Franchisee but also to Franchisor and other CHEER ATHLETICS Franchisees, in order to develop and maintain high and uniform operating standards, to increase the demand for the products and services sold by all franchisees, to establish and maintain a reputation for operating uniform, efficient, high quality locations, and to protect the goodwill of all Cheer Athletics company-owned, affiliate-owned and franchised businesses. Franchisee further acknowledges and agrees that a fundamental requirement of the System, this Agreement, and other Cheer Athletics company-owned, affiliate-owned and franchised locations is adherence by all franchisees to the uniform specifications, standards, operating procedures and rules prescribed by Franchisor for the development and operation of the Franchised Business (hereafter referred to as "System Standard(s)"). Accordingly, Franchisee agrees to comply with each and every System Standard, as periodically modified and supplemented by Franchisor in its sole and absolute discretion, during the term of this Agreement. Franchisee further agrees that System Standards prescribed from time to time in the Manuals, or otherwise communicated to Franchisee in writing, shall constitute provisions of this Agreement as if fully set forth in this Agreement. Any references to this Agreement include all System Standards as periodically modified.

**7.3 Products and Services.** Franchisee shall offer and sell all products and services, and only those products and services, authorized by Franchisor and specified in writing by Franchisor ("Permitted/Required Products and Services," "Permitted/Required Products," or "Permitted/Required Services"). Franchisor may unilaterally add and delete products or services to or from the Permitted/Required Products and Services at any time. Franchisor may also designate any products or services as optional.

**7.4 Fixtures and Furnishings.** Franchisee shall purchase and install, at Franchisee's expense all fixtures, furnishings signs, computer software, and other equipment as may be specified by the System Standards from time to time and shall not permit the installation of any fixtures, furnishings signs, software, or equipment not conforming to the System Standards.

**7.5 Supplier Approval.** Franchisee shall purchase all signs, equipment, computers, software, marketing materials and services, inventory, supplies, and other products materials and services required for the operation of the Franchise solely from suppliers (including manufacturers, distributors, wholesalers, and brokers) who have been approved or designated by Franchisor. Franchisor will base its approval of suppliers upon a variety of factors, including their ability to meet Franchisor's then-current standards and specifications; their quality controls, their capacity to supply Franchisee's needs promptly and reliably, and their prices. Franchisee recognizes that because of price discounts, benefits or other legitimate sales incentives, Franchisor may require Franchisee to participate with Franchisor or other CHEER ATHLETICS Franchisees when purchasing certain items, products, or services to be sold or utilized in the Franchised Business. If Franchisee desires to purchase any item from an unapproved supplier, Franchisee shall submit to Franchisor a written request for such approval or shall request the supplier itself to do so. Franchisor will notify you within 90 days of your request as to whether you are authorized to purchase such products from that supplier. Franchisor shall have the right to require that its representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered, at Franchisor's option, either to Franchisor or to an independent certified laboratory designated by Franchisor, for testing. Franchisee will reimburse Franchisor for the reasonable cost of all evaluation and testing of such suppliers and/or their

products. Franchisor reserves the right, at its option, to re-inspect the facilities and products of any such approved supplier, and to revoke its approval upon the supplier's failure to continue to meet any of Franchisor's criteria.

7.6 Business Operation. Franchisee may not start operation of its Franchised Business until Franchisor has provided approval to do so. After opening, Franchisee shall maintain the Franchised Business in continuous operation during the term of this Agreement. Franchisee shall not use or permit the use of the Premises on which the Franchised Business is located for any other purpose or activity other than the operation of the Franchised Business without first obtaining the written consent of Franchisor. The Franchised Business must at all times be under the direct "on-premises" supervision of a General Manager designated by Franchisee. The General Manager may be the Franchisee, the Franchisee's Designated Principal, or a person who has been approved in writing by Franchisor and who has successfully completed Franchisor's initial training program and any other mandatory training programs. Such General Manager must devote his full time and energy to the operation of the Franchised Business. Such General Manager may not have an interest in or business relationship with any training-facility or gym, or with any business competitor of Cheer Athletics Holdings, LLC, the Franchised Business or any of our other franchisees. The General Manager must sign a written agreement requiring the maintenance of confidentiality and non-competition, in a form substantially similar to Exhibit 8, attached hereto.

7.7 Payment of Liabilities and Taxes. Franchisee shall at all times pay its distributors, contractors, suppliers, trade creditors, employees, and other creditors promptly as the debts and obligations to such persons become due, and pay all taxes on real and personal property, leasehold improvements and fixtures, and all sales, use, income, payroll, and other taxes promptly when due, and shall hold Franchisor harmless therefrom. All taxes shall be paid directly to the appropriate taxing authority prior to the delinquent date. If Franchisee shall fail to pay any such obligations promptly as the debts to such persons or entities become due or if any taxes become delinquent, Franchisor may, in addition to its other remedies provided in this Agreement, without being obligated to do so, pay any obligation or tax and any late charges interest and penalties thereon, and Franchisee shall, upon demand, reimburse Franchisor for any sums Franchisor has paid, together with interest at the rate of 18% per annum, or the maximum rate permitted by law, whichever is less, from the date of payment by Franchisor to the date of reimbursement by Franchisee.

7.8 Records. Franchisee shall maintain and preserve, for at least six years after the date of their preparation, full, complete, and accurate books and records of account, prepared in accordance with generally accepted accounting principles and in the form and manner prescribed by Franchisor from time to time in the Manuals or otherwise in writing. In connection with its maintenance of such accounts and records, Franchisee, at its expense, shall:

(a) Submit to Franchisor, on or before the third (3<sup>rd</sup>) business day of each month, a monthly sales report in the form prescribed by Franchisor ("Monthly Sales Report"), and certified by Franchisee or by the Designated Principal, accurately reflecting Franchisee's Gross Revenues during the preceding month, and such other data or information as Franchisor may require;

(b) Submit to Franchisor, within ninety (90) days after the end of each calendar year, an income statement certified by Franchisee or by the Designated Principal as accurately reflecting the results of operations of the Franchised Business for the preceding calendar year, together with such other information as may be prescribed or requested by Franchisor;

(c) Submit to Franchisor, within ninety (90) days after the end of each calendar year, copies of all statements relating to each account for the preceding calendar year (for purposes of this subsection, the term "account" includes any checking, savings, or other account with any bank, savings and loan, credit union, or other financial institution, to or from which receipts or expenses of the Franchised Business have been deposited or paid);

(d) Submit to Franchisor signed copies of the federal income tax return for the previous tax

year, as filed with the Internal Revenue Service, of Franchisee and of any Principal who holds an ownership interest in Franchisee of 50% or more, on or before April 30 of each year, or, if the taxpayer has received an extension of time to file and Franchisee submits to Franchisor a signed, file-stamped copy of IRS Form 4868 or 2688, as applicable, by April 30, then within fifteen (15) days after the final due date for such return, but in no event later than October 30 of each year;

(e) Submit to Franchisor, within ten (10) days after request, such other forms, reports, bank statements, client files, records, information, and data as Franchisor may reasonably request;

(f) Use only the chart of bookkeeping accounts prescribed by Franchisor in the Manual or otherwise communicated to Franchisee;

(g) Implement such procedures as Franchisor may require to automate the reporting of financial information and the payment of recurring fees by Franchisee pursuant to this Agreement, including, but not limited to, Internet or intranet reporting; and purchase and install such equipment as Franchisor may require to accomplish such automation and pre-authorization of electronic funds transfer or bank debit; and

(h) During the term of this Agreement and for a period of three years after the termination or expiration of this Agreement permit Franchisor or its designated agents at all reasonable times to examine, at Franchisor's expense and at Franchisor's office or such other location as Franchisor may select, Franchisee's books and records of account bank statements, canceled checks, client files, federal, state, and local income tax, sales and use tax, and payroll tax returns, and any other information or records pertaining to the Franchise or which Franchisee is required to maintain under this agreement (hereafter referred to as Franchisee's "Business Records"). If, as a result of any inspection, Franchisor determines that Franchisee has understated its Gross Revenues (as defined in Section 5.5 above) in any report to Franchisor, then Franchisee shall immediately pay the Royalty and Advertising Fee payable on the amount of the understatement, plus the late fee and interest imposed by Section 5.4 above. In addition, if, as a result of any inspection, Franchisor determines that Franchisee has understated its Gross Revenues by 3% or more for any reporting period, or if an inspection is prompted by Franchisee's failure to maintain any records or to timely submit any report or other information required by this Agreement, then Franchisee shall reimburse Franchisor for all costs and expenses of the inspection (including, without limitation, wages paid by Franchisor to its employees, travel expenses, and reasonable accounting and legal fees). The foregoing remedies are in addition to any other remedies Franchisor may have under this agreement or at law or in equity. Franchisor may also, at all times during the term of this Agreement and for a period of three years after the termination or expiration of this Agreement, retain an independent party to audit Franchisee's Business Records.

The terms of this Section 7.8 shall survive the expiration, termination or cancellation of this Agreement.

## 7.9 Indemnity and Insurance.

7.9.1 You shall indemnify and hold harmless to the fullest extent by law, Franchisor, its Affiliates, and their respective directors, officers, employees, shareholders, and agents, (collectively, "Indemnitees") from any and all "losses and expenses" (as hereinafter defined) incurred in connection with any litigation or other form of adjudicatory procedure, claim, demand, investigation, or formal or informal inquiry (regardless of whether same is reduced to judgment) or any settlement thereof arising out of or related to your operation of the Franchised Business including, but not limited to, claims arising as a result of the maintenance and operation of vehicles or the Franchised Location ("Event"), and regardless of whether same resulted from any strict or vicarious liability imposed by law on the Indemnitees; provided, however, that this indemnity shall not apply to any liability arising from the gross negligence of Indemnitees (except to the extent that joint liability is involved, in which event the indemnification provided in this Agreement shall extend to any finding of comparative negligence or contributory negligence attributable to

you). For the purpose of this Section 7.9.1, the term “losses and expenses” includes compensatory, exemplary, or punitive damages; fines and penalties; attorneys' fees; experts' fees; court costs; costs associated with investigating and defending against claims; settlement amounts; judgments; compensation for damages to Franchisor's reputation and goodwill; and all other costs associated with any of the foregoing losses and expenses. You shall give Franchisor prompt notice of any Event of which you are aware, for which indemnification is required, and, at your expense and risk, Franchisor may elect to assume (but under no circumstance is obligated to undertake) the defense and/or settlement thereof, provided that Franchisor will seek your advice and counsel. Any assumption by Franchisor shall not modify your indemnification obligation. Franchisor may, in its sole and absolute discretion, take such actions as it seems necessary and appropriate to investigate, defend, or settle any Event or take other remedial or corrective actions with respect thereof as may be, in Franchisor's sole and absolute discretion, necessary for the protection of the Indemnities or the System.

7.9.2 Franchisee shall, prior to the opening of its Franchised Business and thereafter at all times during the entire term of this Agreement, at its own expense, keep in force by advance payment of premium:

- (a) All-Risk Insurance on all furniture, fixtures, equipment, supplies and other property used in the operation of the Franchised Business, for their full replacement cost;
- (b) Commercial General Liability Insurance covering claims for bodily and personal injury, death, and property damage with a minimum per occurrence limit of \$1,000,000 and a minimum general aggregate limit of \$1,000,000;
- (c) Product liability insurance in the minimum amount of \$1,000,000 aggregate/single occurrence coverage;
- (d) Automobile Liability Insurance for owned, hired, and non-owned vehicles with a minimum combined single limit of \$1,000,000;
- (e) Employee Dishonesty Insurance with a minimum limit of \$10,000;
- (f) Excess Umbrella Policy Insurance in the minimum amount of \$1,000,000 aggregate/single occurrence coverage; personal property insurance in the minimum amount of \$150,000 coverage;
- (g) Worker's Compensation Insurance as required by the law of the state in which the Franchised Business operates; and
- (h) Abuse and Molestation Insurance in the minimum amount of \$1,000,000.

Franchisee shall maintain such other insurance as may be required by statute or rule of the state or locality in which the Franchised Business is located and operated, and as may be required by any lease to which Franchisee is a party. All policies of insurance that Franchisee is required to maintain hereunder shall contain a separate endorsement naming Franchisor as an additional insured and shall provide for a 30-day advance written notice to Franchisor of cancellation. Except as otherwise stated above, no policy of insurance or type of coverage shall have a deductible of more than \$10,000. All insurance shall be placed with an insurance carrier or carriers approved by Franchisor and shall not be subject to cancellation except upon ten (10) days written notice to Franchisor. All policies of insurance, certifications of insurance with a copy of the original policy attached, showing full compliance with the requirements of these covenants, shall at all times be kept on deposit with Franchisor. If Franchisee fails to comply with these requirements, Franchisor may, but is not obligated to, obtain the required insurance and keep it in force and effect, and Franchisee shall pay Franchisor, upon demand, the cost thereof, together with interest thereon at the rate of 18% per annum, or the highest rate allowed by law, whichever is less. Neither Franchisee nor any agent or employee of Franchisee may open the Franchised Business to the public, provide any services, sell any

products, or represent that the Franchised Business is open for business until Franchisee complies with the requirements of this section. Franchisor, upon not less than thirty (30) days written notice to Franchisee, may reasonably increase the minimum coverage for any insurance required hereunder, decrease the maximum deductible, or require different or additional kinds of insurance coverage to reflect inflation, changes in standards of liability, higher damage awards, or other relevant changes in circumstances. Franchisee shall not operate the Franchised Business at any time that Franchisee is not in compliance with all of the requirements of this paragraph. The terms of this paragraph shall survive the expiration, termination or cancellation of this Agreement.

**7.10 Non-Individual Franchisee.** If Franchisee is other than an individual, it shall comply with the following requirements before the Effective Date.

(a) Franchisee shall be newly organized and its articles of incorporation or organization, by-laws, partnership agreement, or operating agreement shall provide that its activities are confined exclusively to operating the Franchised Business.

(b) Franchisee shall have provided Franchisor with written information as to each shareholder, member, or partner of Franchisee (“**Principal**”), and the interest of each, on Exhibit 2 hereto, and shall promptly notify Franchisor of any changes in any such information during the term of this Agreement.

(c) All Principals of Franchisee shall enter into an agreement, in a form satisfactory to Franchisor unconditionally guaranteeing the full payment and performance of Franchisee’s obligations to Franchisor.

(d) Each ownership certificate of Franchisee shall have conspicuously endorsed upon its face the following legend: “*The transfer, sale or pledge of this certificate is subject to the terms and conditions of a Franchise Agreement with Cheer Athletics Holdings, LLC.*” If Franchisee is a partnership or limited liability company without certificates evidencing ownership, Franchisee shall provide Franchisor with acceptable evidence that its partnership or operating agreement or other organizational documents contain provisions acceptable to Franchisor prohibiting the transfer of any ownership interest in Franchisee other than in compliance with the terms of this Agreement. Franchisee shall not cause or permit any such provision to be deleted or modified during the term of this Agreement.

(e) Copies of Franchisee’s articles of incorporation or organization, by-laws, partnership agreement, operating agreement, as the case may be, and other organizational documents, including the resolutions of its Principals or governing board authorizing the execution of this Agreement, shall be furnished to Franchisor for its approval.

(f) Franchisee’s name shall not consist of or contain the words “Cheer,” “Athletics,” “Cheer Athletics” any variation thereof, or any other mark in which Franchisor or its affiliates have or claim a proprietary interest.

**7.11 Compliance with Law.** Franchisee shall comply with all laws, regulations and requirements of federal, state, municipal, and other governmental entities and agencies (including, without limitation, fictitious or assumed name statutes, relevant laws related to the sale of relevant health and safety laws, Title VII of the Civil Rights Act, the Americans with Disabilities Act, the Age Discrimination in Employment Act, Anti-Terrorism Laws [as more fully described in Section 7.20] and any other federal, state or local employment laws), and obtain and maintain any and all licenses and permits required by any governmental agencies or otherwise necessary to conduct the Franchised Business in any jurisdiction in which it operates. Franchisee agrees and acknowledges that Franchisee alone shall be responsible for compliance with the obligations under this paragraph, and that Franchisor shall have no obligation with respect to Franchisee’s compliance under this paragraph. In connection with its obligations under this paragraph, Franchisor hereby consents for Franchisee to disclose to Franchisee’s legal counsel, for the purpose of ensuring compliance with and enforceability under federal, state and local law, any and all forms, agreements and other

documents provided by Franchisor for use in the Franchised Business.

7.12 Customer Dispute Resolution. Franchisee acknowledges that client satisfaction is essential to Franchisee's success as well as the reputation and success of the Marks, the System, and other of Franchisor's company-owned, affiliate-owned and franchised locations. Accordingly, Franchisee agrees to: (i) use its best efforts to ensure the satisfaction of each of Franchisee's customers; (ii) use good faith in all dealings with clients, potential clients, referral sources, suppliers, and creditors; (iii) respond to customer complaints in a courteous, prompt, and professional manner; and (iv) use its best efforts to promptly and fairly resolve customer disputes in a mutually-agreeable manner. If Franchisee fails to resolve a dispute with a customer, for any reason whatsoever, Franchisor, in its discretion and for the sole purpose of protecting the goodwill and reputation of the Marks, may (but shall not be obligated to) investigate the matter and require Franchisee to take such actions as Franchisor deems necessary or appropriate to resolve the dispute fairly and promptly. Nothing contained in this Section or any other provision of this Agreement shall be construed to impose liability upon Franchisor to any third party for any action by or obligation of Franchisee.

7.13 Designated Principal. If Franchisee is other than an individual, prior to beginning the initial training program described in Section 7.1, Franchisee shall designate, subject to Franchisor's reasonable approval an individual Principal of the franchisee entity (the "Designated Principal") who shall be responsible for general oversight and management of the operations of the Franchised Business on behalf of Franchisee. The Designated Principal must attend and successfully complete the initial training program and such other training programs as Franchisor may from time to time require during the term of this Agreement. Franchisee acknowledges and agrees that Franchisor shall have the right to rely upon the Designated Principal to have been given, by Franchisee, decision-making authority and responsibility regarding all aspects of the Franchised Business. In the event that the person designated as the Designated Principal dies, becomes incapacitated, leaves Franchisee's employ, transfers his/her interest in Franchisee, or otherwise ceases to supervise the operations of the Franchised Business, Franchisee shall promptly designate a new Designated Principal, subject to Franchisor's reasonable approval.

7.14 Communication and Information System. To ensure the efficient management and operation of the Franchised Business and the transmission of data to and from Franchisor, Franchisee, at its own expense, shall install, prior to opening the Franchised Business, and shall maintain and utilize during the term of this Agreement, such Communication and Information System as may be specified by the System Standards from time to time, including those requirements set forth in Section 9, below.

7.14.1 As used in this Agreement, the term "Communication and Information System" means: hardware (including, without limitation, one or more computers and/or other computer components); software designed for the management and operation of the Franchised Business, as well as reporting and sharing information with Franchisor; point of sale equipment and software; and communication systems (including, without limitation, digital and analog modems, satellite, cable, and other systems).

7.14.2 Franchisee shall lease and/or purchase its Communication and Information System only from such vendor(s) or supplier(s) that Franchisor has approved in writing pursuant to the provisions of Section 7.5 above. Franchisee shall not install, or permit to be installed, any devices, software or other programs not approved by Franchisor for use with the Communication and Information System.

7.14.3 Franchisee shall upgrade and update its Communication and Information System in the manner, and will, specified by Franchisor in writing, in accordance with Section 9 below.

7.14.4 Franchisee shall have the sole and complete responsibility for the manner in which Franchisee's Communication and Information System interfaces with other systems, including those of Franchisor and other third parties, as well as any and all consequences that may arise if Franchisee's Communication and Information System is not properly operated, maintained, and upgraded.



7.14.5 Franchisee shall maintain at least one dedicated telephone line for use exclusively by the Franchised Business. Each telephone line shall have service features as may be required by Franchisor in the Manuals or otherwise communicated to Franchisee from time to time. Franchisor may require Franchisee to provide a full-time employee or answering service to answer Franchisee's telephone during regular business hours. All lines shall be operational and functional prior to opening the Franchised Business and thereafter at all times during the term of this Agreement. The telephone number for the Franchised Business must be listed in a white-pages telephone directory and a yellow-pages listing, in accordance with Franchisor's requirements, under the Trade Name and the address of the Specific Location. The costs of such listing shall be borne solely by Franchisee.

7.14.6 Prior to opening the Franchised Business and thereafter at all times during the term of this Agreement, Franchisee shall obtain and maintain a standard e-mail account, in accordance with Franchisor's directives, standards, and/or specifications, that is capable of receiving and sending attached files of a size as may be specified by Franchisor in the Manuals or otherwise communicated to Franchisee from time-to-time, along with Internet connection via a commercial Internet service provider.

7.15 Annual Meeting. If offered by Franchisor (in Franchisor's sole discretion), Franchisee (or if Franchisee is other than an individual, the Designated Principal) and the General Manager (if any), at least biennially, must attend a national meeting of CHEER ATHLETICS Franchisees at a location designated by Franchisor. Franchisee shall be responsible for any and all expenses incurred to attend such meetings, including, without limitation, costs of transportation, lodging, and meals. Franchisor reserves the right to charge Franchisee a reasonable fee for such meetings. This provision will not be construed to require Franchisor to hold, provide, sponsor, host, or organize any such meetings.

7.16 Covenants of Employees and Agents. Franchisee shall require each of its management employees (except those individuals required to execute a Restrictive Covenant Agreement pursuant to Section 15.10 below), at the time of the commencement of their association with Franchisee, to execute an "Engagement Agreement" containing provisions:

(a) requiring that all proprietary or confidential information that may be acquired by or imparted to the person in connection with their association with Franchisee (including, without limitation, the Manuals, any proprietary software provided by Franchisor, and all information contained therein) be held in strict confidence and used solely for the benefit of Franchisee or Franchisor during their association with Franchisee and at all times thereafter;

(b) prohibiting the person, during their association with Franchisee, from diverting or attempting to divert any business or customer or client of the Franchised Business or of any other CHEER ATHLETICS Franchisee to any competitor, by direct or indirect inducement or otherwise;

(c) prohibiting the person, during their association with Franchisee, from doing or performing, directly or indirectly, any act injurious or prejudicial to the goodwill associated with the Marks and the System;

(d) prohibiting the person, during their association with Franchisee, from employing or seeking to employ any person who is at that time employed by Franchisor, Franchisee, or any other CHEER ATHLETICS Franchisee, or otherwise directly or indirectly inducing or attempting to induce such person to leave his or her employment; and

(e) prohibiting the person, during their association with Franchisee and for a continuous period of two years (or the maximum period permitted or enforced by the laws of the state in which the Franchised Business is located, if such period is less than two years, but in no event less than six months) after the termination of their association with Franchisee, from operating, owning, maintaining, promoting, engaging in, or performing services for (as an employee or otherwise) any business offering products or services competitive with those offered by the Franchised Business.

Franchisee shall provide Franchisor with executed copies of an Engagement Agreements required by this Section. Franchisee may not grant any person enumerated above access to any confidential aspect of the System or the Franchised Business prior to their execution of an Engagement Agreement. All Engagement Agreements required by this Section must be in a form satisfactory to Franchisor and must specifically identify Franchisor as a third-party beneficiary with the independent right to enforce the agreement. Franchisee's failure to obtain the execution of all Engagement Agreements required by this Section and provide copies thereof to Franchisor is a material breach of this Agreement.

Franchisee may not grant any person enumerated above access to any confidential aspect of the System or the Franchised Business prior to their execution of an Engagement Agreement. All Engagement Agreements required by this Section must be in a form satisfactory to Franchisor and must specifically identify Franchisor as a third-party beneficiary with the independent right to enforce the agreement. Franchisee's failure to obtain the execution of all Engagement Agreements required by this Section and provide copies thereof to Franchisor shall constitute a material breach of this Agreement.

7.17 Maintenance of Premises. Franchisee shall maintain the Franchised Gym and the Premises in a clean, orderly condition and in excellent repair; and, in connection therewith, Franchisee shall, at its expense, make such repairs and replacements thereto (but no others without prior written consent of Franchisor) as may be required for that purpose, including such periodic repainting or replacement of obsolete signs, furnishings, equipment, and decor as Franchisor may reasonably direct.

7.18 Ongoing Upgrades and Refurbishments. Franchisee shall maintain all fixtures, furnishings, equipment, decor, and signs as Franchisor may prescribe from time to time in the Manuals or otherwise in writing. Franchisee shall make such changes, upgrades, refurbishment, and replacements as Franchisor may periodically require, in the time frames specified by Franchisor.

7.19 Five-Year Refurbishment and Renovations. At the request of Franchisor, but not more often than once every five (5) years, unless sooner required by Franchisee's lease, Franchisee shall refurbish the Premises, at its expense, to conform to the Franchised Gym design, trade dress, color schemes, and presentation of the Proprietary Marks in a manner consistent with the then-current image for new CHEER ATHLETIC Franchised Businesses. Such refurbishment may include structural changes, installation of new equipment and signs, remodeling, redecoration, and modifications to existing improvements, and shall be completed pursuant to such standards, specifications and deadlines as Franchisor may specify.

7.20. Compliance with Anti-Terrorism Laws. You and your owners must comply with and/or 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 each of your owners certify, represent, and warrant that none of your or their property or interests is subject to being "blocked" under any of the Anti-Terrorism Laws and that you and each of your owners are not otherwise in violation of any of the Anti-Terrorism Laws.

(a) You and each of your owners certify that none of you or them, your or their respective employees, or anyone associated with you or each of your owners is listed in the Annex to Executive Order 13224 (which can be accessed at <http://www.treasury.gov/offices/enforcement/ofac/sanctions/terrorism.html>). You and each of your owners agrees not to hire (or, if already employed, retain the employment of) any individual who is listed in the Annex.

(b) You and each of your owners certify that you have no knowledge or information that, if generally known, would result in you, your owners, your or their employees, or anyone associated with you or your owners to be listed in the Annex to Executive Order 13224.

(c) You are solely responsible for determining what actions you must take to comply with the Anti-Terrorism Laws, and you specifically acknowledge and agree that your indemnification responsibilities set forth in this Agreement pertain to your obligations under this Section 7.20 (a) through

(e).

(d) Any misrepresentations under this Section 7.20 or any violation of the Anti-Terrorism Laws by you, your owners, agents or employees shall constitute grounds for immediate termination of this Agreement and any other agreement you have entered into with us or any of our affiliates, without any right to cure.

(e) “**Anti-Terrorism Laws**” means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any governmental authority (including without limitation the United States Department of Treasury Office of Foreign Assets Control and any government agency outside the United States) addressing or in any way relating to terrorist acts and/or acts of war.

7.21 Mystery Shopper Programs. Franchisor may designate an independent evaluation service to conduct a “mystery shopper” quality control and evaluation program with respect to Franchisor or affiliate-owned and/or franchised CHEER ATHLETICS Franchised Businesses. Franchisee agrees that the Franchised Business will participate in such mystery shopper program, as prescribed and required by Franchisor, provided that Franchisor-owned, affiliate-owned, and other CHEER ATHLETICS Franchised Businesses also participate in such program to the extent Franchisor has the right to require such participation. Franchisor shall have the right to require Franchisee to pay the then-current charges imposed by such evaluation service with respect to inspections of the Franchised Business, and Franchisee agrees that it shall promptly pay such charges.

## SECTION 8 INTELLECTUAL PROPERTY

8.1 Use by Franchisee. Franchisee’s right to use the CHEER ATHLETICS Marks, any software which may be provided by Franchisor, other materials in which Franchisor claims a copyright, trademark, or other right to exclusive use, trade secrets, and other intellectual property (hereafter collectively referred to as “Intellectual Property”) as granted in this Agreement is limited to their use in connection with the operation of the Franchised Business at the Specific Location described in Section 1.2 hereof, and otherwise as described herein and as set forth in the Manuals, in a separate license agreement, or as may be prescribed in writing by Franchisor from time to time. Franchisee shall use only the name designated by the Franchisor as the trade name of the Franchised Business, shall use only the service mark designated by the Franchisor as its primary service mark to identify and distinguish the services offered by Franchisee, and shall use no other trade name, business name, or service mark in connection with the Franchised Business without Franchisor’s prior written consent. You shall use Marks with the symbols “®”, “™”, and “SM” as appropriate.

8.2 Exclusive Property of Franchisor. Franchisee acknowledges Franchisor’s right, title and interest in and to the Intellectual Property, and the identification, schemes, standards, specifications, operating procedures, and other concepts embodied in the System. Franchisee is a “related company” within the meaning of 15 U.S.C. § 1127 and Franchisee’s use of the Marks pursuant to this Agreement inures to the benefit of Franchisor. Except as expressly provided by this Agreement, Franchisee shall acquire no right, title, or interest therein, and any and all goodwill associated with the System and the Intellectual Property shall inure exclusively to Franchisor’s benefit. Upon the expiration or termination of this Agreement, no monetary amount shall be assigned as attributable to any goodwill associated with Franchisee’s use of the System or the Intellectual Property.

8.3 Infringement by Franchisee. Franchisee acknowledges that the use of the Intellectual

Property outside of the scope of this Agreement without Franchisor's prior written consent is an infringement of Franchisor's rights, title, and interest in and to its Intellectual Property. Franchisee expressly covenants that during the term of this Agreement and after the expiration or termination hereof, Franchisee shall not, directly or indirectly, commit an act of infringement or contest, or in contesting, the validity or ownership of the Intellectual Property or take any other action in derogation thereof. This covenant shall survive the expiration, termination or cancellation of this Agreement.

8.4 Infringement by Others. Franchisee shall promptly notify Franchisor of any use of the Intellectual Property or any colorable variation thereof by any person or legal entity other than Franchisor or any of its representatives and agents or other CHEER ATHLETICS Franchisees, or any other intellectual property in which Franchisor has or claims a proprietary interest. Franchisee further agrees to notify Franchisor promptly of any litigation instituted by any person or legal entity against Franchisor or Franchisee involving the Intellectual Property. Franchisor shall have no obligation to defend or indemnify Franchisee for any claims of infringement. In the event Franchisor, in its sole discretion, undertakes the defense, prosecution or settlement of any proceeding or litigation relating to the Intellectual Property, Franchisor shall retain exclusive control of the same, and Franchisee agrees to execute any and all documents, and to render such assistance as may, in the opinion of Franchisor, be reasonably necessary to carry out such defense prosecution or settlement. Franchisee acknowledges that the nature of trademark and intellectual property law makes it impossible for Franchisor to guarantee or warrant the exclusivity of Franchisor's right to use any of the Intellectual Property and that nothing in this Agreement or in any other document or promotional material provided by Franchisor to Franchisee or to any other party may be construed to guarantee warrant or imply that Franchisor's right to use any of the Intellectual Property is exclusive or superior to the rights of any other party. In the event that any party demonstrates, to Franchisor's sole satisfaction, a superior right to use any of the Intellectual Property, Franchisee shall, upon demand by Franchisor, discontinue its use of such Intellectual Property and, in the case of the Trade Name or any of the Marks, adopt, at Franchisee's sole cost and expense, any replacement name or mark, if any, selected by Franchisor, and Franchisor will have no liability to Franchisee therefore.

8.5 Improper Use of Marks. Franchisee may not use any of the Marks, or any derivative or colorable variation thereof: (a) as part of Franchisee's corporate or other legal name; (b) on or as part of any web site, domain name, URL, web page, electronic mail address, listing, banner, advertisement, or any other service or link on, to or with the Internet World Wide Web, Internet service providers, electronic mail services, communication providers, search engines, or other similar services; (c) with any prefix, suffix (including, but not limited to, the word "Inc."), or other modifying words, terms, designs, or symbols; or (d) in any modified form. Franchisee may not register any of the Marks, or any derivative or colorable variation thereof, as a service mark, trademark, or Internet domain name, or hold out or otherwise employ the Marks to perform any activity or to incur any obligation or indebtedness in such a manner as could reasonably result in making Franchisor liable therefore or which may harm, tarnish, or impair Franchisor's reputation, name, services, or Marks. If Franchisor provides Franchisee with any contracts, agreements, forms, or other documents that contain any of the Marks, Franchisee may not alter or modify such contracts, agreements, forms, or documents without Franchisor's prior written consent. The provisions of this paragraph will survive the expiration, termination or cancellation of this Agreement.

8.6 Non-exclusive Use. Franchisee expressly acknowledges and agrees that this license to use the Intellectual Property is non-exclusive, and Franchisor has and retains the rights, among others:

(a) To grant other licenses for the use of the Intellectual Property, in addition to those already granted to existing CHEER ATHLETICS Franchisees and to Franchisee; and

(b) To develop and establish other systems and programs utilizing the same or similar Intellectual Property, or any other proprietary property, and to grant franchises therein without granting Franchisee any rights therein.

8.7 Use of Marks by Others. Franchisee shall not permit any third party to imprint the Marks on any products, materials, documents, or supplies utilized by Franchisee in connection with the operation of the Franchised Business without first obtaining the consent of Franchisor and requiring such party to execute a license agreement.

8.8 Change or Modification of Marks. Franchisor reserves the right to change or modify its Marks at any time, in its sole discretion. Franchisee shall, upon demand by Franchisor, discontinue its use of any Mark and adopt, at Franchisee's sole cost and expense, any replacement name or mark selected by Franchisor, and Franchisor will have no liability to Franchisee therefore.

8.9 Improvements. If you, your employees, or Principals develop any new concept, process, or improvement in the operation or promotion of a CHEER ATHLETICS Franchise ("Improvement"), you agree to promptly notify Franchisor and provide Franchisor with all necessary related information, without compensation. Any such Improvement shall become Franchisor's sole property and Franchisor shall be the sole owner of all related patents, patent applications, and other intellectual property rights. You and your Principals hereby assign to Franchisor any rights you or your Principals may have or acquire in the Improvements, including the right to modify the Improvement, and waive and/or release all rights of restraint and moral rights therein and thereto. You and your Principals agree to assist Franchisor in obtaining and enforcing the intellectual property rights to any such Improvement in any and all countries and further agree to execute and provide Franchisor with all necessary documentation for obtaining and enforcing such rights. You and your Principals hereby irrevocably designate and appoint Franchisor as agent and attorney-in-fact for you and for them to execute and file any such documentation and to do all other lawful acts to further the prosecution and issuance of patents or other intellectual property right related to any such Improvement. In the event that the foregoing provisions of this Section 8.9 are found to be invalid or otherwise unenforceable, you and your Principals hereby grant to Franchisor a worldwide, perpetual, non-exclusive, fully-paid license to use and sublicense the use of the Improvement to the extent such use or sublicense would, absent this Agreement, directly or indirectly infringe on you or your Principals' rights therein.

## SECTION 9 TECHNOLOGY / CONFIDENTIAL MANUALS

9.1 Computer Systems and Required Software. The following terms and conditions shall apply with respect to the Computer System and Required Software.

9.1.1 Franchisor shall have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, and hardware be used by, between, or among CHEER ATHLETIC Franchised Businesses, including without limitation: (a) back office and point of sale systems, data, audio, video, and voice storage, retrieval, and transmission systems for use at CHEER ATHLETIC Franchised Businesses, between or among CHEER ATHLETICS Franchised Businesses, and between and among the Franchised Business and Franchisor and/or Franchisee; (b) Cash Register Systems; (c) physical, electronic, and other security systems; (d) printers and other peripheral devices; (e) archival back-up systems; and (f) internet access mode and speed (collectively, the "Computer System").

9.1.2 Franchisor shall have the right, but not the obligation, to develop or have developed for it, or to designate: (a) computer software programs and accounting system software that Franchisee must use in connection with the Computer System ("Required Software"), which Franchisee shall install; (b) updates, supplements, modifications, or enhancements to the Required Software, which Franchisee shall install; (c) the tangible media upon which such Franchisee shall record data; and (d) the database file structure of Franchisee's Computer System.

9.1.3 Franchisee shall record all sales on computer-based point of sale systems approved by Franchisor or on such other types of cash registers as may be designated by Franchisor in the Manuals

or otherwise in writing ("Cash Register Systems"), which shall be deemed part of the Franchisee's Computer System.

9.1.4 Franchisee shall make, from time to time, such upgrades and other changes to the Computer System and Required Software as Franchisor may request in writing (collectively, "Computer Upgrades").

9.1.5 Franchisee shall comply with all specifications issued by Franchisor with respect to the Computer System and the Required Software, and with respect to Computer Upgrades. Franchisee shall also afford Franchisor unimpeded access to Franchisee's Computer System and Required Software as Franchisor may request, in the manner, form, and at the times requested by Franchisor.

9.1.6 Franchisee acknowledges and agrees that under no circumstances shall Franchisor be held liable in any way or to any extent as a result of a temporary or permanent failure of Franchisee's Computer System.

9.2 Data. Franchisor may, from time-to-time, specify in the Manuals or otherwise in writing the information that Franchisee shall collect and maintain on the Computer System installed at the Franchised Business, and Franchisee shall provide to Franchisor such reports as Franchisor may reasonably request from the data so collected and maintained. All data pertaining to the Franchised Business, and all data created or collected by Franchisee in connection with the System, or in connection with Franchisee's operation of the business (including without limitation data pertaining to or otherwise concerning the Franchised Business' customers) or otherwise provided by Franchisee (including, without limitation, data uploaded to, or downloaded from Franchisee's Computer System) is and will be owned exclusively by Franchisor, and Franchisor will have the right to use such data in any manner that Franchisor deems appropriate without compensation to Franchisee. Copies and/or originals of such data must be provided to Franchisor upon Franchisor's request. Franchisor hereby licenses use of such data back to Franchisee for the term of this Agreement, at no additional cost, solely for Franchisee's use in connection with the business franchised under this Agreement.

9.3 Privacy. Franchisee shall abide by all applicable laws pertaining to privacy of information collected or maintained regarding customers or other individuals ("Privacy") and shall comply with Franchisor's standards and policies pertaining to Privacy. If there is a conflict between Franchisor's standards and policies pertaining to Privacy and applicable law, Franchisee shall: (a) comply with the requirements of applicable law; (b) immediately give Franchisor written notice of said conflict; and (c) promptly and fully cooperate with Franchisor and Franchisor's counsel as Franchisor may request to assist Franchisor in its determination regarding the most effective way, if any, to meet Franchisor's standards and policies pertaining to Privacy within the bounds of applicable law.

9.4 Telecommunications. Franchisee shall comply with Franchisor's requirements (as set forth in the Manuals or otherwise in writing) with respect to establishing and maintaining telecommunications connections between Franchisee's Computer System and Franchisor's Intranet (as defined below), if any, and/or such other computer systems as Franchisor may reasonably require.

9.5 Intranet. Franchisor, in its sole discretion, may establish a website providing private and secure communications between Franchisor, Franchisee, franchisees, licensees and other persons and entities as determined by Franchisor, in its sole discretion (an "Intranet"). Franchisee shall comply with Franchisor's requirements (as set forth in the Manuals or otherwise in writing) with respect to connecting to the Intranet, and utilizing the Intranet in connection with the operation of the Franchised Business. The Intranet may include, without limitation, the Manuals, training or other assistance materials, and management reporting solutions (both upstream and downstream, as Franchisor may direct). Franchisee shall purchase and maintain such computer software and hardware as may be required to connect to and utilize the Intranet.

9.6 Websites. As used in this Agreement, the term “Website” means an interactive electronic document, series of symbols, or otherwise, that is contained in a network of computers linked by communications software. The term Website includes, but is not limited to, Internet and World Wide Web home pages. In connection with any Website, Franchisee agrees to the following:

9.6.1 Franchisor shall have the right, but not the obligation, to establish and maintain a Website, which may, without limitation, promote the Proprietary Marks, any or all of the products and/or services offered by CHEER ATHLETICS locations, CHEER ATHLETICS Franchised Businesses, the franchising of CHEER ATHLETICS Franchised Businesses, and/or the System. Franchisor shall have the sole right to control all aspects of the Website, including without limitation its design, content, functionality, links to the websites of third parties, legal notices, and policies and terms of usage; Franchisor shall also have the right to discontinue operation of the website.

9.6.2 Franchisor shall have the right, but not the obligation, to designate one or more web page(s) to describe Franchisee and/or the Franchised Business, with such web page(s) to be located within Franchisor’s Website. Franchisee shall comply with Franchisor’s policies with respect to the creation, maintenance, and content of any such web pages; and Franchisor shall have the right to refuse to post and/or discontinue posting any content and/or the operation of any web page.

9.6.3 Franchisee shall not establish a separate Website, without Franchisor’s prior written approval (which Franchisor shall not be obligated to provide). If approved to establish a Website, Franchisee shall comply with Franchisor’s policies, standards, and specifications with respect to the creation, maintenance, and content of any such Website. Franchisee specifically acknowledges and agrees that any Website owned or maintained by or for the benefit of Franchisee shall be deemed “advertising” under this Agreement, and will be subject to (among other things) Franchisor’s approval.

9.6.4 Franchisor shall have the right to modify the provisions of this Section 9 relating to Websites as Franchisor shall solely determine is necessary or appropriate.

9.7 Online Use of Marks. Franchisee shall not, without the prior written approval of Franchisor, use the Proprietary Marks or any abbreviation or other name associated with Franchisor and/or the System as part of any e-mail address, domain name, and/or other identification of Franchisee in any electronic medium. Franchisee agrees not to transmit or cause any other party to transmit advertisements, solicitations, marketing information, promotional information or any other information whatsoever regarding CHEER ATHLETIC Franchised Businesses by e-mail or any other “Electronic Media” without Franchisor’s prior written consent and in accordance with such specific programs, policies, terms and conditions as Franchisor may from time to time establish. Electronic Media shall include, but not be limited to, blogs, microblogs, social networking sites (such as Facebook, LinkedIn, Twitter, Instagram, and TikTok), video sharing and photo-sharing sites (such as YouTube and Flickr), review sites (such as Yelp), marketplace sites (such as eBay and Craigslist), Wikis, chat rooms, and virtual worlds.

9.8 No Outsourcing without Prior Written Approval. Franchisee shall not hire third party or outside vendors to perform any services or obligations in connection with the Computer System, Required Software, or any other of Franchisee’s obligations without Franchisor’s prior written approval therefor. Franchisor’s consideration of any proposed outsourcing vendor(s) may be conditioned upon, among other things, such third party or outside vendor’s entry into a confidentiality agreement with Franchisor and Franchisee in a form that is reasonably provided by Franchisor.

9.9 Franchisor-Software. As of the date of this Agreement, Franchisor has not developed any of its own proprietary software in connection with the operation of the Franchised Business. And Franchisor has made no representations to Franchisee that Franchisor will develop such software. Any reference to “Software” in this Agreement is only intended to cover such software subsequently developed by Franchisor. If and when Franchisor actually develops such software, Franchisor shall grant Franchisee a non-exclusive end-user license agreement (the “EULA”) to use Franchisor’s software (the “Franchisor-

Software” or “Software”) in connection with the operation of the Franchised Business. The EULA will entitle Franchisee to use any number of copies of the Software on any number of computers, provided that they are all owned or leased by Franchisee and are part of the Franchised Business. The Software and all supporting files shall be protected by United States copyright laws and international treaty provisions. Franchisee may not rent, lease, sell reverse engineer, decompile, disassemble, modify, or create derivative works from the Software. The Software and all supporting files shall be proprietary and confidential trade secrets of Franchisor, and remain the property of Franchisor at all times. In no event will Franchisor be liable to Franchisee, its Principals, directors, officers, or agents, for any special, consequential, indirect or similar damages, including any lost profits or lost data arising out of the use or inability to use the Software or any data supplied therewith, even if Franchisor or anyone else has been advised of the possibility of such damages, or for any claim by any other party. Franchisee shall use only the Software or other software approved, provided, or designated by Franchisor, and no other computer programs or applications, to maintain financial information or any other information relating to the Franchised Business and/or to operate the Franchised Business. Franchisee may use the Software only in connection with the operation of the Franchised Business. Franchisee shall obtain support for the Software only from such vendor(s) as may be designated by Franchisor from time to time. FRANCHISOR DISCLAIMS ALL WARRANTIES, EXPRESS OR IMPLIED, WITH RESPECT TO THE SOFTWARE, INCLUDING, BUT NOT LIMITED TO, ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

Until such time as Franchisor may develop its own Software, Franchisee shall obtain and maintain a license to such other computer software from third-parties as Franchisor may require in its Manual or otherwise.

9.10 Changes to Technology. Franchisee and Franchisor 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, Franchisee agrees that Franchisor shall have the right to establish, in writing, reasonable new standards for the implementation of technology in the System; and Franchisee agrees that it shall abide by those reasonable new standards established by Franchisor as if this Section 9 were periodically revised by Franchisor for that purpose.

9.11 Business Operations. In order to protect the reputation and goodwill of Franchisor and to maintain uniform standards of operation under the Marks, Franchisee shall conduct its operations hereunder in accordance with Franchisor’s Manuals (as the same may be amended or modified from time to time), which Franchisee acknowledges having received on loan from Franchisor. The Franchisor’s Manuals means the compilation of information and knowledge that is necessary and material to the System. The term “Manual” as used in this Agreement, includes all publications, materials, drawings, memoranda, videotapes, CDs, DVDs, MP3s, and other electronic media that Franchisor from time to time may loan to you. The Manual may be supplemented or amended from time to time by letter, electronic mail, bulletin, videotape, CD, DVD, MP3, or other communications concerning the System to reflect changes in the image, specifications, and standards relating to developing, equipping, furnishing, and operating a CHEER ATHLETICS franchise.

9.12 Confidentiality. The Manuals and any and all proprietary computer software provided by Franchisor shall at all times remain the sole property of Franchisor. Franchisor treats the Manuals, the Software, and all information contained therein as confidential and proprietary. Franchisee shall treat the Manuals, the Software, and all information contained therein as confidential and proprietary, and shall use all reasonable efforts to maintain such information as confidential and proprietary. Franchisee shall also ensure that its employees treat the Manuals, the Software, and all information contained therein as confidential and proprietary. Franchisee shall not at any time copy, duplicate, record, or otherwise make the same available to any unauthorized person. The provisions of this paragraph shall survive the expiration, termination or cancellation of this Agreement.



9.13 Modification of Manuals. Franchisor shall have the right to add to or otherwise modify the Manuals from time to time to reflect changes in any of the System Standards provided that no such addition or modification shall alter Franchisee's fundamental status and rights under this Agreement. Without limiting the generality of the foregoing Franchisor may, during the term of this Agreement, require Franchisee to modify, upgrade, update enhance, and/or replace all or any part of Franchisee's Communication and Information System at Franchisee's expense, and Franchisee agrees to acquire (or acquire the right to use for the remainder of the term of this Agreement), within 120 days after receipt of written notice from Franchisor the modification upgrade update, enhancement or replacement of the Communication and Information System specified by Franchisor and to take all actions as may be necessary to enable the same to operate as specified by Franchisor. Any such modifications, upgrades, updates enhancements and replacements may require Franchisee to incur costs to purchase lease and/or license new or modified computer hardware and/or software or other equipment and to obtain different and/or additional service and support services during the term of this Agreement. Franchisee acknowledges that Franchisor cannot estimate the costs of future maintenance, enhancements, modifications, upgrades, updates, and replacements to the Communication and Information System or other items, and that such maintenance, enhancements, modifications, upgrades, updates, and replacements required by Franchisor may involve additional investment by Franchisee during the term of this Agreement. Franchisee shall at all times ensure that its copy of the Manuals is kept secure, current, and up to date, and in the event of any dispute as to the contents of the Manuals, the terms of the master copy of the Manuals maintained by Franchisor at Franchisor's home office shall be controlling. Upon Franchisor's request, Franchisee will cooperate in the efficient return of all Manuals that have been identified by Franchisor as obsolete.

## **SECTION 10**

### **CONFIDENTIAL INFORMATION**

10.1 Use of Confidential Information. Franchisee shall not, during the term of this Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, persons, partnership, association or corporation, any confidential information, knowledge, or know-how concerning the system or the methods of operation hereunder which may be communicated to Franchisee, or of which Franchisee may be apprised, by virtue of Franchisee's business operations under the terms of this Agreement. Franchisee shall divulge such confidential information only to such of its employees as must have access to it in order to operate the Franchised Business as described herein. In connection therewith, Franchisee shall be fully responsible for ensuring that its employees comply with this Section. The provisions of this paragraph shall survive the expiration, termination or cancellation of this Agreement.

10.2 Remedies. Franchisee acknowledges that any failure to comply with Section 10.1 of this Agreement will cause Franchisor irreparable injury, and Franchisee consents to the issuance of, and agrees to pay all court costs and reasonable legal fees incurred by Franchisor in obtaining, specific performance of, or any injunction by a court of competent jurisdiction against a violation of, the requirements of Section 10.1.

10.3 Preservation of Confidentiality. Franchisee shall require Franchisee's Principals, directors, officers, and management employees, at the time of the commencement of their association with Franchisee, to execute confidentiality agreements, in a form approved by Franchisor, requiring that all information being proprietary or confidential hereunder that may be acquired by or imparted to such persons in connection with their association with Franchisee be held in strict confidence and used solely for the benefit of Franchisee and Franchisor, at all times during their association with Franchisee and thereafter. Franchisee shall require each prospective purchaser of the Franchised Business the license granted under this Agreement or any interest in Franchisee, prior to disclosing any confidential information to such person, to execute a confidentiality agreement in a form approved by Franchisor, requiring that any proprietary or confidential information that may be disclosed to such person in connection with his or her investigation of Franchisee or the Franchised Business, will be held in strict confidence and used solely to evaluate the contemplated transaction. All confidentiality agreements described in this paragraph shall include a specific

identification of Franchisor as a third-party beneficiary with the independent right to enforce the agreement.

## **SECTION 11 ADVERTISING**

Recognizing the value of advertising and promotion, and the importance of the standardization of advertising and promotion programs to the furtherance of the goodwill and public image of the System, the parties agree as follows.

11.1 Generally. With regard to advertising generally for the Franchised Business, Franchisee shall use and publish only such signs, emblems, lettering, logos and displays and advertising materials as Franchisor approves in writing from time to time. Franchisee shall submit to Franchisor, prior to its use, samples of all sales promotional and advertising materials desired to be used by Franchisee, including but not limited to, newspaper, radio, television, direct mail, billboard, and hand-out advertising, specialty and novelty items, and signs which have not been previously approved by the Company. Within fifteen (15) days of Franchisor's receipt of any sample sales promotional material or advertising materials from Franchisee, Franchisor shall notify Franchisee in writing of Franchisor's approval or disapproval of the materials; provided, however, Franchisor's failure to approve or disapprove the materials within fifteen (15) days of receipt shall be deemed a disapproval. Franchisee shall not use any advertising or promotional materials for which Franchisor has not given its prior written approval.

11.2 Advertising Fee. As required in Section 5.2 hereof, Franchisee shall pay an Advertising Fee which shall be allocated, in Franchisor's sole discretion, to (a) the national and/or regional advertising funds (collectively, the "Advertising Funds" or "Funds") as Franchisor may establish for advertising the System (as described in Section 11.4 hereof), or (b) the Cooperative (as described in Section 11.5 hereof).

11.3 Local Advertising. In addition to the advertising expenditures required by Section 11.2 hereof, for each month that the Franchised Business is open for business, Franchisee shall expend on a monthly basis an amount established by Franchisor on local advertising in such manner as Franchisor may, in its sole discretion, direct from time to time (the "Minimum Local Advertising Expenditure"). The amount of the Minimum Local Advertising Requirement shall be equal to the amount stated in the Summary Pages.

11.4 Advertising Funds. Franchisor shall have the right, in its discretion, to establish such national or regional Funds and to designate any geographical area as a region for establishing regional advertising Funds. Franchisor shall maintain and administer the Funds as follows:

11.4.1 Franchisee agrees and acknowledges that the Funds are intended to maximize general public recognition and acceptance of the Marks for the benefit of all Franchises within the System or within a region, as the case may be, and that Franchisor is not obligated in administering the Funds to make expenditures for Franchisee which are equivalent or proportionate to Franchisee's contribution or to ensure that any particular Franchisee benefits directly or indirectly from the placement of advertising.

11.4.2 The Funds, all contributions thereto, and any earnings thereon, shall be used exclusively to meet any and all costs of maintaining, administering, researching, directing, and preparing advertising and/or promotional activities including, without limitation, the costs of preparing and conducting advertising campaigns in various media; direct mail and outdoor billboard advertising; marketing surveys and other public relations activities; employing advertising agencies to assist therein; product development and developing and providing promotional and other marketing materials for Franchisor's company-owned, affiliated-owned and franchised locations, as well as other locations utilizing the CHEER ATHLETICS Marks.

11.4.3 Franchisor, for each of its affiliate-owned or company-owned businesses (if any), shall make contributions to the Funds on the same basis as assessments required of comparable CHEER ATHLETICS Franchisees.

11.4.4 Franchisee shall contribute to the Funds by separate check made payable to “The Cheer Athletics National Advertising Account” or such other designation as Franchisor may from time to time prescribe. All sums paid by Franchisee to the Funds shall be maintained in an account separate from the other moneys of Franchisor. Such sums shall not be used to defray any of Franchisor’s operating expenses, except for such reasonable salaries, overhead and administrative, accounting, legal (including without limitation, the defense of any claims against Franchisor and/or Franchisor’s designee regarding the management of the Funds) and other costs, if any, as Franchisor may incur in activities reasonably related to the administration or direction of the Funds or advertising programs for Franchisor’s company-owned and franchised locations and the System, including the costs of enforcing contributions to the Funds required under this Agreement and the costs of preparing a statement of operations. The Funds and their earnings shall not otherwise inure to the benefit of Franchisor. Franchisor shall maintain separate bookkeeping accounts for each Fund.

11.4.5 It is anticipated that all contributions to and earnings of the Funds shall be expended for advertising and/or promotional purposes during the taxable year within which the contributions are made. If, however, excess amounts remain in the Funds at the end of such taxable year, all expenditures in the following taxable year(s) shall be made first out of accumulated earnings from previous years, next out of earnings in the current year, and finally from contributions.

11.4.6 Advertising fees paid by Franchisee are not refundable to Franchisee. If this Agreement is terminated for any reason (including, but not limited to, the assignment of this Agreement or the transfer of the Franchised Business), all Advertising Fees paid by Franchisee shall be forfeited to the Fund.

11.4.7 Franchisee agrees that Franchisor (and any designee of Franchisor) shall not have any direct or indirect liability or obligation to Franchisee, the Funds or otherwise with respect to the management, maintenance, direction, administration, or otherwise of the Funds. Franchisee further agrees that Franchisor shall not be liable for any act or omission, whether with respect to the funds or otherwise, which is consistent with this Agreement or other information provided to you, or which is done in subjective good faith. Franchisee and Franchisor, each having a mutual interest and agreeing on the critical practical business importance of their relationship being governed solely by written instruments signed by the parties to be bound (and not having either party subject to the uncertainty inherent in the application of legal or other concepts not expressly agreed to in writing by both parties), agree that their rights and obligations with respect to the Funds and all related matters are governed solely by this Agreement and that neither this Agreement nor the Funds are in the nature of a “trust,” “fiduciary relationship” or similar special arrangement, but is only an ordinary commercial relationship between independent business persons for their independent economic benefit.

11.4.8 The Funds are not and shall not be an asset of Franchisor. An accounting of the operation of the Funds will be prepared annually and will be made available to Franchisee during regular business hours, upon Franchisee’s prior written notice to Franchisor, once during each calendar year. Franchisor reserves the right, in its sole discretion, to require that such annual accounting include an audit of the operation of the Funds prepared by an independent certified public accountant selected by Franchisor and prepared at the expense of the Funds.

11.4.9 Although Franchisor intends the Funds to be of perpetual duration, Franchisor maintains the right to terminate any Funds. No Funds shall be terminated, however, until all moneys in the specific Fund have been expended for advertising and/or promotional purposes or returned to contributors on the basis of their respective contributions.

11.5 Advertising Cooperative. Franchisor shall have the right, in its sole discretion, to designate any geographic area for purposes of establishing a regional advertising and promotional cooperative (“Cooperative”), and to determine whether a Cooperative is applicable to the Franchised Business. If a

Cooperative has been established applicable to the Franchised Business at the time Franchisee commences operations hereunder, Franchisee shall immediately become a member of such Cooperative. If a Cooperative applicable to the Franchised Business is established at any later time during the term of this Agreement (or any extension or renewal), Franchisee shall become a member of such Cooperative no later than thirty (30) days after the date on which the Cooperative commences operation. If the Franchised Business is within the territory of more than one Cooperative, Franchisee shall be required to be a member or only a single Cooperative, as determined by Franchisee. If established, the following provisions shall apply to each Cooperative.

11.5.1 Each Cooperative shall be organized, governed, and administered pursuant to its Bylaws, in a form and manner, and shall commence operation on a date, approved in advance by Franchisor in writing.

11.5.2 Each Cooperative shall be organized for the exclusive purpose of administering regional advertising programs and developing, subject to Franchisor's approval, standardized advertising materials for used by the members in local advertising promotion.

11.5.3 No promotional or advertising plans or materials may be used by a Cooperative or furnished to its members without the prior approval of Franchisor. All such plans and materials shall be submitted to Franchisor in accordance with the procedure set forth in Section 11.1 hereof.

11.5.4 Each Cooperative shall have the right to require its members to make contributions to the Cooperative in such amounts as are determined by the Cooperative by majority vote, in an amount not to exceed 2% Franchisee's Gross Revenues on a monthly basis. Each franchised location operated by Franchisor or an affiliate in a geographic area for which the Cooperative operates shall make contributions and have voting powers on any fees imposed by the Cooperative.

11.5.5 Unless otherwise stated in the Manuals, each member franchisee shall submit to the Cooperative, no later than the tenth (10<sup>th</sup>) day of each month, for the preceding calendar month, its contribution as provided in Section 11.5.4 hereof, together with such other statements or reports as may be required by Franchisor or the Cooperative with Franchisor's prior approval.

11.5.6 Franchisee's contribution to the Cooperative shall be in lieu of Franchisee's then Minimum Local Advertising Expenditure as described in Section 11.3 hereof; provided, however, if Franchisee's contribution to the Cooperative does not at least equal the required Minimum Local Advertising Expenditure, Franchisee must expend the difference on local advertising and sales promotion as provided in Section 11.3 hereof.

11.5.7 Pursuant to its Bylaws, an unaudited accounting of the operation of the Cooperative will be prepared annually by the Cooperative and will be made available to Franchisee during regular business hours, once during each calendar year.

11.5.8 Franchisor, in its sole discretions, may grant to any franchisee an exemption for any length of time from the requirement of membership in a Cooperative, upon written request of such franchisee stating reasons supporting such exemption. Franchisor's decision concerning such request for exemption shall be final. If an exemption is granted to Franchisee, Franchisee shall be required to expend on local advertising and sales promotion the full amount provided in Section 11.3 hereof.

11.5.9 Although each Cooperative when established is intended to be of perpetual duration, Franchisor maintains the right to change, dissolve, merge, or terminate any Cooperative. A Cooperative shall not be terminated, however, until all monies in that Cooperative have been expended for advertising and/or promotional purposes.

11.6 Advertising Materials. All advertising, printed materials, and promotion by Franchisee shall be in such media and of such type and format as Franchisor may approve, shall be conducted in a

dignified manner, shall be completely accurate and truthful, shall conform to all applicable laws and regulations relating to consumer advertising and to such standards and requirements as Franchisor may specify from time to time, and shall give notice that the Franchised Business is independently owned and operated. Franchisee shall not use any advertising, coupons, or promotional plans or materials, unless and until Franchisee has received written approval from Franchisor pursuant to the procedures and terms set forth in Section 11.1 hereof. Franchisee shall display the Marks in the manner prescribed by Franchisor on all signs and all other advertising and promotional materials used in connection with the Franchised Business. Franchisee specifically acknowledges and agrees that the word “advertising” includes, but is not limited to, URLs, e-mail addresses, Internet listings, banners, advertisements or other services or links on or with the Internet, World Wide Web, Internet service providers, electronic mail services, communication providers, search engines, and similar services. Accordingly, and as further discussed in Section 11.8 hereof, Franchisee shall not obtain a Website or otherwise maintain a presence or advertise on the Internet or any other public computer network in connection with the rights granted hereunder without Franchisor’s prior written approval and, if such approval is granted, shall operate such Website in accordance with Franchisor’s standards and policies. In addition, to the advertising requirements described in Section 11.2, Franchisee shall obtain and maintain an adequate supply of brochures, pamphlets, and special promotional materials of such kind and size as Franchisor may reasonably require from time to time.

11.7 Minimum Requirements. Franchisee understands and acknowledges that the required expenditures and contributions in this Section 11 are minimum requirements only, and that Franchisee may, and is encouraged by Franchisor to, expend additional funds for advertising and promotion.

11.8 Website. Franchisee specifically acknowledges and agrees that any Website (as defined in Section 9 above) will be deemed “advertising” under this Agreement, and will be subject to (among other things) Franchisor’s approval under this Section 11 and the other terms and conditions set forth in Section 9. In connection with any Website, Franchisee further agrees to the following.

(a) As discussed in Section 5.3 hereof, Franchisee shall pay to Franchisor any fee imposed by Franchisor, for creating, updating, maintaining or hosting any Website.

(b) Upon request, Franchisee shall execute and deliver to Franchisor authorization to take all acts necessary to take any actions on behalf of Franchisee related to any rights Franchisee may have in any web site, web pages listings, banners, URLs, advertisements or any other services or links related to the Franchised Business or the use of Franchisor’s trademarks, service marks, or other logos or Intellectual Property on the Internet or other electronic service (in such form set forth in the attached Exhibit 6, or such other form as Franchisor may prescribe or accept).

11.9 Delegation of Franchisor’s Duties. Franchisor shall have the right to delegate and re-delegate its responsibilities and duties under this Section 11 to any designee(s) of its choosing; provided, however, that the right of final approval of all advertising programs shall be retained at all times by Franchisor.

11.10 Copyright to Advertising. Franchisee acknowledges and agrees that any and all copyrights in and to advertising and promotional materials developed by or on behalf of Franchisee which bear the Marks shall be the sole property of Franchisor, and Franchisee, agrees to execute such documents (and, if necessary, require its independent contractors to execute such documents) as may be deemed reasonably necessary by Franchisor to give effect to this provision. Any advertising, marketing, promotional public relations, or sales concepts plans programs activities or materials proposed or developed by Franchisee for the Franchised Business or the System and approved by Franchisor may be used by Franchisor and other CHEER ATHLETICS Franchisees without any compensation to Franchisee.

## **SECTION 12**

### **TRANSFERABILITY OF INTEREST**

12.1 Transfer by Franchisor. Franchisor shall have the right to transfer or assign all or any part of its rights and/or obligations herein to any person or legal entity, including a regional developer or sub-franchisor specifically responsible for assisting Franchisee. Franchisee agrees to execute any forms that Franchisor may reasonably request to effectuate any transfer or assignment by Franchisor.

12.2 Transfer by Franchisee.

(a) Franchisee understands and acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee, and that Franchisor has entered into this Agreement in reliance upon Franchisee's business skills and financial capacity. Accordingly, neither Franchisee, nor any shareholder, member, or partner of Franchisee, nor any immediate or remote successor to any part of Franchisee's interest in the Franchise, shall sell, assign, transfer, convey, or give away any interest in this Agreement, in the Franchise granted hereunder, or in Franchisee without the prior written consent of Franchisor. Any purported assignment or transfer, by operation of law or otherwise, not having the written consent of Franchisor, shall be null and void and shall constitute a material breach of this Agreement, for which Franchisor may then terminate without opportunity to cure pursuant to Section 13 herein.

(b) Except as provided in Section 12.2(c) below, Franchisor shall not unreasonably withhold its consent to a transfer of any interest in Franchisee, in this Agreement, or in the Franchise granted hereunder; provided, however, that prior to the transfer, Franchisor may require the following.

(1) All of Franchisee's accrued monetary obligations to Franchisor or any of its affiliates and all other outstanding obligations related to the Franchised Business (including, without limitation, obligations under any promissory note in favor of Franchisor or its affiliates) shall have been satisfied.

(2) The transferor's right to receive compensation pursuant to any agreement for the purchase of any interest in Franchisee or in Franchisee's Franchised Business shall be subordinated and secondary to Franchisor's rights to receive any outstanding monetary obligations or other outstanding obligations due from transferor or Franchisee pursuant to this Agreement, whether arising before or after the transfer, and Franchisee and the transferee franchisee shall execute any and all instruments reasonably required by Franchisor to evidence such liability.

(3) Franchisee and each of its Principals shall have executed a general release in a form satisfactory to Franchisor, effective as of the date of transfer, of any and all claims against Franchisor and its officers, directors, shareholders, and employees, in their corporate and individual capacities including without limitation, claims arising under federal, state and local laws, rules and ordinances.

(4) If the transfer will result in a transfer of less than all of Franchisee's rights in the Franchised Business, then the transferee franchisee shall execute appropriate documentation making such transferee jointly and severally liable for all of Franchisee's obligations under this Agreement and any extensions or renewals thereof.

(5) If the transfer results in a full transfer of all rights or a majority of your rights in the Franchised Business, then the transferee shall sign a then-current version of Franchisor's standard franchise agreement and such other ancillary agreements as Franchisor may require, for a term ending on the expiration date of this Agreement or two years from the effective date of the transfer, whichever is later, with such renewal term as is provided in Section 2.2 of this Agreement; provided, however, that the transferee shall not be required to pay an initial franchise fee.

(6) The transferee franchisee shall demonstrate to Franchisor's satisfaction that it meets Franchisor's educational, managerial, and business standards; has the aptitude and ability to conduct the Franchised Business (as may be evidenced by prior related business experience or otherwise); and has adequate financial resources and capital to operate the business.

(7) At the transferee franchisee's expense, and upon such other terms and conditions as Franchisor may reasonably require, the transferee franchisee or its manager shall complete the training course then in effect for CHEER ATHLETICS Franchisees.

(8) Franchisee shall comply with the requirements of Section 10.3 above relating to the disclosure of confidential information to a prospective transferee franchisee.

(9) Either Franchisee or the transferee franchisee shall pay to Franchisor a transfer fee in the amount stated in the Summary Pages, to cover Franchisor's legal and administrative and other expenses in connection with the transfer. No transfer fee will be required in the case of a transfer (i) of any interest in the Franchise to Franchisee's spouse; (ii) of less than 20% of the ownership interest of a corporation, partnership, or limited liability company Franchisee, and (iii) of the entire Franchise to any entity, solely for the convenience of ownership, as described in Section 12.3 below.

(c) Notwithstanding the provisions of Section 12.2(b) above, neither Franchisee nor any shareholder, member, or partner of Franchisee, nor any immediate or remote successor to any part of Franchisee's interest in the Franchise, shall pledge, mortgage, grant a security interest, or otherwise encumber any interest in this Agreement, in the Franchise granted hereunder, or in Franchisee (whether or not in connection with an absolute transfer of an interest in the Franchise). Franchisor shall not be obliged to consent to any such transfer.

12.3 Transfer to Controlled Entity. Franchisee may transfer all of its interest in the Franchised Business to an entity formed solely for the convenience of ownership without Franchisor's consent, upon Franchisee's written notice to Franchisor and compliance with the following requirements.

(a) The transferee entity shall be newly organized and its articles of incorporation or organization, bylaws, operating agreement, or partnership agreement shall provide that its activities are confined exclusively to operating the Franchised Business.

(b) Franchisee shall beneficially own a controlling interest in the transferee entity, shall not diminish his/her ownership interest therein, except as may be required by law, and shall act as its principal executive and operating officer, partner or member.

(c) Franchisee shall provide Franchisor, on a form satisfactory to Franchisor, with written information about each Principal of the transferee entity and the ownership interest thereof, and shall agree to promptly notify Franchisor of any changes in any such information during the term of this Agreement.

(d) The transferee entity shall designate a Designated Individual in compliance with Section 7.13 above.

(e) All Principals of the transferee entity having at least a ten percent ownership interest in the transferee entity shall enter into an agreement, in the form attached hereto as Exhibit 9, or otherwise satisfactory to Franchisor, unconditionally guaranteeing the full payment and performance of the transferee entity's obligations to Franchisor.

(f) Each ownership certificate of the transferee entity shall have conspicuously endorsed upon its face the following legend: "*The transfer, sale or pledge of this certificate is subject to the terms and conditions of a Franchise Agreement with Cheer Athletics Holdings, LLC.*" If Franchisee is a partnership or limited liability company without certificates evidencing ownership Franchisee shall provide Franchisor with acceptable evidence that its partnership or operating agreement or other organizational documents contain provisions acceptable to Franchisor prohibiting the transfer of any ownership interest in Franchisee other than in compliance with the terms of this Agreement. Franchisee shall not cause or permit any such provision to be deleted or modified during the term of this Agreement.

(g) Copies of the transferee entity's articles of incorporation or organization, by-laws, partnership or operating agreement, and other governing documents, including the resolutions of its

Principals or governing board authorizing the execution of this Agreement, shall be furnished to Franchisor for its approval prior to the transfer.

- (h) The name of the transferee entity shall comply with Section 7.10(f) of this Agreement.

12.4 Franchisor's Right of First Refusal. If Franchisee or its owners shall at any time decide to sell, transfer, or assign any right or interest under this Agreement and/or the franchise granted pursuant hereto, Franchisee or its owners shall first obtain a bona fide, executed, written offer from a responsible and fully disclosed purchaser and shall submit an exact copy thereof to Franchisor. For a period of thirty (30) days after the date of delivery of such offer to Franchisor, Franchisor shall have the right, exercisable by written notice to Franchisee or any of its owners, to purchase such rights or interests for the price and on the terms and conditions contained in such offer, provided that Franchisor may substitute equivalent cash for any form of payment proposed in such offer. In such event, Franchisee's notice shall include the fair market value of the assets and Franchisee shall submit with the notice an appraisal prepared by a qualified independent third party evidencing the fair market value of such assets as of the date of the offer. Any purchase by Franchisor must be completed within sixty (60) days after Franchisee's receipt of Franchisor's written notice of its intent to purchase. If Franchisor does not exercise its right of first refusal, Franchisee or its owners may complete the sale of such interest to the bona fide purchaser, subject to Franchisor's approval of the purchaser as provided in Section 12.2 herein; provided, however, that if the sale to such purchaser is not completed within one hundred twenty (20) days after the delivery of the offer to Franchisor, Franchisor shall again have the right of first refusal herein provided.

12.5 Right of Franchisee's Heirs Upon Death, Disability or Dissolution of Franchisee. A transfer to the heirs, surviving spouse, conservators, or personal or other legal representative of Franchisee or a Principal of Franchisee (collectively, "Involuntary Transferees") upon the death, dissolution or legal disability of Franchisee or a Principal of Franchisee, shall not be subject to Franchisor's right of first refusal under Section 12.4 or right to terminate for failure to obtain written approval under Section 12.2(a), so long as the Involuntary Transferees (i) satisfy Franchisor that they are qualified to act as a franchisee pursuant to Section 12.2(b)(6) herein or retain an individual or entity to operate and manage the Franchised Business who is so qualified and who is approved in writing by Franchisor, and (ii) perform all other applicable acts required under Section 12.2 herein. Such transfer must be made within one hundred eighty (180) days after the death, disability, or dissolution of Franchisee or Franchisee's Principal, as the case may be. Any subsequent sale or other transfer by any Involuntary Transferees shall be subject to Franchisor's right of written approval set forth in Section 12.2 and to Franchisor's right of first refusal set forth in Section 12.4. A transfer to Involuntary Transferees shall not require the payment of the transfer fee set forth in Section 12.2(b)(9). Actual legal costs incurred by Franchisor to approve and affect the transfer will be charged, however.

## **SECTION 13 TERMINATION**

13.1 Termination Without Opportunity to Cure. Franchisor may terminate this Agreement upon notice to Franchisee, with immediate effect and without opportunity to cure, upon the occurrence of any of the following events:

- (a) Franchisee or its Designated Principal (as applicable) and/or General Manager (if any) fails to commence the initial training program within ninety (90) days after the Effective Date;
- (b) Franchisee or its Designated Principal (as applicable) and/or General Manager (if any) fails to complete the training program to the satisfaction of Franchisor;
- (c) Franchisee fails to satisfactorily complete initial training or open the Franchised Business within 365 days after the Effective Date of this Agreement or 180 days after signing the lease, whichever is earlier;



- (d) after opening the Franchised Business, Franchisee fails to maintain it in continuous operation;
- (e) Franchisee is declared bankrupt or insolvent or Franchisee is the debtor in a voluntary or involuntary bankruptcy proceeding under the U.S. Bankruptcy Code;
- (f) a receiver is appointed for Franchisee or for any part of its property, or Franchisee makes any assignment for the benefit its creditors, if not dismissed within fifteen (15) days;
- (g) after Franchisee's receipt of a notice of noncompliance (regardless of the source of the notice) applicable to the Franchised Business, Franchisee fails, within the time limit stated in the notice (or, if no time limit is stated or referred to in the notice, within thirty (30) days) to comply with any federal, state or local law or regulation applicable to the operation of the Franchised Business, unless Franchisee in good faith and with due diligence disputes the allegation of noncompliance;
- (h) an attempted transfer of an interest in this Agreement, in the Franchise granted under this Agreement, or in Franchisee, that fails to comply with the provisions of Section 12 of this Agreement;
- (i) Franchisee maintains false books or records or submits any false report, record or document to Franchisor;
- (j) the Franchised Business or Premises are seized, taken over, or foreclosed by a government official in the exercise of his duties or by a creditor, lienholder or lessor of Franchisee;
- (k) a final judgment against Franchisee remains unsatisfied for thirty (30) days (unless a supersedes or other appeal bond has been filed);
- (l) a levy of execution has been made upon the license granted by this Agreement or upon any property used in the Location, which is not discharged within fifteen (15) days;
- (m) a material misrepresentation by Franchisee relating to the acquisition of its Franchised Business;
- (n) any conduct or activity by Franchisee or any Principal, director, or officer of Franchisee, that is reasonably likely to have an adverse effect or reflect unfavorably on the Franchised Business, Franchisor, the System, the Marks, or the goodwill associated therewith, including, without limitation, a felony conviction of Franchisee or any Principal, director or officer of Franchisee;
- (o) within the same one-year period, Franchisee breaches any term of this Agreement after having breached the same term one (1) other time (provided that Franchisee was given notice of the first breach and an opportunity to cure as required herein), regardless of whether Franchisee has cured the previous breach;
- (p) any breach of Section 15.2 of this Agreement;
- (q) Franchisor reasonably determines that the continued operation of the Franchise by Franchisee will result in immediate danger to public health or safety or the health and safety of Franchisee's customers or students; or
- (r) termination of your lease or sublease of your Premises (if you lease) or the foreclosure of your ownership interest of your Premises (if you purchase), unless otherwise agreed in writing by us.

**13.2 Termination With Opportunity to Cure.** Franchisor may terminate this Agreement thirty (30) days (or such longer period as may be required by applicable law) after Franchisee's receipt of written notice of any of the following events of default, unless Franchisee cures the default within the thirty-day period (or such longer period as may be required by applicable law):

- (a) Franchisee fails to pay when due any sum it is required to pay under this Agreement, or

any other agreement or instrument between Franchisor and Franchisee;

(b) Franchisee fails to furnish when due any report required by this Agreement;

(c) Franchisee fails to operate its Franchise in compliance with the terms of this Agreement, the Manuals, or the System Standards;

(d) Franchisee breaches or fails to perform any provision of this Agreement not otherwise described in Section 13.1 above, or breaches or fails to perform any provision of any other agreement between Franchisor and Franchisee;

(e) breach of the terms of the lease or sublease of your Premises; or

(f) Franchisee knowingly understates its Gross Revenues in any report submitted to Franchisor.

(g) Franchisee fails to resolve a customer complaint in the manner specified by the Franchisor to Franchisor's satisfaction.

**13.3 Failure to Cure Default.** If Franchisee fails to cure any default within the applicable time period stated in Section 13.2 above, Franchisee shall indemnify Franchisor for all damages, costs and expenses incurred by Franchisor as a result of Franchisee's default, including, but not limited to, reasonable legal and accounting fees. This paragraph applies regardless of whether or not Franchisor exercises its right to terminate this Agreement. Termination of this Agreement by Franchisor in accordance with this Section 13 does not prejudice any other legal or equitable rights or remedies Franchisor may have. This paragraph shall survive the expiration, termination, or cancellation of this Agreement.

## **SECTION 14 OBLIGATIONS UPON TERMINATION**

**14.1 Franchisee's Obligations.** Upon the termination or expiration of this Agreement for any reason, Franchisee shall forthwith:

(a) Cease to operate the Franchised Business and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of Cheer Athletics Holdings, LLC or CHEER ATHLETICS;

(b) Immediately and permanently cease to use, by advertising or in any manner whatsoever, any equipment, materials, confidential methods, procedures, or techniques associated with the System or which display the Trade Name, Marks or any other distinctive forms, slogans, signs, symbols, or devices associated with or belonging to Franchisor, including, but not limited to, removing or obscuring (i) the Marks and any slogans, symbols, designs, or names associated with or belonging to Franchisor, and (ii) any telephone numbers used in connection with the Franchised Business.

(c) Make such modifications or alterations to the Premises, including the improvements thereon, as may be necessary or requested by Franchisor to prevent the operation of any business on the Premises which might be deemed substantially similar to that of Franchisor or any other CHEER ATHLETICS Franchisees. If Franchisee fails or refuses to comply with the requirements of this Section, Franchisor shall have the right to enter the Premises, without being guilty of trespass or any other tort or crime, for the purposes of making or causing to be made such changes as may be required at the expense of Franchisee.

(d) Turn over to Franchisor all brochures, advertisements, marketing materials, Manuals, computer disks, policies, procedures, and instructions relating to the Franchised Business (all of which Franchisee acknowledges to be Franchisor's sole property), together with all copies thereof (including, without limitation, all copies of any and all Software), and all financial and business records relating to the Franchised Business.

(e) Delete all proprietary software and data relating to the Franchised Business from all computers, whether or not owned by Franchisee.

(f) At Franchisor's option, assign to Franchisor or Franchisor's designee all of Franchisee's right, title and interest in and to, or cancel any and all (i) telephone numbers used for the Franchised Business or otherwise listed under the Trade Name or any of Franchisor's other trademarks, trade names, service marks or logos, and all related Yellow Pages, White Pages and other business listings, and (ii) web sites, web pages, listings, banners, URLs, advertisements or any other services and links related to the Franchised Business or use of Franchisor's trademarks, service marks or logos, on or with the internet, World Wide Web, Internet service providers, electronic mail services, communication providers, search engines or other similar services.

(g) Immediately pay all sums due under the Franchise Agreement. Such sums shall include the following.

(i) Amounts Accrued as of Termination/Expiration. All amounts due and owing to Franchisor and its affiliates, whether pursuant to this Agreement or otherwise, including, without limitation, unpaid Royalties and Advertising Fees, which have accrued prior to termination/expiration.

(ii) Liquidated Damages for Future Royalties, Advertising Fees, and Other Recurring Fees. Upon termination of this Agreement by Franchisor, Franchisee must pay Franchisor liquidated damages equal to the monthly average of all Royalties, Advertising Fees, and other recurring fees which Franchisee paid or owed to Franchisor during the thirty-six (36) months of operation before the termination multiplied by the lesser of (a) thirty-six (36), being the number of months in three (3) full years, or (b) the number of months remaining during the term of this Agreement.

(h) Take such action as may be necessary to cancel any fictitious or assumed name or equivalent registration that contains the Trade Name or any of the other Marks, and furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within fifteen (15) days after the termination or expiration of this Agreement.

(i) Obtain, and maintain in effect, tail coverage for the errors and omissions insurance and general liability insurance required by Section 7.9.2 of this Agreement, to extend the period in which claims may be asserted for a period of time not less than the applicable statute of limitations in the jurisdiction in which the Franchised Business is located, and furnish Franchisor with a certificate of insurance evidencing compliance with this obligation within thirty (30) days after the termination or expiration of this Agreement.

14.2 Power of Attorney. Franchisee does hereby irrevocably constitute and appoint Franchisor as the true and lawful attorney-in-fact and agent for Franchisee to carry out Franchisee's obligations under Section 14.1 above. Franchisee agrees to promptly execute, acknowledge, and deliver to Franchisor any and all documents as may be required to carry out Franchisee's obligations under Section 14.1 above (including the forms set forth in the attached Exhibits 5, 6 and 7, or other forms as Franchisor may prescribe or accept). The provisions of this Section 14 shall survive the expiration, termination, or cancellation of this Agreement.

## **SECTION 15 COVENANTS OF FRANCHISEE**

15.1 Management of Franchise. At all times during the term of this Agreement, Franchisee or a person designated by Franchisee who has been approved in writing by Franchisor and has successfully completed the initial training program required by Section 7.1 hereof and all other training programs designated by Franchisor as mandatory, shall devote his/her full-time energy and best efforts to the

management and operation of the Franchised Business.

**15.2 Covenants During Term of Franchise.** Franchisee specifically acknowledges that, pursuant to this Agreement, Franchisee will receive valuable specialized training and confidential information, including, without limitation, information regarding the design, development and operation of the Franchised Business, and the sales, promotional, and marketing methods and techniques of Franchisor and the System. Accordingly, during the term of this Agreement, neither Franchisee nor its owners (if Franchisee is a legal entity) shall, either directly or indirectly, for itself or through, on behalf of, or in conjunction with, any person (including, without limitation, the spouse or children of Franchisee or any Principal):

(a) participate directly or indirectly or serve in any capacity in any business engaged in the ownership or operation of a business or location or in the sale of products or services competitive with those offered by the Franchised Business;

(b) divert or attempt to divert any business or customer of the Franchised Business or of any other of Franchisor's company-owned, affiliate-owned or franchised location(s) 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 the Marks and the System;

(c) employ or seek to employ any person who is at that time employed by Franchisor or any Cheer Athletics Franchisee, or otherwise directly or indirectly induce or attempt to induce such person to leave his or her employment; or

(d) aid, assist or provide goods or services to any competitor of the Franchised Business, Franchisor, or any other CHEER ATHLETICS Franchisee.

**15.3 Noncompetition After Term of Franchise.** For a period of two (2) years after the transfer, assignment, expiration, or termination of this Agreement, for any reason, neither you, nor persons associated with you, including managers, assistant managers, agents or immediate family members thereof involved in the operation of the Franchised Business, will participate directly or indirectly or serve in any capacity in any business engaged in the ownership or operation of a business or location or in the sale of products or services competitive with those offered by the Franchised Business. This post-termination covenant applies to the entire county/parish identified in Section 2 of Exhibit 3 hereof and a 50-mile radius of the Franchised Location. The post-termination covenant shall also apply to a 50-mile radius of any other gym owned by Franchisor, its affiliates or its franchisees operating under the Franchisor's Marks (each a "CHEER ATHLETICS Gym") in operation at the time of termination. The time period referred to in this section shall be stayed during any violation or breach of the terms of this Section. The provisions of this section shall survive the expiration, termination, or cancellation of this Agreement.

**15.4 Non-solicitation.** For continuous and uninterrupted period commencing upon the expiration or termination of this Agreement (regardless of the cause for termination) and continuing for two years thereafter, Franchisee shall not, directly or indirectly, by any means whatsoever, for itself or through, on behalf of, or in conjunction with any person (including, without limitation, the spouse or children of Franchisee or any Principal), solicit any of Franchisee's former customers or any customers of any other CHEER ATHLETICS Gym for the purpose of promoting any business or service. The time period referred to in this Section shall be stayed during any violation or breach of the terms of this Section. The provisions of this Section shall survive the expiration, termination, or cancellation of this Agreement.

**15.5 Exception for Publicly-Traded Company.** Sections 15.2 and 15.3 shall not apply to the beneficial ownership by Franchisee of less than 1% of the outstanding equity securities of any corporation that is registered under the Securities and Exchange Act of 1934.

**15.6 Independent Covenants; Severability.** The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or

any portion of a covenant in this Section 15 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Franchisee expressly agrees to be bound by any lesser covenants subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenants were separately stated in and made a part of this Section 15.

15.7 Reduction of Covenants by Franchisor. Franchisee understands and acknowledges that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Sections 15.2, 15.3 or 15.4 of this Agreement, or any portion thereof, without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof, and Franchisee agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 18.2 hereof.

15.8 Claims Against Franchisor No Defense. Franchisee expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section 15.

15.9 Injunctive Relief. Franchisee acknowledges that Franchisee's violation of the terms of this Section 15 would result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and Franchisee accordingly consents to the issuance of and agrees to pay all court costs and reasonable attorneys' fees incurred by Franchisor in obtaining, an injunction prohibiting any conduct by Franchisee in violation of the terms of this Section 15.

15.10 Restrictive Covenant Agreements. At the request of Franchisor, Franchisee shall provide Franchisor with an executed "Restrictive Covenant Agreement," in the form attached hereto as Exhibit 8 or otherwise approved by Franchisor, containing covenants similar in substance to those in this Section 15 (including covenants applicable upon the termination of a person's relationship with Franchisee), from each of the Principals, officers, and directors of Franchisee and the Principals, officers, and directors of any non-individual Principal of Franchisee. With respect to each person who becomes associated with Franchisee in one of the capacities enumerated above after the Effective Date, Franchisee shall require and obtain a Restrictive Covenant Agreement from them and promptly provide Franchisor with executed copies thereof. In no event shall any person enumerated above be granted access to any confidential aspect of the System or the Franchised Business prior to their execution of a Restrictive Covenant Agreement. All Restrictive Covenant Agreements required by this paragraph shall be in a form satisfactory to Franchisor, including, without limitation, the specific identification of Franchisor as a third-party beneficiary with the independent right to enforce them. The failure by Franchisee to obtain the execution of the Restrictive Covenant Agreements required by this paragraph and provide them to Franchisor is a material breach of this Agreement.

## **SECTION 16 ENFORCEMENT**

16.1 Injunctive Relief. Notwithstanding any provision of this Agreement to the contrary, Franchisor expressly reserves the right to seek temporary and permanent injunctions and orders of specific performance, without bond, from a court of competent jurisdiction, to enforce the provisions of this Agreement relating to: (a) Franchisee's use of the Marks, Intellectual Property, or Confidential Information; (b) Franchisee's obligations upon the termination or expiration of this Agreement (c) Franchisee's obligations under Section 15 of this Agreement, (d) an assignment of this Agreement or any ownership interest therein, or (e) as necessary to prohibit any act or omission by Franchisee or its agents (i) that would constitute a violation of any applicable law, ordinance or regulation (ii) that is dishonest or misleading to Franchisor or other CHEER ATHLETICS Franchisees; or (iii) that may harm, tarnish, or impair Franchisor's reputation, name, services or Marks.

16.2 Dispute Resolution.

(a) Mandatory Mediation of Franchisee's Claims. If a dispute arises between the parties in which Franchisee asserts claims or causes of action against Franchisor, and if the dispute cannot be settled through negotiation, the parties shall first try in good faith to settle the dispute by mediation administered by the American Arbitration Association under its Commercial Mediation Procedures before resorting to arbitration, litigation, or other dispute resolution procedure. The mediation proceeding will take place at the American Arbitration Association location nearest Franchisor's principal place of business (presently Plano, Texas). Each party shall be responsible to pay its own cost of mediation. Franchisor shall not be obligated to mediate any of its claims or causes of action before seeking a temporary restraining order or temporary injunction.

(b) Arbitration. Except as qualified in Section 16.1, the parties hereby agree that any and all disputes and claims arising out of (either directly or indirectly) or related to the Franchised Business, this Agreement or related agreement(s), including breach thereof and including any alleged violation of law shall be submitted to binding arbitration under the Federal Arbitration Act and under the auspices of the American Arbitration Association ("AAA"). Any arbitration must be resolve on an individual basis only and not joined as part of a class action or the claim of other franchisees. The dispute shall be heard by a single arbitrator in accordance with the Commercial Arbitration Rules of the AAA. The arbitrator must follow the law and not disregard the terms of this Agreement. Franchisee and Franchisor each waive their right to a trial by jury. Franchisee and Franchisor shall share equally all fees and expenses of the arbitrators and the AAA, except that the prevailing party shall be entitled to full reimbursement for all such fees and expenses. No part of the arbitration proceeding shall be disclosed to any other person except as required by law or by court order. There shall be a limit of five (5) depositions per party. The arbitrator will have the right to award any relief supported by law that he/she deem proper in the circumstances, including, for example, money damages (with interest on unpaid amounts due from their due date(s)), specific performance, and temporary and/or permanent injunction. The arbitrator shall NOT have the authority to award exemplary or punitive damages, and the parties expressly waive the right to or claim of any exemplary or punitive damages against the other. The prevailing party shall be entitled to its attorneys' fees in any such proceeding. The decision of the arbitrator may be filed as a judgment in any court of competent jurisdiction and will be binding in any other jurisdiction. This arbitration provision shall be deemed self-executing, and if either party fails to appear at any properly noticed arbitration proceeding, an award may be entered against such party, notwithstanding such failure to appear. All arbitration proceedings shall be filed in the AAA office nearest Franchisor's principal place of business (presently Plano, Texas). All arbitration proceedings shall take place in the county of Franchisor's principal place of business (presently Collin County, Texas).

**16.3 WAIVER OF JURY TRIAL.** EACH PARTY IRREVOCABLY WAIVES TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER PARTY.

**16.4 Construction / Governing Law.** This Agreement was accepted and executed by Franchisor in Texas. Accordingly, this Agreement and related agreements shall be governed by and construed in the accordance with the laws of the State of Texas; however, if this Agreement concerns a Franchised Business which is located in a state other than Texas and the laws of that state require terms other than those or in addition to those contained herein, then this Agreement shall be deemed modified so as to comply with the appropriate laws of such state, but only to the extent necessary to prevent the invalidity of this Agreement or the related agreement, or any provision thereof, the imposition of fines or penalties, or the creation of civil or criminal liability on account thereof. Any provision of this Agreement or any related agreement that may be determined by competent authority to be prohibited or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of the prohibition or unenforceability of any provision of this Agreement in any jurisdiction, including the state whose law governs this Agreement, shall not invalidate the provision or render it unenforceable in any other jurisdiction. To the extent permitted by applicable law, Franchisee waives any provision of law that renders any provision of this Agreement or any related

agreement prohibited or unenforceable in any respect.

16.5 Jurisdiction and Venue. Each party irrevocably and unconditionally with respect to any matter that is not subject to arbitration: (a) agrees that any suit, action or legal proceeding arising out of or relating to this Agreement or any related agreement shall only be brought in the court(s) of record of the State and County or the United States District Court, whose jurisdiction encompasses the location of the principal office of Franchisor; (b) consents to the jurisdiction of each such court in any suit, action or proceeding; and (c) waives any objection which it may have to the laying of venue of any such suit, action or proceeding in any of such courts. In all lawsuits between the parties, Franchisee may be served with process outside the State of Texas in the same manner that service may be made within the State of Texas by any person authorized to make service by the laws of the state, territory, possession or country in which service is made or by any duly qualified attorney in such jurisdiction. Franchisee hereby waives any defense it may have of insufficiency of service of process if service is made as provided in this paragraph. This method of service is not exclusive, and service of process may be made by any other method allowed by law.

16.6 Limitation of Claims. Except for claims against Franchisee concerning the non- payment of Royalty and Advertising Fees, and for claims against Franchisee by Franchisor relating to third party claims or suits brought against Franchisor as a result Franchisee's operation of the Franchised Gym, any and all claims arising out of or relating to this Agreement or the relationship between the parties shall be barred unless an action or proceeding is instituted within two years and one day from the date the claim or cause of action accrued. This provision is intended to shorten any applicable statute of limitations to the extent permitted by law.

16.7 WAIVER OF RICO. THE PARTIES HERETO AGREE TO WAIVE, NOW AND FOREVER, ANY AND ALL RIGHTS EITHER MAY HAVE UNDER THE FEDERAL STATUTE KNOWN AS RICO.

16.8 WAIVER OF PUNITIVE DAMAGES. FRANCHISOR AND FRANCHISEE HEREBY WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM OF ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER.

## **SECTION 17 INDEPENDENT CONTRACTOR AND INDEMNIFICATION**

It is understood and agreed that nothing in this Agreement shall create a partnership, employment, or agency relationship between Franchisor and Franchisee, or authorize Franchisee to make any contract, agreement, warranty, or representation on Franchisor's behalf or to incur any debt or other obligation in Franchisor's name. Franchisor shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action by Franchisee. Franchisor shall not be liable to any third party for any act or omission of Franchisee in any of its operations hereunder (including, without limitation, any claim or action against Franchisee for negligent hiring, sexual harassment, or employment discrimination) or any claim or judgment arising therefore against Franchisee. FRANCHISEE SHALL DISPLAY PROMINENTLY AT ITS PLACE OF BUSINESS, ON ALL CORRESPONDENCE WITH THIRD PARTIES, AND ANY PRINTED MATERIALS BEARING ITS NAME OR BUSINESS LOCATION, A STATEMENT THAT THE FRANCHISED BUSINESS IS INDEPENDENTLY OWNED AND OPERATED BY FRANCHISEE.

## **SECTION 18 MISCELLANEOUS**

18.1 Personal Guaranty. In the event that Franchisee is a legal business entity, each of the owners (i.e., shareholders, partners, members, etc.) holding at least a ten percent (10%) ownership interest in Franchisee shall execute a personal guaranty agreement in favor of Franchisor, in the form attached hereto as Exhibit 9 or otherwise approved by Franchisor. This requirement of personal guaranty(ies) is a

material inducement to Franchisor, and Franchisor would not execute this Agreement without such personal guaranty(ies).

18.2 Nature of Agreement. This Agreement, together with its exhibits, constitutes the entire agreement between the parties relating to the subject matter hereof and supersedes any prior agreements between them. This Agreement may be modified or amended only by a written instrument signed by each of the parties. No failure on the part of any party hereto to exercise, and no delay in exercising, any right, power or remedy hereunder, shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or remedy hereunder preclude any other or further exercises thereof or the exercise of any other right, power or remedy. Notwithstanding the foregoing, nothing in any agreement is intended to disclaim the express representations made in the Franchise Disclosure Documents, its exhibits and amendments.

18.3 Effect of Agreement; Assignment. This Agreement is binding upon and inures to the benefit of the parties and their respective legal representatives, successors, and assigns. Franchisee may not assign this Agreement without first complying with the provisions of Section 12.2 hereof.

18.4 Headings. The headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of any provision of this Agreement.

18.5 Notices. All notices or demands shall be in writing and shall be served in person, by Express Mail, by certified mail; by private overnight delivery; or by facsimile or other electronic system. Service shall be deemed conclusively made: (a) at the time of service, if personally served; (b) 24 hours (exclusive of weekends and national holidays) after deposit in the United States mail, properly addressed and postage prepaid, if served by Express Mail; (c) upon the earlier of actual receipt or three calendar days after deposit in the United States mail, properly addressed and postage prepaid, return receipt requested, if served by certified mail; (d) 24 hours after delivery by the party giving the notice, statement or demand if by private overnight delivery; and (e) at the time of transmission by facsimile, if such transmission occurs prior to 5:00 p.m. Central Time on a Business Day and a copy of such notice is mailed within 24 hours after the transmission. Notices and demands shall be given to the respective parties at the addresses set forth on the Summary Pages, unless and until a different address has been designated by written notice to the other party. Either party may change its address for the purpose of receiving notices, demands and other communications as in this Agreement by providing a written notice given in the manner aforesaid to the other party.

18.6 Cost of Enforcement or Defense. If a claim for amounts owed by Franchisee to Franchisor is asserted in any arbitration or judicial proceeding or appeal thereof, or if Franchisor or Franchisee is required to enforce this Agreement in an arbitration or judicial proceeding or appeal thereof, the party prevailing in such proceeding shall be entitled to reimbursement of its costs and expenses, including reasonable accounting and legal fees, arbitration administrative charges, arbitrators' compensation, and any other costs and expenses, whether incurred prior to in preparation for or in contemplation of the filing of an, written demand claim action, hearing or proceeding to enforce the obligations of this Agreement. If Franchisor incurs expenses (including, but not limited to, legal and accounting fees) in connection with Franchisee's failure to pay when due amounts owing to Franchisor, to submit when due any reports, information, or supporting records or otherwise to comply with this Agreement, Franchisee shall reimburse Franchisor for any such costs and expenses that it incurs.

18.7 Severability.

(a) In the event that any provision of this Agreement, in whole or in part (or the application of any provision to a specific situation), shall be held, by the final judgment of a court of competent jurisdiction after appeal or the time for appeal has expired, to be invalid, unenforceable or in violation of any federal, state or local law, regulation or ordinance applicable to this Agreement such invalidity shall be limited to such specific provision or portion thereof (or to such situation), and this Agreement shall be construed and



applied in such manner as to minimize such invalidity. All other provisions of this Agreement shall otherwise remain in full force and effect.

(b) If any applicable and binding law or regulation of any jurisdiction requires a greater prior notice of the termination of or refusal to renew this Agreement than is required hereunder, or the taking of some other action not required hereunder, or it under any applicable and binding law or regulation of any jurisdiction any provision of this Agreement or any specification, standard, or operating procedure prescribed by Franchisor is invalid or unenforceable, then the prior notice and/or other action required by such law or regulation shall be substituted for the comparable provisions hereof, and Franchisor shall have the unlimited right to modify such invalid or unenforceable provision, specification, standard, or operating procedure to the extent required to be valid and enforceable. Franchisor agrees to be bound by any promise or covenant imposing the maximum duty permitted by law that is subsumed within the terms of any provision hereof, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions hereof, or from any specification, standard, or operating procedure prescribed by Franchisor, any portion or portions that a court may hold to be unreasonable and unenforceable in a final decision to which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order. Any such modifications to this Agreement shall be effective only in such jurisdiction, unless Franchisor elects to give them greater applicability, and shall be enforced as originally made and entered into in all other jurisdictions.

18.8 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

18.9 Survival of Covenants. All provisions of this Agreement which, by their terms, are intended to survive the termination or expiration of this Agreement (such as, by way of illustration and not limitation, the provisions relating to confidential information, indemnification, post-termination competition, and the Marks), and all provisions hereof necessary to enforce and interpret such provisions (such as, by way of illustration and not limitation, the provisions relating to arbitration and injunctive relief), shall survive the termination, expiration or cancellation of this Agreement or the franchise granted hereunder, regardless of whether the provisions specifically state so.

18.10 No Third-Party Beneficiaries. Nothing in this Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any person or entity not a party hereto.

18.11 Acknowledgment of Franchisee. Franchisee acknowledges and agrees as follows.

(a) Franchisee has received Franchisor's Franchise Disclosure Document and exhibits thereto (including a list of franchisees, Franchisor's financial statements and a copy of this Agreement) at least fourteen (14) days before Franchisee signed this Franchise Agreement.

(b) Franchisor's salesmen are not authorized to bind Franchisor in any way.

(c) THERE HAVE BEEN NO REPRESENTATIONS, WARRANTIES, INDUCEMENTS, PRO FORMAS FORECASTS, ESTIMATES OR ANY OTHER INDUCEMENT OR STATEMENT MADE BY FRANCHISOR OR ITS AGENTS, SALESMEN, MANAGERS, OFFICERS, OR EMPLOYEES, OR ANY OTHER SALESMEN OR OTHER PERSON OR ENTITY REGARDING FINANCING NET PROFITS, GROSS PROFITS, NET SALES, GROSS SALES, COSTS OR EXPENSES OF FRANCHISOR'S FRANCHISES GENERALLY OR OF ANY SPECIFIC CHEER ATHLETICS FRANCHISED BUSINESS, NOR HAS FRANCHISEE RELIED UPON ANY REPRESENTATIONS, WARRANTIES, INDUCEMENTS, PRO FORMAS, FORECASTS, ESTIMATES OR ANY OTHER INDUCEMENT OR STATEMENT MADE BY FRANCHISOR OR ITS AGENTS, DIRECTORS, OFFICERS, EMPLOYEES OR SALESMEN OR OTHER ASSOCIATES REGARDING FINANCING, NET PROFITS, GROSS PROFITS, NET SALES, GROSS SALES, COSTS OR EXPENSES OF FRANCHISOR'S FRANCHISES GENERALLY OR OF ANY SPECIFIC CHEER ATHLETICS

FRANCHISED BUSINESS OR FRANCHISE OR WITH RESPECT TO ANY OTHER MATERIAL FACT RELATING TO THE DEVELOPMENT OF FRANCHISOR'S FRANCHISES IN THE AREA WHEREIN THE FRANCHISEE INTENDS TO LOCATE ITS FRANCHISED GYM OR ANY OTHER MATTER PERTAINING TO FRANCHISOR.

18.12 "Franchisee" Defined. The term "Franchisee" includes all persons who succeed to the interest of the original Franchisee by permitted transfer or operation of law, and will be deemed to include not only the individuals or entity defined as the "Franchisee" on the attached Exhibit 2, but also all Principals of the entity that executes this Agreement. By signing this Agreement, each of the Principals of the entity that executes this Agreement as Franchisee acknowledges and accepts the duties and obligations imposed upon each of them, individually, by this Agreement. If two or more individuals are the "Franchisee" under this Agreement, their liability to Franchisor is joint and several.

18.13 "Person" Defined. The term person" includes corporations, limited liability companies, partnerships joint ventures estates trusts and other entities and organizations, as well as individuals.

18.14 Patriot Act. Franchisee represents and warrants that to its actual knowledge: (i) neither Franchisee, nor its officers, directors, managers, members, partners or other individual who manages the affairs of Franchisee, nor any Franchisee affiliate or related party, or any funding source for the Franchised Business, is identified on the lists of Blocked Persons, Specially Designated Nationals, Specially Designated Terrorists, Specially Designated Global Terrorists, Foreign Terrorists Organizations, and Specially Designated Narcotics Traffickers at the United States Department of Treasury's Office of Foreign Assets Control (OFAC), or the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, commonly known as the "USA Patriot Act," as such lists may be amended from time to time (collectively, "**Blocked Person(s)**"); (ii) neither Franchisee nor any Franchisee affiliate or related party is directly or indirectly owned or controlled by the government of any country that is subject to an embargo imposed by the United States government; (iii) neither Franchisee nor any Franchisee affiliate or related party is acting on behalf of the government of, or is involved in business arrangements or other transactions with, any country that is subject to such an embargo; (iv) neither Franchisee nor any Franchisee affiliate or related party are on the United States Department of Commerce Denied Persons, Entity and Unverified Lists, or the United States Departments of State's Debarred List, as such lists may be amended from time to time (collectively, the "**Lists**"); (v) neither Franchisee nor any Franchisee affiliate or related party, during the term of this Agreement, will be on any of the Lists or identified as a Blocked Person; and (vi) during the term of this Agreement, neither Franchisee nor any Franchisee affiliate or related party will sell products, goods or services to, or otherwise enter into a business arrangement with, any person or entity on any of the Lists or identified as a Blocked Person. Franchisee agrees to notify Franchisor in writing immediately upon the occurrence of any act or event that would render any of these representations incorrect.

18.15 Timing. Time is of the essence with respect to all provisions in this Agreement. Notwithstanding the foregoing, if performance of either party is delayed on account of a Force Majeure, the applicable deadline for performance shall be extended for a period commensurate with the Force Majeure, but not to exceed 12 months.

*(((Remainder of page intentionally blank. Signature page follows.)))*

IN WITNESS WHEREOF, the parties have executed this Agreement on the Effective Date, as written above.

**FRANCHISOR**

**Cheer Athletics Holdings, LLC**  
a Texas limited liability company

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

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

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

**FRANCHISEE**

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
Individually

Address: \_\_\_\_\_

City: \_\_\_\_\_

State: \_\_\_\_\_

Zip: \_\_\_\_\_

OR:

(if a corporation or other legal entity)

\_\_\_\_\_  
Company Name

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

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

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

Address: \_\_\_\_\_

City: \_\_\_\_\_

State: \_\_\_\_\_ Zip: \_\_\_\_\_

Franchise Agreement

Exhibit 1

SPECIFIC FRANCHISE TERMS:

Site Selection Area; Specific Location; and Trade Name

1. Franchisor and Franchisee hereby agree that the Site Selection Area described in Section 1.2 of the Franchise Agreement to which this Exhibit is attached consists of the geographical area located in the State of \_\_\_\_\_ and situated within the following boundaries:

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A map of the Site Selection Area is attached hereto; however, in the event of a discrepancy between the map and the written description above, the written description controls. If any street, road, or highway serves as a boundary of the Site Selection Area, the actual boundary is the centerline of the street, road, or highway, and only the land and structures within such boundary are included in Franchisee's Site Selection Area.

Franchisor's Initials: \_\_\_\_\_

Franchisee's Initials: \_\_\_\_\_

2. Franchisor and Franchisee hereby agree that the Specific Location described in Section 1.2 of the Franchise Agreement to which this Exhibit is as follows:

Street Address: \_\_\_\_\_

City: \_\_\_\_\_

County: \_\_\_\_\_

State: \_\_\_\_\_

Franchisor's Initials: \_\_\_\_\_

Franchisee's Initials: \_\_\_\_\_

3. Unless otherwise directed by the Franchisor in accordance with the Franchise Agreement, Franchisee shall operate the Franchised Gym only under the trade name \_\_\_\_\_ (the "Trade Name"), shall use only \_\_\_\_\_ logo as service marks to identify and distinguish the Franchised Gym, and shall use no other trade name, business name, or service mark in connection with the Franchised Gym.

Franchisor's Initials: \_\_\_\_\_

Franchisee's Initials: \_\_\_\_\_

This Exhibit 1 is to be attached to, incorporated in and made a part of the Franchise Agreement between Franchisor and Franchisee. The parties are signing this Exhibit 1 on the dates below.

**FRANCHISOR**

**Cheer Athletics Holdings, LLC**  
a Texas limited liability company

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

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

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

**FRANCHISEE**

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
Individually

Address: \_\_\_\_\_

City: \_\_\_\_\_

State: \_\_\_\_\_

Zip: \_\_\_\_\_

OR:

(if a corporation or other legal entity)

\_\_\_\_\_  
Company Name

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

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

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

Address: \_\_\_\_\_

City: \_\_\_\_\_

State: \_\_\_\_\_ Zip: \_\_\_\_\_

Franchise Agreement

Exhibit 2

IDENTIFICATION OF FRANCHISEE(S)

If Individual(s) -- List all information for each owner (add additional pages as necessary):

1. Name: \_\_\_\_\_ Ownership: \_\_\_\_\_%

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Home Telephone: \_\_\_\_\_

Cell Phone: \_\_\_\_\_

SSN: \_\_\_\_\_

Date of Birth: \_\_\_\_\_

2. Name: \_\_\_\_\_ Ownership: \_\_\_\_\_%

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Home Telephone: \_\_\_\_\_

Cell Phone: \_\_\_\_\_

SSN: \_\_\_\_\_

Date of Birth: \_\_\_\_\_

If Legal Entity:

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

Type of Entity (Check One):

\_\_\_\_\_ Corporation

\_\_\_\_\_ Limited Liability Company

\_\_\_\_\_ Limited Partnership

\_\_\_\_\_ Other – Describe: \_\_\_\_\_

State of Organization: \_\_\_\_\_

Date of Organization: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Statutory/Registered Agent: \_\_\_\_\_

Address of Agent: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_  
Zip: \_\_\_\_\_

Shareholders/Members/Partners (attach additional pages as necessary):

1. Name: \_\_\_\_\_ Ownership: \_\_\_\_\_ %

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Telephone: \_\_\_\_\_

2. Name: \_\_\_\_\_ Ownership: \_\_\_\_\_ %

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Telephone: \_\_\_\_\_

Each of the undersigned individual Franchisees, or each of the Principals of a non-individual Franchisee, hereby certify that the foregoing information is accurate and complete to the best of their knowledge and agree to notify Franchisor promptly of any change in any such information during the term of the Franchise Agreement to which this Exhibit 2 is attached.

1. \_\_\_\_\_

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

2. \_\_\_\_\_

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




(Attach additional names and signatures as required)



Franchise Agreement  
Exhibit 3

SERVICE MARKS

The following Marks has been applied for/registered with the United States Patent and Trademark Office (“USPTO”) on the principal register, in the name of Cheer Athletics Brands, LLC, who has granted us an unlimited right to use them and license their use to franchisees.

| Mark  | Registration Number | Registration Date  | International Class |
|---|---------------------|--------------------|---------------------|
| CHEER ATHLETICS   | 2501872             | October 30, 2001   | 041                 |
| CHEER ATHLETICS   | 2905422             | November 30, 2004  | 018, 024, and 025   |
|    | 2492448             | September 25, 2001 | 041                 |
|   | 2581206             | June 18, 2002      | 025                 |
| G3FCA2A   | 6635934             | February 8, 2022   | 025                 |
| THE BEST OF THE BEST  | 6649663             | February 22, 2022  | 041                 |
|  | 7692928             | February 18, 2025  | 041                 |

The following Mark has been applied for with the United States Patent and Trademark Office (“USPTO”) on the principal register, in the name of Cheer Athletics Brands, LLC, who has granted us an unlimited right to use it and license its use to franchisees.

| Mark            | Serial Number | Application Date | International Class |
|-----------------|---------------|------------------|---------------------|
| DANCE ATHLETICS | 98372019      | January 23, 2024 | 041                 |

Franchise Agreement  
Exhibit 4

AUTHORIZATION FOR ELECTRONIC TRANSFER OF FUNDS

The undersigned depositor ("DEPOSITOR") hereby authorizes Cheer Athletics Holdings, LLC ("PAYEE") to initiate debit entries and/or credit correction entries to the Depositor's checking account designated below, and authorizes the financial institution designated below ("BANK") to debit such account pursuant to Payee's instructions.

\_\_\_\_\_  
Name of Financial Institution

\_\_\_\_\_  
Branch

\_\_\_\_\_  
Address of Financial Institution

\_\_\_\_\_  
City

\_\_\_\_\_  
State

\_\_\_\_\_  
ZIP Code

\_\_\_\_\_  
Account Number

\_\_\_\_\_  
Bank Transit/Routing Number

This authority will remain in effect until BANK receives a written cancellation notification from DEPOSITOR in such time as to afford BANK a reasonable opportunity to act on it. DEPOSITOR may stop payment of any entry by notifying BANK at least three (3) business days before the entry is charged to DEPOSITOR'S account. DEPOSITOR may have the amount of any erroneous entry immediately credited to DEPOSITOR'S account by notifying BANK within fifteen (15) calendar days after BANK issues DEPOSITOR'S account statement containing the erroneous entry or forty-five (45) days after posting, whichever occurs first. These rights are in addition to any rights DEPOSITOR may have under federal and state banking or consumer protection laws.

Name of DEPOSITOR: \_\_\_\_\_

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

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

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

A voided check must be attached to this form.

Franchise Agreement

Exhibit 5

IRREVOCABLE POWER OF ATTORNEY  
(Tax Records)

KNOW ALL MEN BY THESE PRESENTS: That \_\_\_\_\_  
 (“Franchisee”) does hereby irrevocably constitute and appoint Cheer Athletics Holdings, LLC, a Texas limited liability company (“Franchisor”) the true and lawful attorney-in-fact and agent for Franchisee and in Franchisee’s name, place and stead, to do or cause to be done all things and to sign, execute, acknowledge, certify, deliver, accept, record and file all such agreements, certificates, instruments, and documents as in the sole discretion of Franchisor, may be necessary or advisable for the sole purpose of obtaining any and all returns, records, reports, and other documentation relating to the payment of taxes filed by Franchisee with any federal, state county, and/or municipal taxing authority, including but not limited to the execution and delivery of any and all formal requests and other documentation as may be required by the applicable federal state, county and/or municipal taxing authority. Franchisee hereby grants unto Franchisor full power and authority to do and perform any and all acts and things which, in the sole discretion of Franchisor, are necessary or advisable to be done as fully to all intents and purposes as Franchisee might or could itself do, hereby ratifying and confirming all that Franchisor may lawfully do or cause to be done by virtue of this Power of Attorney and the powers herein granted.

During the term of this Power of Attorney and regardless of whether Franchisee has designated any other person to act as its attorney-in-fact and agent, no person, firm, or corporation dealing with Franchisor will be required to ascertain the authority of Franchisor, nor to see to the performance of the agency, nor be responsible in any way for the proper application of funds or property paid or delivered to Franchisor. Any person, firm or corporation dealing with Franchisor shall be fully protected in acting and relying on a certificate of Franchisor that this Power of Attorney on the date of such certificate has not been revoked and is in full force and effect, and Franchisee will not take any action against any person, firm or corporation acting in reliance on such a certificate or a copy of this Power of Attorney. Any instrument or document executed on behalf of Franchisee by Franchisor will be deemed to include such a certificate on the part of Franchisor, whether or not expressed. This paragraph will survive any termination of this Power of Attorney.

This power of Attorney will terminate two years following the expiration or termination of the Franchise Agreement dated evenly herewith between Franchisor and Franchisee. The termination, however, will not affect the validity of any act or deed of Franchisor prior to such date pursuant to the powers herein granted.

This instrument is to be construed and interpreted as an irrevocable Power of Attorney coupled with an interest. It is executed and delivered in the State of Texas and the laws of the State of Texas and will govern all questions as to its validity and the construction of its provisions.

The undersigned has signed this instrument on the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

FRANCHISEE:

STATE OF \_\_\_\_\_, COUNTY OF \_\_\_\_\_

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

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

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

Acknowledge and subscribed before me, a  
Notary Public for such County and State on  
the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_  
NOTARY PUBLIC

Franchise Agreement

Exhibit 6

IRREVOCABLE POWER OF ATTORNEY

(Web Site)

KNOW ALL MEN BY THESE PRESENTS: That \_\_\_\_\_  
 (“Franchisee”) does hereby irrevocably constitute and appoint Cheer Athletics Holdings, LLC, a Texas limited liability company (“Franchisor”) the true and lawful attorney-in-fact and agent for Franchisee and in Franchisee’s name, place and stead, to do or cause to be done all things and to sign, execute, acknowledge, certify, deliver, accept, record, and file all such agreements certificates, instruments, and documents as in the sole discretion of Franchisor, may be necessary or advisable for the sole purpose of assigning to Franchisor all of Franchisee’s right, title, and interest in and to any and all web sites, web pages, listings, banners, URLs, advertisements or any other services and links related to Franchisee’s business or use of Franchisor s trademarks, service marks, or other logos on or with the Internet, World Wide Web, Internet service providers, electronic mail services, communication providers, search engines, or other similar services. Franchisor shall have the authority to execute and deliver on Franchisee’s behalf any and all documentation required by the applicable company, the Internet, and regulatory agency, or other provider or services to Franchisee to transfer, modify, or cancel such services, listings, or links. Franchisee hereby grants unto Franchisor full power and authority to do and perform any and all acts and things which, in the sole discretion of Franchisor, are necessary or advisable to be done as fully to all intents and purposes as Franchisee might or could itself do, hereby ratifying and confirming all that Franchisor may lawfully do or cause to be done by virtue of this Power of Attorney and the powers herein granted.

During the term of this Power of Attorney and regardless of whether Franchisee has designated any other person to act as its attorney-in-fact and agent, no person, firm, or corporation dealing with Franchisor will be required to ascertain the authority of Franchisor, nor to see to the performance of the agency, nor be responsible in any way for the proper application of funds or property paid or delivered to Franchisor. Any person, firm or corporation dealing with Franchisor shall be fully protected in acting and relying on a certificate of Franchisor that this Power of Attorney on the date of such certificate has not been revoked and is in full force and effect, and Franchisee will not take any action against any person, firm or corporation acting in reliance on such a certificate or a copy of this Power of Attorney. Any instrument or document executed on behalf of Franchisee by Franchisor will be deemed to include such a certificate on the part of Franchisor, whether or not expressed. This paragraph will survive any termination of this Power of Attorney.

This power of Attorney will terminate two years following the expiration or termination of the Franchise Agreement dated evenly herewith between Franchisor and Franchisee. The termination, however, will not affect the validity of any act or deed of Franchisor prior to such date pursuant to the powers herein granted.

This instrument is to be construed and interpreted as an irrevocable Power of Attorney coupled with an interest. It is executed and delivered in the State of Texas and the laws of the State of Texas and will govern all questions as to its validity and the construction of its provisions.

The undersigned has signed this instrument on the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

FRANCHISEE:

STATE OF \_\_\_\_\_, COUNTY OF \_\_\_\_\_

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

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

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

Acknowledge and subscribed before me, a  
Notary Public for such County and State on  
the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_  
NOTARY PUBLIC

Franchise Agreement Exhibit 7

IRREVOCABLE POWER OF ATTORNEY  
(Telephone Number)

KNOW ALL MEN BY THESE PRESENTS: That \_\_\_\_\_  
 (“Franchisee”) does hereby irrevocably constitute and appoint Cheer Athletics Holdings, LLC, a Texas limited liability company (“Franchisor”) the true and lawful attorney-in-fact and agent for Franchisee and in Franchisee’s name, place and stead, to do or cause to be done all things and to sign, execute, acknowledge, certify, deliver, accept, record, and file all such agreements, certificates, instruments, and documents as in the sole discretion of Franchisor, may be necessary or advisable for the sole purpose of assigning to Franchisor all of Franchisee’s right, title, and interest in and to any and all telephone numbers of Franchisee’s franchise and all related Yellow Pages, White Pages, and other business listings, including but not limited to, the execution and delivery of any *Transfer of Service Agreement* and/or any other transfer documentation required by the applicable telephone service company providing telephone services for Franchisee, hereby granting unto Franchisor full power and authority to do and perform any and all acts and things which, in the sole discretion of Franchisor, are necessary or advisable to be done as fully to all intents and purposes as Franchisee might or could itself do, hereby ratifying and confirming all that Franchisor may lawfully do or cause to be done by virtue of this Power of Attorney and the powers herein granted.

During the term of this Power of Attorney and regardless of whether Franchisee has designated any other person to act as its attorney-in-fact and agent, no person, firm or corporation dealing with Franchisor will be required to ascertain the authority of Franchisor, nor to see to the performance of the agency, nor be responsible in any way for the proper application of funds or property paid or delivered to Franchisor. Any person, firm or corporation dealing with Franchisor shall be fully protected in acting and relying on a certificate of Franchisor that this Power of Attorney on the date of such certificate has not been revoked and is in full force and effect, and Franchisee will not take any action against any person, firm or corporation acting in reliance on such a certificate or a copy of this Power of Attorney. Any instrument or document executed on behalf of Franchisee by Franchisor will be deemed to include such a certificate on the part of Franchisor, whether or not expressed. This paragraph will survive any termination of this Power of Attorney.

This power of Attorney will terminate two years following the expiration or termination of the Franchise Agreement dated evenly herewith between Franchisor and Franchisee. The termination, however, will not affect the validity of any act or deed of Franchisor prior to such date pursuant to the powers herein granted.

This instrument is to be construed and interpreted as an irrevocable Power of Attorney coupled with an interest. It is executed and delivered in the State of Texas and the laws of the State of Texas and will govern all questions as to its validity and the construction of its provisions.



The undersigned has signed this instrument on the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

FRANCHISEE:

STATE OF \_\_\_\_\_, COUNTY OF \_\_\_\_\_

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

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

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

Acknowledge and subscribed before me, a  
Notary Public for such County and State on  
the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_  
NOTARY PUBLIC

Franchise Agreement  
Exhibit 8

RESTRICTIVE COVENANT AGREEMENT

THIS AGREEMENT is by and between \_\_\_\_\_, a \_\_\_\_\_  
organized under the laws of the State of \_\_\_\_\_ (“Franchisee”), and  
\_\_\_\_\_, (“Covenantor”), an  
individual resident of the State of \_\_\_\_\_.

This Agreement arises from Covenantor’s involvement with the Franchised Gym located  
at:

Street Address: \_\_\_\_\_

City: \_\_\_\_\_

County: \_\_\_\_\_

State: \_\_\_\_\_

RECITALS

WHEREAS, pursuant to that certain Franchise Agreement dated evenly herewith, Cheer Athletics Holdings, LLC (“Franchisor”) granted Franchisee a franchise to operate distinctive type of training facility/gym business using Franchisor’s unique franchise system and Franchisor’s registered service mark and other proprietary marks (the “Franchise” or the “Franchised Gym”); and

WHEREAS, Covenantor is a shareholder, officer, partner, employee and/or member of Franchisee;  
and

WHEREAS, Franchisor has expended substantial amounts of time and money in developing the Marks (as hereinafter defined) and Franchisor’s distinctive franchise system including, without limitation, unique services, sales and marketing methods, pricing techniques, promotional materials, new product/service development, financial information, and procedures for the operation of a location, all of which Covenantor acknowledges to be confidential and proprietary information; and

WHEREAS, in connection with the operation of the Franchise, Covenantor will have access to such confidential and proprietary information; and

WHEREAS, as a condition precedent to granting the Franchise to Franchisee, all shareholders, officers, partners, or members of Franchisee must execute the covenants contained herein;

NOW, THEREFORE, as additional consideration and inducement for granting the Franchise to Franchisee, Covenantor hereby agrees and covenants to Franchisee as follows:

1. Confidentiality. Covenantor acknowledges the proprietary and confidential nature of Franchisor’s operations manuals, which Franchisee has received on loan from Franchisor, operations, unique services, sales and marketing methods, pricing techniques, promotional materials, new product/service development, financial information, customer or referral lists, procedures for the efficient operation of a franchise, and any other methods, procedures, processes, techniques, information, knowledge, or know-how concerning Franchisor’s franchise system or Franchisee’s Franchise, in particular, which may not be commonly known to the public or to Franchisor’s or Franchisee’s competitors

and which Franchisor or Franchisee have identified or may identify as proprietary and confidential information ("Trade Secrets"). Covenantor shall use such Trade Secrets solely for Franchisee's benefit and shall not, during the term of the Franchise Agreement between Franchisor and Franchisee (the "Franchise Agreement"), or at any time thereafter, communicate, divulge, or use any Trade Secrets to or for the benefit of any other person, persons, partnership, association or corporation.

2. Proprietary Marks. Covenantor acknowledges Franchisor's right, title, and interest in and to certain proprietary service marks, logos, symbols, and trade names presently used by Franchisor or which Franchisor may hereafter use or provide for use by Franchisee, and the identification, schemes, standards, specifications, operating procedures, and other concepts embodied in Franchisor's franchise system (the "Marks"). Covenantor further acknowledges that any use of the Marks outside the scope of the Franchise Agreement without Franchisor's prior written consent would be an infringement of Franchisor's rights in the Marks. Covenantor expressly covenants that he/she shall not, directly or indirectly, commit an act of infringement or contest, or aid in contesting, the validity or ownership of the Marks or take any other action in derogation thereof during the term of the Franchise Agreement or after the expiration or termination thereof.

3. Covenants During Franchise Agreement Term. Covenantor covenants that he/she shall not, during the term of the Franchise Agreement, either directly or indirectly, for him/herself or through, on behalf of, or in conjunction with, any person(s), partnership, association, or corporation:

(a) participate directly or indirectly or serve in any capacity in any business engaged in the ownership or operation of a store or other location or in the sale of products or services competitive with those offered by the Franchised Gym;

(b) divert or attempt to divert any business or customer of the Franchised Gym or of any other of Franchisor's company-owned, affiliate-owned or franchised business(es) 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 the Marks and the System;

(c) employ or seek to employ any person who is at that time employed by Franchisor or any of its franchisees, or otherwise directly or indirectly induce or attempt to induce such person to leave his or her employment; or

(d) aid, assist or provide goods or services to any competitor of the Franchised Gym, Franchisor, or any other of Franchisor's franchisees.

The provisions of this Section shall survive the expiration, termination, or cancellation of this Agreement.

4. Non-Competition After Term of Franchise. Covenantor covenants that, during the term of the Franchise Agreement and for a continuous and uninterrupted period commencing upon the earlier of the expiration or termination of the Franchise Agreement (regardless of the cause for termination) or the time at which Covenantor ceases to be a shareholder, officer, partner, employee, and/or member of Franchisee, and continuing for two (2) years thereafter, neither Covenantor nor persons associated with Covenantor will participate directly or indirectly or serve in any capacity in any business engaged in the ownership or operation of a business or in the sale of products or services competitive with those offered by the Franchised Gym. This post-termination covenant applies to the entire county/parish in which the Franchised Gym is/was located (as identified above) and a 50-mile radius around the Franchised Location. The post-termination covenant shall also apply to a 50-mile radius of any other gym owned by Franchisor, its affiliates or its franchisees operating under the Franchisor's Marks (each a "CHEER ATHLETICS Gym") in operation at the time of termination. The time period referred to in this section shall be stayed during any violation or breach of the terms of this Section. The provisions of this section shall survive the expiration, termination, or cancellation of this Agreement.

5. Remedies. Covenantor acknowledges that his/her violation of any of the covenants

contained in this Agreement would result in irreparable injury to Franchisor and Franchisee for which no adequate remedy at law may be available, and accordingly consents to the issuance of, and agrees to pay all court costs and reasonable attorneys' fees incurred by Franchisor or Franchisee in obtaining, an injunction enjoining any conduct by Covenantor prohibited by the terms of the Agreement. This remedy shall be in addition to any and all other remedies which may be available to Franchisor or Franchisee.

6. Severability. The parties agree that each of the covenants contained in this Agreement shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant contained herein is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Covenantor expressly agrees to be bound by any lesser covenants subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenants were separately stated and made a part of this Agreement.

7. Reduction of Scope. The parties agree that Franchisor has the right, in its sole discretion, to reduce the scope of any covenant set forth in this Restrictive Covenant Agreement, or any portion thereof, without Covenantor's consent, effective immediately upon Covenantor's receipt of written notice therefor, and Covenantor agrees to comply forthwith with any covenant as so modified.

8. Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective legal representatives, successors, and assigns.

9. Construction. The parties agree that this Agreement shall be deemed to have been entered into in, and shall be governed by and construed in accordance with the laws of the state in which the Franchised Gym is situated.

10. Jurisdiction. The parties agree that any action based upon this Agreement brought by any party hereto against any other party hereto may be brought within the State of Texas in the judicial district in which Franchisor has its principal place of business, and hereby consent to the exercise of personal jurisdiction by any such court and waive any defense of lack of personal jurisdiction or improper venue for the purpose of carrying out this provision.

11. Legal Expenses. In the event a dispute arises under this Agreement, the prevailing party shall be entitled to recover its expenses, including reasonable attorney and accountant fees, in addition to any other relief to which it may be found entitled.

12. Franchisor Third-Party Beneficiary. Covenantor and Franchisee acknowledge and intend that the covenants contained in this Agreement shall directly benefit Franchisor, who shall be a third-party beneficiary thereof, entitled to enforce the provisions thereof in Franchisor's own name without Franchisee as a party in any action filed for such purpose, and shall further be entitled to all remedies provided in Section 5 hereof.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed this Agreement, or caused it to be executed by their duly authorized representative, as of the dates set forth below.

**COVENANTOR**

\_\_\_\_\_  
Printed Name

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

**FRANCHISEE**

\_\_\_\_\_  
Company Name

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

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

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

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

Franchise Agreement

Exhibit 9

PERSONAL GUARANTY

IN CONSIDERATION of and as an inducement for Cheer Athletics Holdings, LLC, (**“Franchisor”**) to enter into the Franchise Agreement and related agreements (collectively the “Franchise Documents”) with \_\_\_\_ (**“Franchisee”**) the undersigned (**“Guarantor(s)”**) hereby jointly and severally guarantee to the Franchisor, and to the Franchisor’s successors and assigns (a) the timely payment of all franchise and other fees charges and interest provided for in the Franchise Agreement, (b) the timely payment of all principal, interest and other charges provided for in any and all promissory note(s), and (c) the timely performance of all of the provisions of the Franchise Documents for and during the term thereof (including all renewals thereof, if any). Guarantor(s) further specifically agree to be individually bound by all covenants, obligations and commitments of the Franchisee contained in the Franchise Documents to the same extent as if each of the Guarantor(s) had individually executed the Franchise Documents as Franchisee.

Guarantor(s) understand and agree that any modification of the Franchise Documents, including any addendum or addenda thereto, or waiver by the Franchisor of the performance by the Franchisee of its obligations thereunder, or the giving by the Franchisor of any extension of time for the performance of any of the obligations of the Franchisee thereunder, or any other forbearance on the part of the Franchisor or any failure by the Franchisor to enforce any of its rights under the Franchise Documents, including any addendum or addenda thereto, shall not in any way release Guarantor(s) from liability hereunder or terminate, affect or diminish the validity of this Guaranty, except to the same extent, but only to such extent, that the liability or obligation of the Franchisee is so released, terminated, affected, or diminished. Notice to Guarantor(s) of any such modification, waiver, extension or forbearance under the terms thereof is hereby waived.

Guarantor(s) hereby (i) waive any and all notice of default on the part of the Franchisee, (ii) waive exhausting of recourse against the Franchisee, and (iii) consent to any assignment of the Franchise Documents, in whole or in part, that the Franchisor or its assignees may make. Guarantor(s) agree to pay all costs, including reasonable attorneys’ fees, incurred by Franchisor to collect or otherwise enforce the terms of this Guaranty. This Guaranty has been delivered in the State of Texas, and shall be construed and enforced in accordance with the laws thereof. Jurisdiction and venue in any action to enforce this Guaranty shall be in any state or federal court within the State of Texas in the judicial district where Franchisor has its principal place of business. Guarantor(s) consent to the exercise of personal jurisdiction by any such court and waive any defense of lack of personal jurisdiction or improper venue.

\_\_\_\_\_  
Guarantor’s Signature

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

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

Franchise Agreement Exhibit 10

LEASE ADDENDUM

This Lease Addendum is entered into as of the date of the Lease Agreement by and between

\_\_\_\_\_ (“Landlord”) and \_\_\_\_\_ (“Tenant”).

Landlord and Tenant are parties to that certain Lease of even date (the “Lease”) covering the premises located at \_\_\_\_\_ (“Premises”), which Tenant will use to operate a CHEER ATHLETICS franchised training facility/gym (“Gym”) under a Franchise Agreement between Tenant and Cheer Athletics Holdings, LLC (“Franchisor”). Landlord and Tenant desire to amend the Lease to protect the various interests of Franchisor.

In consideration of the foregoing and the promises contained in the Lease, the parties agree as follows:

1. Permitted Use. Landlord and Tenant agree that so long as the Franchise Agreement remains in effect, Tenant may use the Lease premises only for a CHEER ATHLETICS franchised training facility/gym.

2. Notice of Default. Landlord will provide Franchisor, by certified U.S. mail or a recognized overnight delivery service at the address listed in Section 9 (below), a minimum thirty-day (30-day) notice of any default under the Lease before Landlord initiates any action to terminate the Lease or exercise any remedy for such default.

3. Cure. Either Tenant or Franchisor may cure defaults under the Lease and Landlord will accept performance of obligations due under the Lease, as specified in the Lease, by either Franchisor or Tenant. Franchisor will not, however, be under any obligation to cure any default and nothing herein will require Franchisor at any time to comply with or take any action under the provisions of the Lease.

4. Rights of Franchisor After Cure. If Franchisor commences cure of any default under the Lease within the thirty-day (30-day) notice period described in Section 2, and if Franchisor thereafter diligently completes cure, Franchisor may, but will not be obligated to, give notice to Landlord and become Tenant under the Lease, in which event Landlord will not be entitled to terminate the Lease.

5. Assignment and Renewal. Landlord consents to an assignment or transfer of Tenant’s rights under the Lease to Franchisor at any time during the term of the Lease. Landlord will give Franchisor notice of expiration of the term of the Lease at least three (3) months in advance thereof and grant Franchisor the right, but not the obligation, to exercise any then-existing renewal rights under the Lease.

6. Assignment Upon Termination of Franchise Agreement. Landlord and Tenant agree to the transfer or assignment of all of Tenant’s rights under the Lease to Franchisor upon (a) written notice by Franchisor to Landlord and Tenant of the termination of the Franchise Agreement between Tenant and Franchisor (“Notice of Franchise-Termination”), and (b) written notice by Franchisor to Landlord and Tenant of Franchisor’s intent to assume the Lease (“Notice of Assumption”). Such transfer or assignment shall be effective as of the date of the Notice of Assumption. In the event that Franchisor assumes the Lease, Franchisor shall not be liable to Landlord for any amounts due under the Lease prior to the Notice of Assumption. Instead, Landlord may only recover such amounts from Tenant and its guarantors, if any.

7. Right of Entry and Subordination. Landlord will give Franchisor access to the Gym at reasonable times on not less than twenty-four (24) hours’ notice (or such shorter notice as may be reasonable when circumstances dictate) either to inspect the Gym for compliance with Franchisor’s requirements, to remove from the Gym any items bearing our marks or logos or to take other action permissible under the Agreements between Tenant and Franchisor. Landlord specifically subordinates any lien it may have in such items to Franchisor’s rights as licensor of the marks, logos, or intellectual property displayed on items.

8. Vacating Premises. Upon vacating the Lease premises, or termination of the Franchise Agreement or Lease (whichever occurs first), Tenant must remove all signs and materials bearing any of Franchisor's marks, logos, or other intellectual property.

9. Access to Premises. During the term of this Lease, Landlord and Tenant acknowledge and agree that the Franchisor shall have unrestricted access to the Premises to inspect the Premises and Tenant's business operations.

10. Notices. Any notices to Franchisor hereunder will be sent to:

Cheer Athletics Holdings, LLC  
3712 E. Plano Parkway  
Bldg B, Suite 100  
Plano, Texas 75074  
Attn: Chad Wright

11. Benefit. Landlord and Tenant acknowledge that they enter into this Agreement for the express benefit of Franchisor and that Franchisor is an intended beneficiary hereof.

12. Heirs and Successors. This Lease Addendum shall be binding upon and inure to the benefit of the parties (and Franchisor), their heirs, successors, and assigns.

13. Validity. Any invalidity of any portion of this Lease Addendum shall not affect the validity of the remaining portion and unless substantial performance of this Lease Addendum is frustrated by any such invalidity, this Lease Addendum shall continue in effect.

14. Governing Law. This Lease Addendum shall be governed by and construed in accordance with the internal laws of the State of Texas; however, if this Lease Addendum concerns a location in a state other than Texas and the laws of that other state require terms other than those or in addition to those contained herein, then this Lease Addendum shall be deemed modified so as to comply with the appropriate laws of such state, but only to the extent necessary to prevent the invalidity of this Lease Addendum or any provision hereof, the imposition of fines or penalties, or the creation of civil or criminal liability on account thereof. Any provision of this Lease Addendum which may be determined by competent authority to be prohibited or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of the prohibition or unenforceability without invalidating the remaining provisions of this Lease Addendum. Any prohibition against or unenforceability of any provisions of this Lease Addendum in any jurisdiction, including the state whose laws govern this Lease Addendum, shall not invalidate the provision or render it unenforceable in any other jurisdiction. To the extent not prohibited by applicable law, Franchisee and Landlord waive any provision of law which renders any provision of this Lease Addendum prohibited or unenforceable in any respect.

15. Supremacy. This Addendum shall control and supersede any inconsistent provision of The Lease.

[Signature Page Follows]



The parties have signed this Agreement the day and year referenced above.

|                             |                             |
|-----------------------------|-----------------------------|
| <b>LANDLORD:</b>            | <b>TENANT/FRANCHISEE:</b>   |
| _____                       | _____                       |
| (name of individual/entity) | (name of individual/entity) |
| By: _____                   | By: _____                   |
| Printed                     | Printed                     |
| Name: _____                 | Name: _____                 |
| Title: _____                | Title: _____                |

## Franchise Agreement

### Exhibit 11

#### SBA ADDENDUM

THIS ADDENDUM (“Addendum” or “SBA Addendum”) is made and entered on \_\_\_\_\_, 20\_\_\_\_\_, by and between Cheer Athletics Holdings, LLC (“**Franchisor**” or “**Cheer**”), located at 3712 E. Plano Parkway, Bldg B, Suite 100, Plano, Texas 75074, and \_\_\_\_\_ (“**Franchisee**”), located at \_\_\_\_\_.

Franchisor and Franchisee entered into a Franchise Agreement on \_\_\_\_\_, 20\_\_\_\_\_, (such Agreement, together with any amendments, the “Franchise Agreement”). Franchisee is applying for financing(s) from a lender in which funding is provided with the assistance of the U.S. Small Business Administration (“SBA”). SBA requires execution of this Addendum as a condition for obtaining SBA-assisted financing.

In consideration of the mutual promises below and for good and valuable consideration, the receipt and sufficiency of which the parties agree that notwithstanding any other terms in the Franchise Agreement or any other document Franchisor requires Franchisee to sign:

#### **CHANGE OF OWNERSHIP**

- If Franchisee is proposing to transfer a partial interest in Franchisee and Franchisor has an option to purchase or a right of first refusal with respect to that partial interest, Franchisor may exercise such option or right only if the proposed transferee is not a current owner or family member of a current owner of Franchisee. If the Franchisor’s consent is required for any transfer (full or partial), Franchisor will not unreasonably withhold such consent. In the event of an approved transfer of the franchised interest or any portion thereof, the transferor will not be liable for the actions of the transferee Franchisee.

#### **FORCED SALE OF ASSETS**

- If Franchisor has the option to purchase business personal assets upon default or termination of the Franchise Agreement and the parties are unable to agree on the value of the assets, the value will be determined by an appraiser chosen by both parties. If Franchisee owns the real estate where Franchisee’s location is operating, Franchisee will not be required to sell the real estate upon default or termination, but Franchisee may still be required to lease the real estate for a period of the then-remaining term (excluding additional renewals) for fair market value.

#### **COVENANTS**

- If Franchisee owns the real estate where Franchisee’s location is operating, Franchisor will not, during the term of the Franchise Agreement, record against the real estate any restrictions on the use of the property, including any restrictive covenants, branding covenants or environmental use restrictions. If any such restrictions are currently recorded against Franchisee’s real estate, they will be removed in order to enable Franchisee to obtain SBA-assisted financing.

#### **EMPLOYMENT**

- Franchisor will not directly control (hire, fire or schedule) Franchisee’s employees. For temporary personnel franchises, the temporary employees will be employed by Franchisee not the Franchisor.

As to the referenced Franchise Agreement, this Addendum automatically terminates when SBA no longer has any interest in any SBA-assisted financing provided to the Franchisee.

Except as amended by this Addendum, the Franchise Agreement remains in full force and effect according to its terms.

Franchisor and Franchisee acknowledge that submission of false information to SBA, or the withholding of material information from SBA, can result in criminal prosecution under 18 U.S.C. § 1001 and other provisions, including liability for treble damages under the False Claims Act, 31 U.S.C. §§ 3729 – 3733.

It is the intent of the parties that this Addendum provide all of the same, terms, and conditions as set forth in SBA Form 2462 (01-2018).

| FRANCHISEE             | FRANCHISOR                           |
|------------------------|--------------------------------------|
| <hr/>                  | <b>Cheer Athletics Holdings, LLC</b> |
| By: <hr/>              | By: <hr/>                            |
| Printed<br>Name: <hr/> | Printed<br>Name: <hr/>               |
| Title: <hr/>           | Title: <hr/>                         |

**Note to Parties:** This Addendum only addresses “affiliation” between Franchisor and Franchisee. Additionally, the applicant Franchisee and the franchise system must meet all SBA eligibility requirements.

**CHEER ATHLETICS  
FRANCHISE DISCLOSURE DOCUMENT**

**EXHIBIT C:**

**SAMPLE COPY OF GENERAL RELEASE**

## SAMPLE COPY OF GENERAL RELEASE

The undersigned \_\_\_\_\_ (“**Releasor**”), \_\_\_\_\_  
an individual domiciled in the State of \_\_\_\_\_, OR \_\_\_\_\_  
a legal business entity organized under the laws of the State of \_\_\_\_\_, and Releasor’s heirs,  
administrators, executors, parents, affiliates, owners, officers, directors, managers, shareholders, members,  
employees, agents, representatives, successors, and assigns, (collectively “**Releasor-Parties**”), for good  
and valuable consideration, the receipt of which is hereby acknowledged, hereby release, and forever  
discharge Cheer Athletics Holdings, LLC (“**Franchisor**”), a Texas limited liability company and its  
parents, affiliates, and their respective representatives, owners, officers, directors, managers, shareholders,  
members, employees, agents, successors and assigns, (collectively, the “**Franchisor-Released-Parties**”)  
from any and all claims, whether at law or in equity, and all contracts, controversies, claims, and demands,  
judgments and causes of action of any kind whatsoever, at law or in equity, that Releasor and/or any of the  
Releasor-Parties ever had, now have or may have against any of the Franchisor-Released-Parties, whether  
known or unknown, vested or contingent, which any of the Releasor-Parties ever owned or held, now owns  
or holds, or may in the future own or hold including, without limitation, (i) any and all claims arising out  
of or related to that certain Franchise Agreement between Franchisor and Releasor dated \_\_\_\_\_  
\_\_\_\_\_(the “**Franchise  
Agreement**”); (ii) the offer and sale of any CHEER ATHLETICS franchise opportunity; (iii) the ownership  
of operation of the franchised business which is the subject of the Franchise Agreement; and (iv) any and  
all claims arising under federal, state, and local laws, rules, and ordinances related to any of the above.  
Whenever the text hereof requires, the use of singular number shall include the appropriate plural number  
as the text of the within instrument may require. This Release may not be changed orally. Releasor  
acknowledges that this General Release extends to claims of which Releasor may not know or suspect to  
exist at the time of executing this General Release, which if were known to Releasor may have materially  
affected Releasor’s decision to enter into this General Release. Releasor expressly assumes the risk of the  
facts turning out to be so different and agree that this General Release shall be in all respects effective and  
not subject to termination or rescission by any such difference in facts.

This Release does not apply with respect to claims arising under the Washington Franchise Investment  
Protection Act, RCW 19.100, and the rules adopted thereunder.

*(((Remainder of page intentionally blank. Signature page follows.)))*

IN WITNESS WHEREOF, the parties hereto have executed this General Release as of the date set forth below.

**RELEASOR:**

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

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

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

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

[This General Release will be modified as necessary for consistency with any relevant state law regulating franchising.]

**CHEER ATHLETICS  
FRANCHISE DISCLOSURE DOCUMENT**

**EXHIBIT D:**

**STATE ADDENDA AND FRANCHISE  
AGREEMENT RIDERS**

**ADDENDUM TO THE  
CHEER ATHLETICS HOLDINGS, LLC  
FRANCHISE DISCLOSURE DOCUMENT**

**FOR THE STATE OF ILLINOIS**

To the extent the Illinois Franchise Disclosure Act, Ill. Comp. Stat. §§ 705/1 – 705/44 applies, the terms of this Addendum apply.

1. Item 17 of the Franchise Disclosure Document is revised to add the following language:

The Illinois Franchise Disclosure Act governs the Franchise Agreement.

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

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

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

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

**FOR THE STATE OF NEW YORK**

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

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

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

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

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



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

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

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

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

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this provision that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

4. The following language replaces the “Summary” Section of Item 17(d), titled **“Termination by you [franchisee]”**:

You may terminate the agreement on any grounds available by law.

5. The following language is added to the end of the “Summary” Section of Item 17(v), titled, **“Choice of Forum,”** and Item 17(w), titled **“Choice of Law”**:

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

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

## CHEER ATHLETICS

### ILLINOIS AMENDMENT TO THE FRANCHISE AGREEMENT

For purposes of complying with the requirements of Illinois law, including the Illinois Franchise Disclosure Act of 1987, Ill. Rev. Stat. ch. 815 para. 705/1 – 705/44 (1994) (“**Illinois Franchise Act**”), Cheer Athletics Holdings, LLC (“**Franchisor**”) and \_\_\_\_\_ (“**Franchisee**”) hereby amend the Franchise Agreement between them dated \_\_\_\_\_ (“**Agreement**”) as follows:

1. The Illinois Attorney General's Office requires that certain provisions contained in franchise documents be amended to be consistent with Illinois law, including the Franchise Disclosure Act of 1987, 815 ILCS 705/1-44, (collectively, the “**Act**”). To the extent that this Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- (a) Illinois Franchise Disclosure Act paragraphs 705/19 and 705/20 provide rights to you concerning nonrenewal and termination of this Agreement. If this Agreement contains a provision that is inconsistent with the Act, the Act will control.
- (b) Any release of claims or acknowledgments of fact contained in the Agreement that would negate or remove from judicial review any statement, misrepresentation, or action that would violate the Act, or a rule or order under the Act shall be void and are hereby deleted with respect to claims under the Act.
- (c) If this Agreement requires litigation to be conducted in a forum other than the State of Illinois, the requirement is void with respect to claims under the Illinois Franchise Disclosure Act.
- (d) Section 16.4 is amended to state that Illinois law governs the Agreement.
- (e) If this Agreement requires a jury trial waiver, to the extent that such provision conflicts with the Illinois Franchise Disclosure Act, the Act will control.

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

3. Section 18.11(c) is deleted.

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

*(((Remainder of page intentionally blank. Signature page follows.)))*

Signed on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, and effective on  
Effective Date, as provided in the Franchise Agreement.

**FRANCHISOR**

**Cheer Athletics Holdings, LLC**  
a Texas limited liability company

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

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

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

**FRANCHISEE**

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
Individually

Address: \_\_\_\_\_

City: \_\_\_\_\_

State: \_\_\_\_\_

Zip: \_\_\_\_\_

OR:

(if a corporation or other legal entity)

\_\_\_\_\_  
Company Name

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

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

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

Address: \_\_\_\_\_

City: \_\_\_\_\_

State: \_\_\_\_\_ Zip: \_\_\_\_\_

## CHEER ATHLETICS

### NEW YORK AMENDMENT TO THE FRANCHISE AGREEMENT

This Addendum to the Franchise Agreement is entered into this \_\_\_ day of \_\_\_\_, 20\_\_, between Cheer Athletics Holdings, LLC, a Texas limited liability company, and \_\_\_\_ (“you” or “Franchisee” to amend the Franchise Agreement, as entered of even date between the parties, as follows:

NOW, THEREFORE, for and in consideration of good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Franchise Agreement is amended as follows:

1. Notwithstanding anything to the contrary in the Franchise Agreement, in the event of a conflict between the provisions of the Franchise Agreement and the provisions of this Addendum, the provisions of this Addendum shall control. The parties hereby agree that the Agreement remains fully effective in all respects except as specifically modified herein, and all the respective rights and obligations of Franchisee and Franchisor remain as written unless modified herein.

2. Section 2.2.(g) **(Renewal)** and Section 10.D.6 **(Transfer by Franchisee - General Release)** are amended by adding the following:

“All rights enjoyed by you and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force, it being the intent of this provision that the non-waiver provisions of General Business Law, Section 687.4 and 687.5 be satisfied.”

3. Section 17 **(Indemnification)** is amended by adding the following:

“Notwithstanding anything contained herein to the contrary, you shall not be required to indemnify for any claims arising out of our breach of this Franchise Agreement or other civil wrongs by us.”

4. Section 13 **(Termination)** is amended to provide that Franchisee may terminate the Franchise Agreement on any grounds available to Franchisee pursuant to relevant law.

5. Section 16.4 **(Governing Law)** and Section 16.5 **(Jurisdiction and Venue)** are amended by adding:

“The foregoing choice of law shall not be considered a waiver of any right conferred upon us or you by the provisions of Article 33 of the General Business Law of the State of New York.”

6. Section 16.6 **(Limitation of Claims)** is amended to add the following:

“However, to the extent required by Article 33 of the General Business Law of the State of New York, all rights and any causes of action arising in your favor for the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in full force; it being the intent of this provision that the non-waiver provisions of GBL Sections 687.4 and 687.5 be satisfied.”

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

8. Section 18.11(c) is deleted.

*(((Remainder of page intentionally blank. Signature page follows.)))*

Signed on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, and effective on  
Effective Date, as provided in the Franchise Agreement.

**FRANCHISOR**

**Cheer Athletics Holdings, LLC**  
a Texas limited liability company

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

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

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

**FRANCHISEE**

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
Individually

Address: \_\_\_\_\_

City: \_\_\_\_\_

State: \_\_\_\_\_

Zip: \_\_\_\_\_

OR:

(if a corporation or other legal entity)

\_\_\_\_\_  
Company Name

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

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

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

Address: \_\_\_\_\_

City: \_\_\_\_\_

State: \_\_\_\_\_ Zip: \_\_\_\_\_

**CHEER ATHLETICS  
FRANCHISE DISCLOSURE DOCUMENT**

**EXHIBIT E:**

**TABLE OF CONTENTS OF OPERATING  
MANUAL**

# **CHEER ATHLETICS FRANCHISE DISCLOSURE DOCUMENT**

## **EXHIBIT F-1:**

### **LIST OF CURRENT FRANCHISEES (as of December 31, 2024)**

| <b>Name / Contact</b>        | <b>Address</b>  | <b>Phone Number</b> |
|------------------------------|---|---------------------|
| Peak Cheer, LLC              | 333 Dad Clark Dr.<br>Highlands Ranch, CO 80126        | (720) 749-3500      |
| Peak Cheer, LLC              | 3773 Monarch Street<br>Fredrick, CO 80516             | (303) 452-7867      |
| NHFL, LLC                    | 3881 Paso Street<br>Pensacola, FL 32505               | (603) 254-8107      |
| Honor Elite Allstars, LLC    | 810 E. Devon Avenue<br>Bartlett, IL 60103             | (630) 639-9261      |
| MJ Sports, LLC               | 1000 Early Drive<br>Winchester, KY 40391              | (859) 940-5501      |
| Castle Services, LLC         | 140 Long Road, Suite 122<br>Chesterfield, MO 63005    | (636) 489-4731      |
| Triangulum, LLC              | 14620 Gold Coast Road, Suite 460<br>Omaha, NE 68138   | (531) 210-0928      |
| Cheer Concepts, LLC          | 7101 MacFarlane Blvd.<br>Charlotte, NC 28262          | (980) 292-1228      |
| Claw the Wall, LLC           | 600 Elmridge Center Drive<br>Rochester, NY 14626      | (585) 319-4626      |
| Claw the Wall, LLC           | 70 Weiss Avenue<br>West Seneca, NY 14224              | (585) 319-4626      |
| R&C Athletics, LLC           | 764 Morrison Road<br>Gahanna, OH 43230                | (614) 414-2529      |
| Champion Athletics, LLC      | 305 Chase Drive<br>Pittsburg, PA 15084                | (724) 265-2272      |
| JT for Allstar, LLC          | 2400 W. Westmoreland Street<br>Philadelphia, PA 19129 | (267) 975-3690      |
| Capital Athletics, LLC       | 15401 Debba Drive<br>Austin, TX 78734                 | (512) 553-2284      |
| Wysong Legacy Athletics, LLC | 1100 Conveyor Lane<br>Dallas, TX 75247                | (214) 905-8440      |
| Interstellar Athletics, LLC  | 6155 Sports Village Road<br>Frisco, TX 75033          | (469) 486-3612      |
| Claw the Wall, LLC           | 1915 Alpha Drive<br>Rockwall, TX 75032                | (806) 441-4336      |
| Rebel Yell, LLC              | 3213 Avenue E<br>Arlington, TX 76011                  | (817) 944-9392      |



**CHEER ATHLETICS  
FRANCHISE DISCLOSURE DOCUMENT**

**EXHIBIT F-2:**

**LIST OF FRANCHISEES  
WHO HAVE LEFT THE SYSTEM**

**LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM  
AS OF DECEMBER 31, 2024**

| <b>Name / Contact</b> | <b>City, State</b>                    | <b>Phone Number</b> |
|-----------------------|---------------------------------------|---------------------|
| Cheer Omega, LLC      | 380 Lurton St.<br>Pensacola, FL 32505 | (850) 542-7003      |

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

# **CHEER ATHLETICS FRANCHISE DISCLOSURE DOCUMENT**

## **EXHIBIT G: FINANCIAL STATEMENTS**



# CHEER ATHLETICS HOLDINGS, LLC

Financial Statements  
(With Independent Auditor's Report Thereon)

December 31, 2024, 2023 and 2022

**CHEER ATHLETICS HOLDINGS, LLC**

Index

December 31, 2024, 2023 and 2022

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## **Independent Auditor's Report**

To the Members  
Cheer Athletics Holdings, LLC

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of Cheer Athletics Holdings, LLC (the Company), which comprise the balance sheets as of December 31, 2024, 2023 and 2022, and the related statements of income, changes in members' equity and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Cheer Athletics Holdings, LLC as of December 31, 2024, 2023 and 2022, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of Cheer Athletics Holdings, LLC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Cheer Athletics Holdings, LLC's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Cheer Athletics Holdings, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Cheer Athletics Holdings, LLC's ability to continue as a going concern for a reasonable period of time.

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

**STILL BURTON**



Farmers Branch, Texas  
March 25, 2025

**CHEER ATHLETICS HOLDINGS, LLC**  
Balance Sheets

| <b>ASSETS</b>                                | <b>December 31,</b> |                   |                   |
|--|---------------------|-------------------|-------------------|
|  | <b>2024</b>         | <b>2023</b>       | <b>2022</b>       |
| <b>Current assets:</b>                       |                     |                   |                   |
| Cash   | \$ 153,515          | \$ 132,547        | \$ 180,644        |
| Royalties receivable, net                    | 48,516              | 57,450            | 54,413            |
| Franchise contract fee receivable            | 55,833              | 48,334            | 58,334            |
| <b>Total current assets</b>                  | 257,864             | 238,331           | 293,391           |
| <b>Other assets:</b>                         |                     |                   |                   |
| Equipment loan receivable                    | 145,833             | 150,000           | -                 |
| <b>Total assets</b>                          | <u>\$ 403,697</u>   | <u>\$ 388,331</u> | <u>\$ 293,391</u> |
| <b>LIABILITIES AND MEMBERS' EQUITY</b>       |                     |                   |                   |
| <b>Current liabilities:</b>                  |                     |                   |                   |
| Due to related parties                       | \$ 74,813           | \$ 71,465         | \$ 55,000         |
| Franchise contract deferred revenue          | 21,826              | 21,826            | 54,577            |
| <b>Total current liabilities</b>             | 96,639              | 93,291            | 109,577           |
| <b>Franchisee contract deferred revenue</b>  | 177,917             | 131,945           | 168,772           |
| <b>Total liabilities</b>                     | 274,556             | 225,236           | 278,349           |
| <b>Members' equity</b>                       | 129,141             | 163,095           | 15,042            |
| <b>Total liabilities and members' equity</b> | <u>\$ 403,697</u>   | <u>\$ 388,331</u> | <u>\$ 293,391</u> |

See accompanying notes and independent auditor's report.



**CHEER ATHLETICS HOLDINGS, LLC**  
Statements of Income

|                        | <b>Year Ended December 31,</b> |                   |                   |
|------------------------|--------------------------------|-------------------|-------------------|
|                        | <b>2024</b>                    | <b>2023</b>       | <b>2022</b>       |
| <b>REVENUE</b>         |                                |                   |                   |
| Royalties              | \$ 1,197,471                   | \$ 1,169,234      | \$ 830,921        |
| Initial franchise fee  | 74,027                         | 99,578            | 46,232            |
| Total revenue          | <u>1,271,498</u>               | <u>1,268,812</u>  | <u>877,153</u>    |
| <b>EXPENSES</b>        |                                |                   |                   |
| Management fees        | 708,720                        | 711,138           | 650,000           |
| Professional services  | 59,072                         | 54,227            | 33,567            |
| Dues and subscriptions | 69,504                         | 55,575            | -                 |
| Website                | 51,000                         | -                 | -                 |
| Travel and meals       | 5,708                          | 19,312            | -                 |
| Training               | -                              | 18,600            | -                 |
| Other administrative   | 6,058                          | 3,865             | -                 |
| Total expenses         | <u>900,062</u>                 | <u>862,717</u>    | <u>683,567</u>    |
| <b>OTHER REVENUE</b>   |                                |                   |                   |
| Gain on sale           | <u>-</u>                       | <u>131,958</u>    | <u>-</u>          |
| <b>NET INCOME</b>      | <u>\$ 371,436</u>              | <u>\$ 538,053</u> | <u>\$ 193,586</u> |

See accompanying notes and independent auditor's report.

**CHEER ATHLETICS HOLDINGS, LLC**  
Statements of Changes in Members' Equity

|                                     |                          |
|-------------------------------------|--------------------------|
| <b>Balance at December 31, 2021</b> | \$ 211,456               |
| Distributions to members            | (390,000)                |
| Net income                          | <u>193,586</u>           |
| <b>Balance at December 31, 2022</b> | 15,042                   |
| Distributions to members            | (390,000)                |
| Net income                          | <u>538,053</u>           |
| <b>Balance at December 31, 2023</b> | 163,095                  |
| Distributions to members            | (405,390)                |
| Net income                          | <u>371,436</u>           |
| <b>Balance at December 31, 2024</b> | <u><u>\$ 129,141</u></u> |

See accompanying notes and independent auditor's report.

**CHEER ATHLETICS HOLDINGS, LLC**  
Statements of Cash Flows

|   | Year Ended December 31, |                   |                   |
|---|-------------------------|-------------------|-------------------|
|   | 2024                    | 2023              | 2022              |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                       |                         |                   |                   |
| Net income  | \$ 371,436              | \$ 538,053        | \$ 193,586        |
| Adjustments to reconcile net income to net cash provided by operating activities: |                         |                   |                   |
| Non-cash equipment loan advance   | -                       | (150,000)         | -                 |
| <u>(Increase) decrease in:</u>  |                         |                   |                   |
| Royalties receivable  | 8,934                   | (3,037)           | 52,732            |
| Franchise contract fee receivable   | (3,332)                 | 10,000            | 6,666             |
| <u>Increase (decrease) in:</u>  |                         |                   |                   |
| Due to related party  | 3,348                   | 16,465            | (1,118)           |
| Escrow  | -                       | -                 | -                 |
| Franchisee contract deferred revenue  | 45,972                  | (69,578)          | 70,649            |
| <b>Net cash provided by operating activities</b>                                  | <u>426,358</u>          | <u>341,903</u>    | <u>322,515</u>    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                       |                         |                   |                   |
| Distributions to members  | <u>(405,390)</u>        | <u>(390,000)</u>  | <u>(390,000)</u>  |
| <b>Net cash used in financing activities</b>                                      | <u>(405,390)</u>        | <u>(390,000)</u>  | <u>(390,000)</u>  |
| <b>NET INCREASE (DECREASE) IN CASH</b>  | 20,968                  | (48,097)          | (67,485)          |
| <b>Cash and cash equivalents-beginning</b>  | <u>132,547</u>          | <u>180,644</u>    | <u>248,129</u>    |
| <b>Cash and cash equivalents-ending</b>   | <u>\$ 153,515</u>       | <u>\$ 132,547</u> | <u>\$ 180,644</u> |

See accompanying notes and independent auditor's report.

# **CHEER ATHLETICS HOLDINGS, LLC**

## **Notes to Financial Statements**

**December 31, 2024, 2023 and 2022**

### **NOTE 1 – ORGANIZATION AND NATURE OF BUSINESS**

Cheer Athletics Holdings, LLC (the Company), a Texas limited liability corporation, was formed in January 2020. The Company franchises Cheer Athletics, a training-facility/gym focused on competitive and recreational cheerleading. As of December 31, 2024, 2023 and 2022 the Company had franchisees across the United States, plus one in the United Kingdom.

### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of Accounting**

The financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America (GAAP).

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

The Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. There were no cash equivalents at December 31, 2024, 2023 and 2022.

#### **Royalties Receivable**

Royalties receivable consists of royalties due from franchisees, less an allowance for doubtful accounts. Management determines the allowance for credit losses by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts aged longer than thirty days are considered past due. No interest is charged on outstanding receivables. Balances that are still outstanding after management has used reasonable collection efforts are written off. At December 31, 2024, 2023 and 2022, there was \$0, \$0 and \$49,202 in allowance for credit losses, respectively.

#### **Fair Value of Financial Instruments**

The Company defines the fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties. Financial instruments included in the Company's financial statements include cash, royalties receivable, franchise contract fee receivable and accounts payable. Unless otherwise disclosed in the notes to the financial statements, the carrying value of financial instruments is considered to approximate fair value due to the short maturity and characteristics of the instrument.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Revenue Recognition**

The Company generates revenues and earns fees from franchised and licensed locations. The Company provides the use of trademarks, systems, training, pre-opening assistance and franchisee location operating assistance in exchange for initial franchise fee.

Pre-opening services, as defined, may be accounted for as distinct from the franchise license. As such, the Company has determined that systems, training, pre-opening assistance and franchisee location operating assistance are aggregated under the practical expedient as allowable pre-opening activities. The initial franchise and license fee is allocated 40% to pre-opening activities and is recognized as revenue upon opening of the location. The initial franchise and license fee is allocated 60% to the use of trademarks and intellectual property rights and revenue is recognized on a straight-line basis over the term of the franchise agreement.

The Company receives monthly royalties based on a franchise location's income in the prior month, generally 10% of applicable income. Royalties are recognized monthly as earned.

**Income Taxes**

The Company is a Texas limited liability corporation. Accordingly, no provision or liability for Federal income taxes is included in the accompanying financial statements. The members include their share of the Company's net taxable income (loss) in their individual tax calculations. The Company is subject to the Texas gross margin tax on revenue in Texas. This is computed at 1% on gross profit, as defined, and is due on May 15 in the year after the income is earned. Management has determined that there are no uncertain tax positions which would require adjustments to or disclosures in the financial statement. Management believes it is generally no longer subject to tax examinations for more than three years after tax returns are filed.

**Concentration of Credit Risk**

The Company maintains its cash balances at a bank where the balances are insured by the Federal Deposit Insurance Corporation (FDIC), subject to certain limitations. The possibility of loss exists if the balance exceeds the FDIC-insured limits and the bank were to fail. Management considers the financial institution to be financially stable. As of December 31, 2024, 2023 and 2022, there was no cash that exceeded the maximum FDIC limits. To date, the Company has not experienced any losses in such accounts and management believes it is not exposed to any significant risk on its cash.

**Commitments and Contingencies**

The Company is involved from time to time in normal business litigation. There are no contingencies at December 31, 2024, 2023 and 2022.

## **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

### **Members' Equity**

The Company is owned by three individuals, each of which owns 33.33% of the Company's membership units.

### **Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

### **Accounting Standards**

On June 16, 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which replaces the incurred loss impairment methodology with an expected loss methodology referred to as the “current expected credit losses” (CECL) model. This model requires organizations to estimate credit losses immediately upon exposure and applies to financial assets measured at amortized cost including loans and trade receivables. On November 15, 2019, the FASB issued ASU 2019-10, deferring the effective date for ASU 2016-13 to annual periods beginning after December 15, 2022. The Company adopted this ASU during the year ended December 31, 2023 with no additional credit loss estimated.

## **NOTE 3 – RELATED PARTY**

The members of the Company also own interests in an affiliated entity, CA Brands, which operates a facility in Plano, Texas. CA Brands provides the Company with overhead support and the Company remits a monthly management fee to CA Brands for these services. For the years ended December 31, 2024, 2023 and 2022, the management fee was \$708,720, \$711,138, and \$650,000, respectively. As of December 31, 2024, 2023 and 2022, \$64,023, \$63,585 and \$55,000 is payable to this related party, respectively. At December 31, 2024 and 2023, \$10,382 and \$7,880, respectively, is payable to another related party, CA Plano.

**CHEER ATHLETICS HOLDINGS, LLC**  
Notes to Financial Statements - Continued  
December 31, 2024, 2023 and 2022

**NOTE 4 – FRANCHISE CONTRACT FEE RECEIVABLE**

Franchise contract fee receivable represents initial franchise fees receivable at December 31 from:

|              | <b>2024</b>      | <b>2023</b>      | <b>2022</b>      |
|--------------|------------------|------------------|------------------|
| St. Louis    | \$ 2,500         | \$ 15,000        | \$ -             |
| Columbus     | 8,333            | 33,334           | 58,334           |
| Philadelphia | 20,000           | -                | -                |
| Lexington    | 25,000           | -                | -                |
|              | <u>\$ 55,833</u> | <u>\$ 48,334</u> | <u>\$ 58,334</u> |

During the year ended December 31, 2022, \$40,000 due from Buffalo was written off upon determination that the location would not be developed by the franchisee.

At December 31, 2024, 2023 and 2022, \$8,333, \$33,334 and \$58,334, respectively, is due from the new owner of the Columbus location, which represents 36 monthly installment payments of \$2,083, no interest, through May 2025.

At December 31, 2024 and 2023, \$2,500 and \$15,000, respectively, is due from the St. Louis location owners, payable at \$2,500 per month through June 2024, no interest.

At December 31, 2024, \$20,000 is due from Philadelphia. \$10,000 is due in February 2025 and \$10,000 is due in August 2025.

At December 31, 2024, \$25,000 is due from Lexington. The full amount is due in August 2025.

**NOTE 5 – FRANCHISE CONTRACT DEFERRED REVENUE**

Franchise contract deferred revenue represents the portion of the initial franchise and license fee not yet recognized as revenue. The initial franchise and license fee is allocated 40% to pre-opening activities and is recognized as revenue upon opening of the location. The initial franchise and license fee is allocated 60% to the use of trademarks and intellectual property rights and revenue is recognized on a straight-line basis over the term of the franchise agreement. The franchise contract deferred revenue balances are as follows at December 31:

|              | <b>2024</b>      | <b>2023</b>      | <b>2022</b>      |
|--------------|------------------|------------------|------------------|
| Omaha        | \$ 23,075        | \$ 26,975        | \$ 30,875        |
| Pensacola    | -                | 26,100           | 29,700           |
| Rochester    | -                | -                | 40,125           |
| Philadelphia | 17,700           | -                | -                |
| Fort Worth   | 22,600           | -                | -                |
| Lexington    | 50,000           | -                | -                |
| St. Louis    | 14,250           | 18,750           | -                |
| Columbus     | 32,625           | 37,125           | 41,625           |
| Rockwall     | 37,500           | 42,000           | 74,625           |
| Telford, UK  | 1,993            | 2,821            | 6,399            |
|              | <u>\$199,743</u> | <u>\$153,771</u> | <u>\$223,349</u> |

**CHEER ATHLETICS HOLDINGS, LLC**  
Notes to Financial Statements - Continued  
December 31, 2024, 2023 and 2022

**NOTE 5 – FRANCHISE CONTRACT DEFERRED REVENUE -CONTINUED**

Maturities are as follows for the years ending December 31:

|            |                  |
|------------|------------------|
| 2025       | \$ 42,426        |
| 2026       | 25,426           |
| 2027       | 24,941           |
| 2028       | 20,850           |
| 2029       | 20,100           |
| Thereafter | 66,000           |
|            | <u>\$199,743</u> |

**NOTE 6 – EQUIPMENT LOAN RECEIVABLE**

At December 31, 2023, the Rochester franchisee acquired equipment under an agreement that beginning January 1, 2025, monthly payments of approximately \$4,200 will be payable over 36 months through December 2027. The agreement is interest free.

**NOTE 7 – SUBSEQUENT EVENTS**

Subsequent events have been evaluated for potential recognition or disclosure through March 25, 2025, which is the date the financial statements were available to be issued.



**CHEER ATHLETICS**  
**FRANCHISE DISCLOSURE DOCUMENT**

**EXHIBIT H:**

**FRANCHISEE DISCLOSURE AND COMPLIANCE**  
**QUESTIONNAIRE**

FRANCHISEE DISCLOSURE AND COMPLIANCE QUESTIONNAIRE  
FOR FRANCHISE AGREEMENT

**The following questionnaire is not applicable to franchisees subject to the laws of the states of California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.**

As you know, Cheer Athletics Holdings, LLC and you are preparing to enter into a Franchise Agreement for the operation of a CHEER ATHLETICS Franchised Business. In this *Franchisee Disclosure and Compliance Questionnaire*, Cheer Athletics Holdings, LLC will be referred to as “we” or “us.” The purpose of this Questionnaire is to determine whether any statements or promises were made to you that we did not authorize and that may be untrue, inaccurate, or misleading. It is also used to ensure compliance with the various state laws and regulations that may govern our transaction. Please review each of the following questions carefully and provide honest and complete responses to each question.

1. Have you received and personally reviewed the CHEER ATHLETICS Franchise Agreement and each exhibit attached to it?

Yes \_\_\_ No \_\_\_

2. Do you understand all of the information contained in the Franchise Agreement and each exhibit attached to it?

Yes \_\_\_ No \_\_\_

If “No,” what parts of the Franchise Agreement do you not understand? (Attach additional pages, if necessary.) (If none, you should write “NONE” in your own handwriting and initial.)

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3. Have you received and personally reviewed the Franchise Disclosure Document we provided to you?

Yes \_\_\_ No \_\_\_

4. Do you understand all of the information contained in the Franchise Disclosure Document?

Yes \_\_\_ No \_\_\_

If “No,” what parts of the Franchise Disclosure Document do you not understand? (Attach additional pages, if necessary.) (If none, you should write “NONE” in your own handwriting and initial.)

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5. Have you discussed the benefits and risks of operating a CHEER ATHLETICS Franchised Business with an attorney, accountant, or other professional advisor and do you understand those risks?

Yes \_\_\_ No \_\_\_

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

Yes \_\_\_ No \_\_\_

7. Has any employee or other person speaking on our behalf made any statement or promise

concerning the revenues or profits or operating costs of a CHEER ATHLETICS Franchised Business that we or our franchisees operate?

Yes \_\_\_ No \_\_\_

8. Has any employee or other person speaking on our behalf made any statement or promise concerning a CHEER ATHLETICS Franchised Business that is contrary to, or different from, the information contained in the Franchise Disclosure Document?

Yes \_\_\_ No \_\_\_

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

Yes \_\_\_ No \_\_\_

10. Has any employee or other person speaking on your behalf made any statement, promise, or agreement concerning the advertising, marketing, instruction, support service, or assistance that we will furnish to you that is contrary to, or different from, the information contained in the Franchise Disclosure Document?

Yes \_\_\_ No \_\_\_

11. If you have answered "Yes" to any of questions 7-10, please provide a full explanation of your answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) (If you answered "No" to each of such questions, you should write "NONE" in your own handwriting and initial.)

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

12. Do you understand that in all dealings with you, our officers, managers, employees and agents act only in a representative capacity and not in an individual capacity and such dealings are solely between you and us?

Yes \_\_\_ No \_\_\_

You understand that your answers are important to us and that we will rely on them.

By signing this Franchisee Disclosure and Compliance Questionnaire, you are representing that you have responded truthfully to the above questions

\_\_\_\_\_  
Name of Franchisee

Date: \_\_\_\_\_, 20 \_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name and Title of Person Signing

# EXHIBIT I:

## STATE EFFECTIVE DATES

The following states have franchise laws that require the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below.

| State    | Effective Date |
|----------|----------------|
| Illinois | PENDING        |
| Michigan | PENDING        |
| New York | PENDING        |

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.

# **CHEER ATHLETICS FRANCHISE DISCLOSURE DOCUMENT**

## **EXHIBIT J:**

## **RECEIPTS**

## RECEIPTS

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 we offer you a franchise, we must provide this disclosure document to you at least 14 calendar days before you sign a binding agreement with, or make payment to, us or an affiliate in connection with the proposed franchise sale or sooner if required by your state's applicable law. Applicable state laws in Michigan require us to provide you the disclosure document at least 10 business days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York requires us to provide the disclosure document at the earlier of the first personal meeting or 10 business days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

If we do 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, D.C. 20580 and the appropriate state agency identified on Exhibit "A."

The name, principal business address and telephone number of each franchise seller offering the franchise:  
\_\_\_\_\_.

[Any franchise seller involved in a particular franchise transaction must be disclosed here before the disclosure document is given to the prospective franchisee.]

Issuance Date: March 25, 2025

See Exhibit A for our registered agents authorized to receive service of process.

I have received a disclosure document dated March 25, 2025. This disclosure document included the following exhibits:

### Exhibits

- A. List of State Administrators and Agents for Service of Process
- B. Franchise Agreement and Exhibits
- C. General Release (Sample Form)
- D. State Addenda and Franchise Agreement Riders
- E. Table of Contents of Operating Manual
- F-1. List of Current Franchisees
- F-2. List of Franchisees Who Have Left the System
- G. Financial Statements
- H. Franchisee Disclosure and Compliance Questionnaire
- I. State Effective Dates
- J. Receipts

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

\_\_\_\_\_  
Franchisee (Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Telephone Number)

Please sign a copy of this receipt, date your signature, and return it to Chad Wright, Cheer Athletics Holdings, LLC, 3712 E. Plano Parkway, Bldg B, Suite 100, Plano, Texas 75074; Telephone: (972) 275-6781.

## RECEIPTS

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

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If we do 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, D.C. 20580 and the appropriate state agency identified on Exhibit "A."

The name, principal business address and telephone number of each franchise seller offering the franchise:\_\_\_\_\_.

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- G. Financial Statements
- H. Franchisee Disclosure and Compliance Questionnaire
- I. State Effective Dates
- J. Receipts

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

\_\_\_\_\_  
Franchisee (Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Telephone Number)

Please sign a copy of this receipt, date your signature, and return it to Chad Wright, Cheer Athletics Holdings, LLC, 3712 E. Plano Parkway, Bldg B, Suite 100, Plano, Texas 75074; Telephone: (972) 275-6781.