

FRANCHISE DISCLOSURE DOCUMENT



PickUp USA Franchise Company, LLC
a California limited liability company
556 S. Fair Oaks Ave #101-455
Pasadena, California 91105
(800) 584-9507

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Website: www.pickupusafitness.com

The franchisee will operate a single, full-service, basketball-focused fitness club under the name PickUp USA Fitness®. PickUp USA Fitness clubs offer basketball training programs and basketball games, as well as weight and cardio equipment, for youth and adult members.

The total initial investment necessary to begin operation of the franchised business ranges from \$352,266 to \$1,197,554. This includes \$45,000 that must be paid to the franchisor or affiliate.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Gary Mazakian at 556 S. Fair Oaks Ave #101-455, Pasadena, California 91105 and (800) 584-9507.

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

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

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

Issuance Date: April 12, 2024

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit H.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit C includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only PickUp USA Fitness Club business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a PickUp USA Fitness Club franchisee?	Item 20 or Exhibit H lists current and former franchisees. You can contact them to ask about their experiences
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This Franchise*

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

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 California. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in California than in your own state.
2. **Your Spouse's Liability**. Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both you and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
3. **Financial Condition**. The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.

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

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STATE EFFECTIVE DATES PAGE

COPIES OF RECEIPT

APPLICABLE STATE LAW MAY REQUIRE ADDITIONAL DISCLOSURES REGARDING THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT OR STATE SPECIFIC AMENDMENTS TO THE FRANCHISE AGREEMENT. THESE ADDITIONAL DISCLOSURES OR STATE SPECIFIC AMENDMENTS, IF ANY, APPEAR IN STATE SPECIFIC ADDENDA TO THE DISCLOSURE DOCUMENT IN EXHIBIT F, OR IN STATE SPECIFIC ADDENDA TO THE FRANCHISE AGREEMENT IN EXHIBIT D.

ITEM 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this Disclosure Document, “us” or “we” or “our” means the franchisor – Pickup USA Franchise Company, LLC, a California limited liability company. “You” means the person who buys the franchise. If the franchisee is a corporation, limited liability company or other entity, “you” may also refer to its owners.

Franchisor, Parents and Affiliates

We conduct business under the name Pickup USA Fitness®. We are a California limited liability company formed on March 23, 2016. Our principal place of business is 556 S. Fair Oaks Ave #101-455, Pasadena, California 91105. Our telephone number is (800) 584-9507. We do not have any predecessors, parents or affiliates that offer franchises or provide products or services to our franchisees (except as described below in Prior Experience).

Agents for Service of Process

Our agents for service of process are disclosed in **Exhibit B**.

The Business We Offer

We offer a franchise under the name Pickup USA Fitness to operate a single, full-service, basketball-focused fitness club. Pickup USA Fitness Clubs offer basketball training programs and basketball games, as well as weight and cardio equipment, for youth and adult members.

We have developed a system of reciprocity that enables members of your Pickup USA Fitness Club to have access to any Pickup USA Fitness Club, and members of any other Pickup USA Fitness Club to have access to your Pickup USA Fitness Club. We may make changes to the reciprocity program periodically.

We are in the business of granting and administering a franchise program for the operation by franchisees of Pickup USA Fitness Clubs. We do not currently conduct any business activities other than franchising businesses that operate Pickup USA Fitness Clubs.

There were periods of time during which fitness clubs had to remain closed in some parts of the country or had their operations restricted by state or local law as a result of the health crisis caused by the COVID-19 pandemic. During a health crisis, you may not be able to conduct operations of your Pickup USA Fitness Club or your operations may be reduced.

Market

Your PickUp USA Fitness Club will compete with other health clubs and businesses that offer similar products and services, including other local health clubs and national fitness center chains. The market for fitness clubs is developed and competitive. You will offer your products and services to the general public. The fitness industry can be seasonal, and your PickUp USA Fitness Club might be affected by many factors, including the time of year, local economic and market conditions, your experience and business knowledge, competition, and the geographic location of your PickUp USA Fitness Club within your market.

Applicable Regulations

In addition to laws and regulations that apply to businesses generally, you may be subject to regulations relating to the operation of a fitness facility in your state, city or county, including laws governing public health and safety codes and ordinances.

As of the date this Disclosure Document was issued, there are no national regulations that apply specifically to the operation of fitness centers. However, many states, and some municipalities, have laws and regulations that apply specifically to membership contracts, operations and licenses. Many states limit the length of your customer contracts, provide for specific provision to be included in those contracts, prescribe the format or type size for the contract, and provide customers the right to terminate their contracts. Applicable regulations may also require you to obtain a bond to protect pre-paid membership fees you collect or have other requirements relating to pre-paid membership fees. Some states and municipalities have also enacted laws requiring fitness centers to have a staff person available during all hours of operation, and in some cases this person may be required to be certified in basic cardiopulmonary resuscitation, or have other specialized training. In addition, some laws require a fitness center to have an automated external defibrillator (“AED”) and other first aid equipment on the premises, and some may require you to take other safety measures. There may also be laws requiring you to post signs concerning steroid and other drug use. Some states impose sales taxes on club memberships. There may also be special permits required for you to operate some or all of your business.

Because you will accept credit cards, you will also have to comply with any general laws and regulations relating to the acceptance of credit cards, including the Payment Card Industry (“PCI”) Data Security Standard (“DSS”). Compliance with the PCI DSS is your responsibility. You must also comply with data privacy laws that affect the safekeeping of member information, and regulations that apply to electronic marketing, like faxes, emails, text messaging and telemarketing.

There are also state and federal laws and regulations that apply to credit transactions, such as the Federal Truth in Lending Act and Regulation Z, and various other credit related statutes like the Equal Credit Act and Fair Debt Collection Practices Act. These laws and regulations vary from state to state and may affect your operations.

You must also comply with all data protection and privacy laws. In particular, you may not copy, transfer or use data on current or past customers such as their names, addresses, phone numbers or email addresses, or provide that information to third parties.

Other applicable regulations include those concerning smoking, sanitation, discrimination, employment and sexual harassment laws as well as the Americans with Disabilities Act, which requires readily accessible accommodations for disabled individuals and may affect your operations. It is your responsibility to comply with these laws and obtain any necessary approvals or licenses before you open for business. You should consult with your own advisors and the government agencies in your state for information on how these laws apply to you. Among the laws and regulations that apply to businesses generally, you must comply with the Patient Protection and Affordable Care Act, 42 USC 18001.

Prior Experience

We began offering franchises on April 14, 2016. None of our affiliates have offered franchises. We have not operated PickUp USA Fitness Clubs but some of our affiliates have from time to time. Neither we nor our affiliates have offered or offer franchises in any other line of business.

ITEM 2

BUSINESS EXPERIENCE

CEO: Jordan Meinster

Jordan Meinster has served as our CEO since our formation in March 2016. Mr. Meinster created the PickUp USA Fitness Club concept in 2011, and opened the first PickUp USA Fitness Club in June 2012. Mr. Meinster has served as CEO of PickUp USA, LLC that operates the first PickUp USA Fitness Club since September 2011.

Vice President of Operations: Paolo Ontalan

Paolo Ontalan has served as our Vice President of Operations since April 2020. Mr. Ontalan was our National Director of Operations from July 2019 to April 2020. Before that, from February 2016 to July 2019, Mr. Ontalan was the General Manager of our affiliate, PickUp USA, LLC, that operated the first PickUp USA Fitness Club.

Vice President of Compliance: Aaron Magno

Aaron Magno has served as our Vice President of Compliance since October 2023. Mr. Magno was our Vice President of Marketing from November 2020 to October 2023 and as our National Marketing Director from October 2019 to November 2020. Before that, from October 2016 to October 2019, Mr. Magno was the Marketing Manager of PickUp USA, LLC, our affiliate that operates the first PickUp USA Fitness Club.

Vice President of Marketing: Grace Ronquillo

Grace Ronquillo has served as our Vice President of Marketing since December 2023. Ms. Ronquillo was our Director of Franchising from January 2021 to December 2023. Before that, from October 2019 to January 2021, Ms. Ronquillo was the Operations Manager of PickUp USA, LLC, our affiliate that operates the first PickUp USA Fitness Club.

ITEM 3

LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4

BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5

INITIAL FEES

You must pay us an initial franchise fee of \$45,000 in a lump sum when you sign the Franchise Agreement. The initial franchise fee is non-refundable, and is uniform except as described below.

Existing franchisees purchasing an additional franchise pay an initial franchise fee of \$35,000, which represents a 22.2% discount from the standard initial franchise fee. United States military veterans who received an honorable discharge from military service pay an initial franchise fee of \$45,000, but we will rebate \$5,000 to such veterans upon the grand opening of their PickUp USA Fitness Club.

Occasionally, we or our affiliate may sell the assets of a PickUp USA Fitness Club that we own and operate. If you are purchasing the assets of an existing PickUp USA Fitness Club, you must also pay us or our affiliate the purchase price for those assets.

ITEM 6

OTHER FEES

Franchise Agreement

Type of Fee	Amount	Due Date	Remarks
Royalty Fee	6% of gross revenues	Weekly	See Note 1.
Additional Training Fee	Our then current additional training fee, currently \$500 per day per instructor, plus expenses	Upon demand	See Note 2.
System Marketing Fund Contribution	Up to 2% of gross revenues; currently 1% of gross revenues	Weekly	See Note 3.
Social Media Reimbursement	Our costs	Upon demand	See Note 4.
Alternative Supplier Evaluation Fee	Our costs	Upon demand	See Note 5.
Transfer Fee	40% to 80% of the then-current initial franchise fee	Upon application to transfer	See Note 6.
Relocation Fee	40% of the then-current initial franchise fee	Upon notice that you wish to relocate	See Note 7.
Renewal Fee	\$3,000	Upon notice of renewal	See Note 8.
Continuing Education Fee	\$150 per month	Monthly	See Note 9.
Late Fee	Lesser of 2% per month or maximum amount permitted by law	When payment is overdue	See Note 10.
Insufficient Funds Fee	Our then current fee, currently \$100 per occurrence	Upon demand	See Note 11.
Technology Fee	Up to \$150 per month	Upon demand	See Note 12.
Audit Fee	Cost of audit	Upon demand	See Note 13.

Type of Fee	Amount	Due Date	Remarks
Costs to Cure Lease Default or Licensing Failure	Our expenses	Upon demand	See Note 14.
Indemnification	Payment of our losses and costs	Upon demand	See Note 15.
Costs and Attorney's Fees	Attorney's fees and costs	Upon demand	See Note 16.
Reimbursement of Insurance Costs	Premiums, costs and expenses	Upon demand	See Note 17.

ALL FEES ARE IMPOSED BY AND ARE PAYABLE TO US, UNLESS OTHERWISE NOTED. WE MAY VARY THE FREQUENCY AND METHOD OF PAYMENT OR COLLECTION. WE MAY REQUIRE YOU TO PAY FEES VIA ELECTRONIC WITHDRAWAL FROM YOUR BANK ACCOUNT. ALL FEES ARE UNIFORMLY IMPOSED AND NON-REFUNDABLE, UNLESS OTHERWISE SPECIFICALLY NOTED. IF YOU ARE LOCATED IN A STATE IN WHICH WE DO NOT HAVE AN OFFICE OR OTHER PHYSICAL PRESENCE, AND THE STATE OR LOCAL TAXING AUTHORITY IMPOSES A TAX ON ANY PAYMENT YOU ARE REQUIRED TO MAKE TO US (EITHER BY REQUIRING YOU TO WITHHOLD THE AMOUNT OF THE TAX OR BY REQUIRING US TO PAY IT), YOU MUST PAY US THE DIFFERENCE BETWEEN THE PAYMENT AS ORIGINALLY CALCULATED AND THE PAYMENT WE RECEIVE FROM YOU AFTER DEDUCTING THE TAX IF WE DO NOT RECEIVE A REFUND OR CREDIT.

Notes:

1. Gross revenues means all revenues you receive from the operation of the franchised business (including any payments under your business interruption insurance coverage) deducting only amounts paid to any governmental tax authority and any customer refunds made in accordance with our policy.
2. We do not charge a separate fee for providing initial training to you, your operating partner, your general manager and your assistant general manager. If you request initial training for additional or replacement personnel or if all of your personnel cannot attend the initial training at the same time, we may charge this fee. If we determine that additional training is advisable or if we agree to conduct additional training or provide additional operations assistance at your request, we will charge you this fee. If the training or operations assistance is provided on-site at your franchised business, you must also reimburse the trainer's travel, lodging and food expenses. You must pay this to us before we provide the additional training or operations assistance.

3. We require that you contribute this amount to our system marketing fund. We can adjust the percentage of gross revenues that you must contribute to this fund at any time.
4. We may conduct promotional activities for your PickUp USA Fitness Club on a centralized social media account and direct them to your market in consultation with you. If we do so, you will reimburse us for our cost to do so. You may credit this amount against the local marketing you are required to do.
5. If you request our approval for an alternative supplier for any products or services you use in your PickUp USA Fitness Club, you must reimburse us for up to \$1,000 of the costs plus travel expenses for us to evaluate and approve an alternative supplier. This fee is payable when you request us to evaluate a proposed supplier, and is not refundable if we do not approve the supplier.
6. You pay 40% of the then-current initial franchise fee if the transferee is one of our existing franchisees that we have approved to develop additional locations, and 80% of the then-current initial franchise fee if the transferee is not one of our existing franchisees. You must pay the transfer fee to us when you submit an application to transfer. We will return the transfer fee to you if we do not consent to the transfer, but we may retain an amount to reimburse any costs we incurred to evaluate the proposed transfer. There are other conditions to your ability to transfer.
7. If you request our approval for you to relocate your PickUp USA Fitness Club and we agree, you must pay this fee to us for our assistance in evaluating the new site, reviewing your new lease terms and lease document, assisting you with the design of the new location, assisting you in coordinating suppliers for the new location and providing you with onsite opening support and marketing planning assistance.
8. You must pay this fee when you send us notice that you wish to renew. You must be in good standing to renew. There are other conditions to renewal. This fee applies whether or not we renew.
9. You must pay a continuing education fee to us for continuing education items that may include: (a) web-based live trainings; (b) web-based pre-recorded trainings; (c) in person training that are held at your location or a location of our choice; (d) performance evaluations, audits, or mystery shop activities at your location; or (e) other continuing education activities we may require.
10. If you do not pay any amount when due, you must pay a late charge of 2% per month, or the maximum rate permitted by law, if less.
11. We may elect to collect monies from you via electronic funds transfer (EFT). You must pay us \$100 per occurrence if your check is dishonored or if there are insufficient funds in your account.
12. You must pay a technology fee to us or to third-party providers for technology items which may include: (a) licensing and help desk fees for required software; (b)

licensing or user-based fees for a franchise portal or benchmarking platform we may create or select for use by franchisees; (c) fees related to exposure on our website; or (d) other technology uses we may require.

13. You must pay the cost of an audit of your records by us only if the audit shows an understatement of at least 2% of fees due for the period audited. The cost of the audit will vary depending on factors such as the amount of time that is the subject of the audit and the state of your records and will include accounting and legal fees, travel expenses, room and board and compensation for our representatives. We may audit your records at any time without notice. This fee is in addition to any delinquent fees and late charges.

14. If you default on your lease and we cure your default, you must reimburse us for our costs to do so upon our demand. If you fail to obtain any required governmental or regulatory licenses or permits and we incur expenses to obtain them on your behalf, you must reimburse us for our costs to do so upon our demand.

15. You must defend us and our affiliates and representatives and pay for any claims and losses to us resulting from your actions or failure to act.

16. If there is a dispute between us, the prevailing party will be entitled to attorney’s fees and costs. If we obtain injunctive relief against you because you breach the Franchise Agreement’s provisions concerning use of our trademarks, trade secrets or confidential information or if you do not comply with your obligations under the Franchise Agreement upon termination or expiration, you must also reimburse us for our attorney’s fees and costs.

17. If you fail to obtain and maintain the insurance coverage we specify, we may obtain the insurance for you and your franchised business and you must reimburse us for all premiums, costs and expenses we incur.

ITEM 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT				
Type Of Expenditure	Amount	Method Of Payment	When Due	To Whom Payment Is To Be Made
Initial Franchise Fee	\$45,000	Lump Sum	At signing of Franchise Agreement	Us

Lease, Utility, and Security Deposits, and Facility Occupancy Costs (Note 1)	\$20,000 - \$80,000	Lump Sum	As incurred	Landlord, Utilities
Design, Architectural and Permitting Fees (Note 2)	\$5,000 - \$40,000	As incurred	As incurred	Contractors
Leasehold Improvements (Note 3)	\$50,000 - \$350,000	As incurred	As incurred	Contractors
Pre-Opening Labor Costs (Note 4)	\$15,000 - \$30,000	As incurred	As Incurred	Your Staff
Signage (Note 5)	\$5,000 - \$15,000	As incurred	As incurred	Contractors
Basketball Court and Basketball Equipment Costs (Note 6)	\$80,000 - \$200,000	As incurred	As incurred	Vendors
Fitness Equipment / Accessories Costs (Note 7)	\$25,000 - \$175,000	As incurred	As incurred	Vendors
Furniture, Fixtures and Equipment (Note 8)	\$25,000 - \$75,000	As incurred	As incurred	Vendors
CRM/Back Office Systems (Note 9)	\$2,000 - \$3,000	As incurred	As incurred	Vendors
Professional Fees (Note 10)	\$3,000 - \$10,000	As incurred	As incurred	Professional Service Providers
Initial Inventory (Note 11)	\$7,000 - \$15,000	As incurred	As incurred	Vendors

Insurance (Note 12)	\$1,000 - \$2,500	As incurred	As agreed to with insurance provider	Insurance provider
Training Expenses (Note 13)	\$4,266 - \$7,054	As incurred	As incurred	Airlines, hotels, restaurants and other vendors
Pre-Sale/Grand Opening Marketing (Note 14)	\$15,000 - \$25,000	As incurred	As incurred	Media and other vendors
Additional Funds – six months (Note 15)	\$50,000- \$125,000	Varies	As incurred	Varies
TOTAL (Note 16)	\$352,266 - \$1,197,554			

Notes:

1. The estimates in this chart are based on a Pickup USA Fitness Club with approximately 9,000 to 35,000 square feet. This amount includes an estimate for the first one to two months' rent plus a security deposit equal to one to two months' rent. This estimate also includes deposits for utilities.
2. You will need to work with an architect to develop floor plans and construction drawings for your Pickup USA Fitness Club. You will also need to work with a permitting firm to obtain construction and use permits. In addition to the fees of the architect and permitting firm, these amounts also estimate fees to be paid to state and local agencies to obtain construction and use permits.
3. Leasehold improvement costs are costs associated with modifications to the physical structure of your facility (such as remodeling bathrooms, constructing partition walls, adding lighting and HVAC, and painting). These costs will vary depending on numerous factors, including the size and configuration of the premises, the cost of materials for labor and construction, and the local costs of construction work. Additionally, the amount of tenant allowances granted by your landlord will also affect your costs.
4. Your pre-opening labor costs will vary depending on numerous factors, including your compensation plans for your staff, your timing for onboarding your managers, and how many hours they work during the pre-opening period. This provides a range of our estimate of costs for you to have the necessary staffing during your pre-opening period, so that your entire staff completes their required training programs.

5. This amount will vary depending upon the size of your facility, the type and amount of signage, signage codes and regulations at your location. This includes all interior, exterior, and door signage.
6. This amount will vary depending on the type of court you choose, how many courts and hoop systems you install, and how many other basketball training amenities you order. This amount includes all court material and installation costs for your basketball courts, hoop systems, scoreboard, wallpads, banners and court logos. as well as training amenities such as a shooting gun, Vertimax, and other basketball training equipment.
7. This amount will vary depending on the quantity and type of fitness equipment you choose for your club. This amount includes Core Health & Fitness costs for your cardio and weight equipment, including weight plates, bars, and dumbbells. It also includes the cost of ancillary fitness training equipment and fitness room flooring.
8. Furniture, fixtures and equipment (FF&E) include the cost to outfit the rest of your PickUp USA Fitness Club. Included are the cost of your sales desk, check-in desk, lounge furniture, TVs, benches, washer and dryer, lockers, security surveillance equipment, sound system, computers, printers, telephones, and other miscellaneous items, such as framed jerseys, trash cans and jersey bins.
9. This amount includes the set up costs for ClubReady, a software program that facilitates club member check-in, member management, retail point-of-sale and other functions. It also includes the cost of multiple credit card swipers, a bar code scanner, an electronic signature pad, and keytags for your members to utilize to check into your PickUp USA Fitness Club. This amount also includes costs for establishing bookkeeping software through Quickbooks.
10. This is our estimate of the cost for you to consult with independent legal and other professional advisors.
11. Initial inventory includes fully stocking your retail merchandise section with basketballs, apparel, and concessions. This estimate also includes other inventory necessary to operate your PickUp USA Fitness Club, such as paper towels, toilet paper, trash bags, brooms, mops, office paper, pens, paper clips, and other similar supplies.
12. This amount covers insurance costs during your pre-opening period. You may have to place a down payment or deposit on your initial insurance policies.
13. This amount varies depending on how far you are from our training locations and on the number of people attending training. You do not pay us a fee for this training. These estimated costs are those you and your managers may incur in travelling to our training facility.
14. You must conduct a grand opening advertising and pre-sale program for your PickUp USA Fitness Club. You must spend a minimum of \$15,000 on the program.

The program must begin at least 60 days before you open your PickUp USA Fitness Club and continue through the day you open your PickUp USA Fitness Club. Thereafter, you will begin spending the amounts we require on local advertising.

15. These expenses are additional funds you may need to expend during the initial phase of the business (six months) including staff salaries, local advertising, insurance premiums, facility occupancy costs, and normal operating expenses such as utility, phone and janitorial services. They do not account for any salary or other payments to you. They are estimates and we cannot guarantee that you will not have additional expenses above this estimate when starting the business. This is not a breakeven analysis or representation. Your costs will depend on factors such as how much you follow our methods and procedures, your management skill, experience and business acumen, local economic conditions, the prevailing wage rate in your particular geographic area, competition and the level of revenue you reach during the initial phase of operations. We base our estimate of these expenses on our affiliate's and our franchisees' experience.
16. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

All figures in Item 7 are estimates. We strongly advise that you review the estimated financial information with an advisor, such as a lawyer or an accountant. Actual costs will vary for each franchisee depending on a number of factors. The amounts payable to us are nonrefundable unless otherwise noted. The refundability of other amounts depends upon your agreement with the applicable supplier or other party.

We do not offer direct or indirect financing to franchisees for any items as of the date this Franchise Disclosure Document was issued, but we may suggest financing sources to assist you, including referring you to third party lenders. We do not require you to obtain financing through these third party lenders.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Approved Products and Services

All equipment, products and services used in or sold at your PickUp USA Fitness Club must meet our specifications and standards and be approved by us. You may only purchase equipment, products and services from suppliers we have designated or approved. We will issue specifications and standards and provide you with a list of approved equipment, products, services and suppliers in notices we send you or in the Brand Standards Manual and in bulletins and supplements to the Brand Standards Manual.

Designated Suppliers

As of the date this Franchise Disclosure Document was issued, we require that you use fitness center management software provided by ClubReady in the operation of your franchised business. We reserve the right to change or modify the required software at any time. The ClubReady software was adapted for use in our affiliate's PickUp USA Fitness Club. It will provide you with generic templates for the agreements used in the operation of our affiliate's PickUp USA Fitness Club (such as membership agreements and liability waivers). You are not required to use these templates. We strongly recommend that you have any agreements and other documents you use in the operation of your PickUp USA Fitness Club reviewed by your own independent legal advisor. In addition, we or our affiliate may, at a later date, develop or specify proprietary computer software that we will require you to use in your business. If we do so, you may be required to sign a license agreement with us or our affiliate and pay license fees for the use of the software.

We do not require you to hire a bookkeeper or accountant, but you must use our designated chart of accounts, income and balance sheet format. If you do not meet our accounting and reporting standards, we may require you to hire a third party accounting firm that we designate. As of the date this Franchise Disclosure Document was issued, we also require you to use Quickbooks. We may designate a different provider in the future.

If you do not meet our accounting and reporting standards, we may require you to hire a third party accounting firm we designate.

We require you to work with Colliers International for market analysis, site selection and lease negotiation as of the date this Disclosure Document was issued. We also have other requirements concerning your facility and lease that are discussed below.

We or our affiliate may sell proprietary products or other products either directly to franchisees or to suppliers for resale to PickUp USA Fitness Club, and receive revenue from these sales. During the fiscal year ended December 31, 2023, we did not receive any revenues on account of these sales but we may do so in the future. We also may receive rebates from suppliers on account of other purchases or leases by franchisees. During the fiscal year ended December 31, 2023, we received \$119,600.98 in rebates on account of purchases or leases by franchisees from suppliers.

Approval of Alternative Suppliers

In order to obtain our consent to a new supplier, you must satisfy the following conditions. We are not required to approve suppliers you propose even if they meet these conditions.

1. You must send a written request to us and agree to pay our expenses in evaluating the proposed supplier;

2. The supplier must demonstrate that it can supply an item or service meeting our specifications. This may mean providing us with samples, allowing us or our representatives to perform tests and inspect its facility;
3. The supplier must demonstrate its financial soundness, reputation and the reliability of its product or service;
4. The supplier or provider must maintain the insurance coverage we require and must name both you and us as additional insureds with the right to notice before modification or cancellation of coverage; and
5. If the item will bear our affiliate's trademark, we may require the supplier to sign a license agreement which may include a royalty payment to us or our affiliate.

We generally will notify franchisees of approval or disapproval of a supplier within 90 days. Approved suppliers will be added to the approved supplier list. We may notify you that the approval of a supplier is revoked at any time. If we revoke approval of a supplier, you must immediately stop using that supplier.

Officer-Owned Suppliers

None of our officers owns an interest in any supplier as of the date this Disclosure Document was issued.

System Marketing

We must approve all marketing, advertising and publicity materials you use to promote your PickUp USA Fitness Club before you use them. You must provide any non-approved materials to us at least 10 days before the deadline for submitting them for publication. You must conduct a grand opening advertising and pre-sale program for your PickUp USA Fitness Club for which you must spend a minimum of \$15,000. The program must begin at least 60 days before you open your PickUp USA Fitness Club and continue through the day you open your PickUp USA Fitness Club.

Facility and Lease

You must work with Colliers International in the selection of the site for your PickUp USA Fitness Club. Your Colliers agent will also assist you with the negotiation of your lease.

We may provide you with a list of designated architects to work with you to develop floor plans and construction drawings for your PickUp USA Fitness Club from which you must choose. If we do not provide you with a list, you must select an architect with commercial construction experience, subject to our consent. You must also use contractors who meet our standards and specifications for contractors, including that the contractors be commercially licensed and insured and have experience in building fitness centers. You must also work with a permitting firm to obtain construction and use permits.

We recommend that you obtain at least three construction bids for your location. We may identify contractors that meet our standards and specifications, but you will not be required to use the contractors we identify, and you will make the final decision in hiring a contractor. We also reserve the right to review the construction process and require you to submit to us the construction bids you receive.

The landlord of your facility may be able to recommend architects and contractors that have completed work at the facility at your location in the past. In addition, your Colliers agent may be able to refer you to architects and contractors.

You must obtain our approval of the lease or contract for the location from which you operate your PickUp USA Fitness Club. You are responsible for all costs to negotiate and sign the lease or contract. We require you to include certain terms in your lease including a conditional lease assignment to us or our nominee if your Franchise Agreement expires or is terminated. The form of lease addendum we require is attached to this Disclosure Document as **Exhibit J**.

Insurance

You must obtain the insurance coverage required by the Franchise Agreement and as we may periodically notify you from a carrier with a minimum rating of A-VII by Best's Insurance Review. You must obtain our consent to the carrier you use. We may periodically designate one or more insurance companies that provide the insurance we require, and if we do so, you must obtain insurance from such companies. As of the date this Disclosure Document was issued, we have designated Hylant Insurance Group.

You must obtain coverage against all loss and liability from the operation of your PickUp USA Fitness club including general liability coverage in the minimum amounts of \$1,000,000 per occurrence and \$3,000,000 in the aggregate, professional liability coverage in the minimum amounts of \$1,000,000 per occurrence and \$3,000,000 in the aggregate (including a sublimit of \$1,000,000 for abuse and molestation coverage for trainers and coaches), property insurance covering 100% of the replacement cost of all furniture, fixtures and equipment (including all build out costs), business income coverage for at least 50% of your PickUp USA Fitness club's annual sales, wind, flood or earthquake coverage if your PickUp USA Fitness club is located in a catastrophic area, auto liability coverage with a combined single limit of \$1,000,000 for all owned, non-owned and hired automobiles used for your PickUp USA Fitness club, umbrella liability coverage of \$1,000,000 excess of all liability policies except employment practices liability, employment practices liability coverage of \$1,000,000 for first and third party coverage, cyber liability coverage of at least \$1,000,000, worker's compensation coverage required by applicable law and employer's liability coverage of at least \$1,000,000 by disease, \$1,000,000 by accident and \$1,000,000 policy limit. You must also secure an alternate employer's endorsement in our favor. The required coverage is subject to change. We must be named as an additional insured on all of the above policies along with any of our affiliates that we designate, and we must receive at least 30 days' prior written notice from the insurer of any changes to

insurance coverage or default or termination of coverage. You must provide us with copies of all insurance policies written on your behalf related to the franchised business. You must also provide a waiver of subrogation in our favor and provide that your insurance policies are primary and non-contributory to any policies we may carry.

Other Information

We negotiate purchase arrangements with suppliers, including price terms, for the benefit of franchisees. As of the date this Franchise Disclosure Document was issued, we have negotiated purchase arrangements with the following companies. The information described below is current as of the date this Disclosure Document was issued, but is subject to change.

- Ecore Sports Flooring: PickUp USA Fitness franchisees typically receive a discount between 15-20% in total Ecore costs.
- Core Health & Fitness: PickUp USA franchisees receive a discount between 35% and 40% in total Core Health & Fitness costs. This equates to between \$60,000 and \$70,000 in savings to our franchisees in most circumstances. Franchisees also receive a pre-packaged set-up of cardio and weight equipment for their PickUp USA Fitness Clubs that substantially reduces the time involved in outfitting their clubs. Franchisees will work with our national Core Health & Fitness account representative, David Summers, as well as a local representative, who will provide support from design and planning to ordering, to installation, to ongoing service/support.
- Dr. Dish: PickUp USA franchisees receive a \$2,000 discount on Dr. Dish shooting machines along with upgraded warranties and service in most circumstances.
- Colliers International: PickUp USA franchisees receive pre-packaged services from Colliers including assistance with market analysis, site selection, and lease negotiation. Franchisees will work directly with our national account representative at Colliers, Alex Blecksmith, as well as a local account representative in your local market. Your Colliers services are all-inclusive, and you will not be charged consulting fees, set-up fees, or travel expenses.
- PickUp USA Merchandise: Franchisees receive access to a wholesale website (www.pickupusamerch.com) where they order all of their PickUp USA Fitness branded retail merchandise, flyers, banners, business cards, employee uniforms, promotional giveaways, and any custom print materials.
- R&R Insurance: PickUp USA Fitness franchisees have a dedicated representative at R&R Insurance Group who will work with them for general liability insurance, worker's compensation insurance, and other insurance needs. Your representative will have pre-packaged information for your franchise location.

- ClubReady: PickUp USA Fitness franchisees receive ClubReady’s corporate package, which provides for automated and expedited set-up options, discounted pricing, and preferred customer service.

Please note that these purchase arrangements are subject to change, at any time, without notice. Additionally, percentage discounts and total savings can vary depending on your local market and changes with the vendors’ pricing models, among other things.

We do not provide material benefits (such as renewal or granting additional franchises) to franchisees based on use of designated or approved suppliers.

We do not have any purchasing or distribution cooperatives as of the date this Disclosure Document was issued but may elect to establish them in the future.

We estimate that the required purchases and leases described in this Item will constitute approximately 80% of all purchases and leases you will incur to establish your PickUp USA Fitness Club and 20% of your purchases and leases to operate your business.

ITEM 9

FRANCHISEE’S OBLIGATIONS

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

<u>Obligation</u>	<u>Section in Agreement</u>	<u>Disclosure Document Item</u>
a. Site selection and acquisition/lease	Section 1C of Franchise Agreement	Items 7 and 11
b. Pre-opening purchases/leases	Section 1C of Franchise Agreement	Items 7 and 8
c. Site development and other pre-opening requirements	Section 1C of Franchise Agreement	Items 7 and 11
d. Initial and ongoing training	Section 3A of Franchise Agreement	Item 11
e. Opening	Section 2 of Franchise Agreement	Items 7 and 11

<u>Obligation</u>	<u>Section in Agreement</u>	<u>Disclosure Document Item</u>
f. Fees	Sections 1E2(i), 3A(5), 4, 10C, 15B(3)(f) and 17J(5) of Franchise Agreement	Items 5 and 6
g. Compliance with standards and policies/Operations Manual	Section 3B of Franchise Agreement	Item 11
h. Trademarks and proprietary information	Sections 5, 6 and 11 of Franchise Agreement	Items 13 and 14
i. Restrictions on products/services offered	Sections 4C, 4D and 4E of Franchise Agreement	Items 8 and 16
j. Warranty and customer service requirements	Section 4A of Franchise Agreement	Item 16
k. Territorial development and sales quotas	Section 1B of Franchise Agreement	Item 12
l. Ongoing product/service purchases	Sections 4C, 4D and 4E of Franchise Agreement	Item 8
m. Maintenance, appearance and remodeling requirements	Section 4B of Franchise Agreement	Item 17
n. Insurance	Section 5 of Franchise Agreement	Items 7 and 8
o. Advertising	Section 9 of Franchise Agreement	Items 6, 7 and 11
p. Indemnification	Section 16 of Franchise Agreement	Item 6
q. Owner's participation/management/staffing	Section 4F of Franchise Agreement	Item 15
r. Records and reports	Section 8 of Franchise Agreement	Item 6

<u>Obligation</u>	<u>Section in Agreement</u>	<u>Disclosure Document Item</u>
s. Inspections and audits	Section 10C of Franchise Agreement	Item 6
t. Transfer	Section 15 of Franchise Agreement	Item 17
u. Renewal	Section 1E of Franchise Agreement	Items 6 and 17
v. Post-termination obligations	Section 14 of Franchise Agreement	Item 17
w. Non-competition covenants	Section 12 of Franchise Agreement	Item 17
x. Dispute resolution	Section 17J of Franchise Agreement	Item 17
y. Other: Spousal Consent (Note 1); Owner Guaranty and Confidentiality and Non-Competition Agreements (Note 2)	Exhibits C and E to the Franchise Agreement	Items 9 and 22

Notes:

- (1) The spouse of an individual franchisee (and the spouse of each owner of a franchisee that is an entity) must sign a spousal consent (Exhibit C to Franchise Agreement).
- (2) Each individual who owns an interest in a franchisee that is a business entity (and that individual's spouse) may be required to sign an agreement to maintain confidentiality and not to compete and an agreement guaranteeing all obligations of the "Franchisee" under the Franchise Agreement (Exhibit E to Franchise Agreement).

ITEM 10

FINANCING

We do not offer direct or indirect financing. We do not guarantee your note, lease, or obligation. If you purchase the assets of an existing PickUp USA Fitness Club from us or our affiliate, we may consent to your payment of an initial payment for the purchase

price for the assets and your delivery of a promissory note secured by your interest in the PickUp USA Fitness Club.

ITEM 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

Except as listed below, PickUp USA Franchise Company, LLC is not required to provide you with any assistance.

Pre-Opening Obligations

Before you open your PickUp USA Fitness Club, we:

1. Will provide you with assistance in selecting a location for your PickUp USA Fitness Club. As of the date this Disclosure Document was issued, we have designated Colliers International as our real estate tenant representative and you must work with them on market analysis, site selection and lease negotiation. You select the location for your business subject to our acceptance in writing. You must submit your request in a format that we require. You must obtain our acceptance before signing a lease or contract for the site. We generally do not own premises or lease them to franchisees. In general, the factors which we may consider include the general location and neighborhood of the business, zoning of the site, demographics, locations of any other fitness centers in the general area, proximity of complementary businesses, traffic patterns, parking, rent, size, layout, physical characteristics of the location and lease terms.

We will approve or disapprove your proposed location within 30 days after receiving the request for approval and all of the information we require concerning the proposed location. If we cannot agree on a proposed site, then you must find another site and request our approval. You must obtain our approval of a location within twelve months after signing the Franchise Agreement. If you do not do so, your Franchise Agreement may terminate. If a specific location for your PickUp USA Fitness Club has not been identified at the time you sign the Franchise Agreement, we will identify a general territory in your Franchise Agreement to assist you in focusing your site selection effort. Once your location has been identified, your location and territory will be inserted as an exhibit to the Franchise Agreement. You must secure any governmental approval and licenses that are required to operate your PickUp USA Fitness Club at your location. We require that you open your PickUp USA Fitness Club by the earlier of 18 months after you sign the Franchise Agreement or six months after you sign a lease for the location. The typical length of time between the earlier of the signing the Franchise Agreement or the first payment of consideration for the franchise and the opening of the your business is six to 18 months or more. The factors that affect these deadlines are locating a satisfactory site, negotiating a lease or contract for the location, obtaining permits and licenses, and zoning and local ordinances (See Franchise Agreement,

Section 1C). During the public health crisis caused by COVID-19, it may take you longer to open your PickUp USA Fitness Club.

2. May provide you with a list of designated architects to work with you to develop floor plans and construction drawings for your PickUp USA Fitness Club. If we do not provide you with a list of designated architects from which to choose you must select an architect (subject to our consent) who has commercial construction experience. (See Franchise Agreement, Section 1C(6)).

3. Will provide input on how to design and construct or renovate your facility as a PickUp USA Fitness Club (See Franchise Agreement, Section 1C(8)).

4. Will lend you a copy of the Brand Standards Manual (See Franchise Agreement, Section 3B). The manual is confidential and remains our property. We will modify this manual periodically. As of the date this Disclosure Document was issued, the Brand Standards Manual has a total of 181 pages. The table of contents as of the date this Disclosure Document was issued is attached as **Exhibit F**.

5. Will provide you with initial training in operating your PickUp USA Fitness Club (See Franchise Agreement, Section 3A).

6. Will assist you with your marketing efforts to pre-sell memberships (See Franchise Agreement, Section 9D).

7. Will enter into arrangements with suppliers and vendors to support you in the development of your PickUp USA Fitness Club, as described in Item 8 above (See Franchise Agreement, Section 4C).

Post-Opening Assistance

During the operation of your PickUp USA Fitness Club, we:

1. Will periodically update the Brand Standards Manual, including supplier designation and updates to standards and specifications (See Franchise Agreement, Section 3B).

2. Will furnish advice and guidance to you on the operation of the franchised business and provide ongoing support (See Franchise Agreement, Section 3C).

3. May provide advice to you in the development of an annual business plan (See Franchise Agreement, Section 9B).

4. May advise you on marketing and advertising issues and may periodically provide advertising materials (See Franchise Agreement, Sections 9A and 9B).

5. Will evaluate and decide whether or not to approve any advertising materials you propose to use (See Franchise Agreement, Section 9C).

6. May contract with third party suppliers to conduct mystery shopping programs and quality service audits as part of our ongoing support program (See Franchise Agreement, Section 10B).

7. Will provide additional training as described below (See Franchise Agreement, Section 3A).

System Marketing

We administer a system marketing fund to which you must contribute. The proceeds from the system marketing fund will be used for marketing and promotional purposes and we may elect to disseminate our promotional materials through any media including Internet, television, radio and print media such as magazines, billboards, flyers or mailers and newspapers. We may use the system marketing fund to employ an outside consultant or advertising agency to assist in the development, production and dissemination of promotional materials. We may also use the system marketing fund to develop promotional and advertising materials for your use such as brochures, handouts, ad slicks and similar materials. We may use the system marketing fund to hire a website management firm to manage the website and optimization on behalf of all franchisees. We may also spend the system marketing fund on administrative expenses including allocation of overhead and salaries of our personnel. We are not required to spend any specific amount on advertising in the area or territory in which your PickUp USA Fitness Club is located. We reserve the right to conduct local, regional or national advertising campaigns.

We require that you contribute up to 2% of your gross revenues each week to the system marketing fund. As of the date this Disclosure Document was issued, you must contribute 1% of your gross revenues to the system marketing fund. We may change the amount of this fee at any time upon prior written notice to you. As of the date this Disclosure Document was issued, we require franchisees to contribute to the system marketing fund at the same rate, although there may be exceptions in some circumstances in the future. We anticipate that any PickUp USA Fitness Club owned by us or our affiliates will contribute to the system marketing fund on the same basis as franchisees although this may change in the future.

During the fiscal year ended December 31, 2023, the Marketing Fund was spent as follows:

<u>Category</u>	<u>2023 Expenses</u>	<u>Percent of Total 2023 Expenses</u>
Production	\$34,502	78%
Media Placement	\$9,687	22%
Administrative Expenses	\$101	<1%
Total	\$44,290	100%

We also require that you spend a minimum amount on local advertising each month, beginning immediately after your PickUp USA Fitness Club opens for business. As of the date this Disclosure Document was issued, we require that you spend at least \$3,000 per month on local advertising. We may require you to submit receipts documenting this advertising activity. Any amount you reimburse us for expenditures we make on your behalf for social media promotions can be credited against the minimum amount you must spend on local advertising. We may change the minimum amount that you must spend on local advertising at any time upon prior written notice to you.

You must conduct a grand opening advertising and pre-sale program for your PickUp USA Fitness Club. You must spend a minimum of \$15,000 on the program in your territory. The program must begin at least 60 days before you open your PickUp USA Fitness Club and continue through the day you open your PickUp USA Fitness Club. You must obtain our prior written approval of your grand opening marketing and pre-sale activities.

You may use your own advertising materials only after they have been approved in writing by us. You must submit such advertising materials to us at least 10 days before the date you wish to start using them. We do not currently have a franchisee advisory council, but we may create one in the future. As of the date this Disclosure Document was issued, we do not have any local or regional advertising cooperatives, but we may organize cooperatives in the future and require you to participate in them. If we do so, the amount you must contribute will offset your required local advertising expenditures.

The system marketing fund is not audited as of the date this Disclosure Document was issued. If financial statements of the fund are prepared in the future, they will be available to you upon reasonable request.

If all the contributions to the system marketing fund are not spent in any fiscal year, the surplus may be used in the next year. We do not plan to use any of the system marketing fund contributions principally to solicit new franchise sales.

We may develop discount programs or coupon or gift certificate programs in the future. If we do so, you must participate if that is permitted by applicable law and licensing boards. We have developed a reciprocity program that allows members of your PickUp USA Fitness Club to have access to any PickUp USA Fitness Club, and members of other PickUp USA Fitness Clubs to have access to your PickUp USA Fitness Club. We may make changes to the reciprocity program periodically.

Computers and Software

As of the date this Disclosure Document was issued, we require you to have a personal computer (PC) system and Internet access. Your PC system must meet our specifications and include two desktop personal computers and a laptop. We do not require you to have a specific Internet service provider. Your computer system must be in good repair, with sufficient memory to carry out ordinary business functions.

As of the date this Disclosure Document was issued, we require that you use ClubReady, a software program that facilitates club member check-in, member management, retail point-of-sale, collections, scheduling and other functions. ClubReady may charge you a set-up fee of up to \$200. You must sign a merchant services agreement with ClubReady or any third party merchant services provider we designate. The form of agreement that ClubReady requires you to sign as of the date this Disclosure Document was issued is **Exhibit G** to the Disclosure Document. The ClubReady software was adapted for use in our affiliate's PickUp USA Fitness Club. It will provide you with generic templates for the agreements used in the operation of our affiliate's PickUp USA Fitness Club (such as membership agreements and liability waivers). You are not required to use these templates. We strongly recommend that you have any agreements and other documents you use in the operation of your PickUp USA Fitness Club reviewed by your own independent legal advisor.

We may change the computer system and software we require you to use at any time. We estimate that the initial cost of your PC system, if you do not already have one, and the required software, will be approximately \$2,500.

We may require you to maintain, repair, upgrade or update any computer equipment you utilize in your PickUp USA Fitness Club to maintain compatibility with any software requirements and there are no contractual limitations on the frequency or cost of your obligation to do so. We estimate that your annual cost to do so will be approximately \$1,000. You must provide us with user access to your ClubReady software. There is no contractual limit on our right to access this software and the information on it.

Training

You must complete a training program. The training is an intensive multi-module 8-day program at your location and a PickUp USA Fitness Club location of our choice. Other training is conducted over the phone and through web-based sessions.

Following is information on the training program:

TRAINING PROGRAM

SUBJECT	HOURS OF CLASSROOM TRAINING ¹	HOURS OF ON-THE-JOB TRAINING ²	LOCATION
History of PickUp USA	2	0	Remote, web-based & telephone sessions, and in-person training at your location and a PickUp USA Fitness Club location of our choice.
Use of the Manual	3	2	Remote, web-based & telephone sessions, and

SUBJECT	HOURS OF CLASSROOM TRAINING¹	HOURS OF ON-THE-JOB TRAINING²	LOCATION
			in-person training at your location and a PickUp USA Fitness Club location of our choice.
Tour of PickUp USA	2	2	Remote, web-based & telephone sessions, and in-person training at your location and a PickUp USA Fitness Club location of our choice.
Pre-Opening Procedures	2	2	Remote, web-based & telephone sessions, and in-person training at your location and a PickUp USA Fitness Club location of our choice.
Personnel Issues	3	3	Remote, web-based & telephone sessions, and in-person training at your location and a PickUp USA Fitness Club location of our choice.
Advertising	3	3	Remote, web-based & telephone sessions, and in-person training at your location and a PickUp USA Fitness Club location of our choice.
Management Procedures	5	11	Remote, web-based & telephone sessions, and in-person training at your location and a PickUp USA Fitness Club location of our choice.
Franchise Reporting Requirements	1	1	Remote, web-based & telephone sessions, and in-person training at your location and a PickUp USA Fitness Club location of our choice.
Accounting/Record keeping	1	6	Remote, web-based & telephone sessions, and

SUBJECT	HOURS OF CLASSROOM TRAINING¹	HOURS OF ON-THE-JOB TRAINING²	LOCATION
			in-person training at your location and a PickUp USA Fitness Club location of our choice.
Customer Service Procedures	4	7	Remote, web-based & telephone sessions, and in-person training at your location and a PickUp USA Fitness Club location of our choice.
Sales Procedures	6	11	Remote, web-based & telephone sessions, and in-person training at your location and a PickUp USA Fitness Club location of our choice.
Client Procedures	3	9	Remote, web-based & telephone sessions, and in-person training at your location and a PickUp USA Fitness Club location of our choice.
Inventory Management	1	1	Remote, web-based & telephone sessions, and in-person training at your location and a PickUp USA Fitness Club location of our choice.
ClubReady	8	11	Remote, web-based & telephone sessions, and in-person training at your location and a PickUp USA Fitness Club location of our choice.
Cleaning Procedures	1	6	Remote, web-based & telephone sessions, and in-person training at your location and a PickUp USA Fitness Club location of our choice.
Safety Procedures	1	3	Remote, web-based & telephone sessions, and

SUBJECT	HOURS OF CLASSROOM TRAINING ¹	HOURS OF ON-THE-JOB TRAINING ²	LOCATION
			in-person training at your location and a PickUp USA Fitness Club location of our choice.
Totals	46	78	

Notes:

- (1) Classroom training includes training over the telephone and web-based training, as well as on-site training at your location and at a PickUp USA Fitness Club location of our choice.
- (2) On-the-job training takes place on-site at your location and at a PickUp USA Fitness Club location of our choice.

Before you open your PickUp USA Fitness Club, you, your operating partner and, if we require, your general manager, must complete our initial training program to our satisfaction. If you, your operating partner or your general manager fail to complete training to our satisfaction within three months after you sign the Franchise Agreement, we may terminate your Franchise Agreement. We have the right to further evaluate your fitness to operate under the Franchise Agreement during the initial training program. The initial training program lasts approximately 15 days, with a portion of the time spent at your location and a portion of the time spent at an established PickUp USA Fitness Club. We reserve the right to change the location of the training at any time to another location we designate. Training programs are held when necessary to train new franchisees.

Paolo Ontalan, our Vice President of Operations, and Grace Ronquillo, our Vice President of Marketing, will conduct initial training. These individuals have at least five years of experience in their fields and at least five years' experience with our affiliate.

We do not charge a separate fee for providing initial training to you, your operating partner, and your general manager if you all receive your training at the same time. You will receive no compensation or reimbursement for services or expenses for participation in training. You will be responsible for all of your and your personnel's expenses to attend the training program, including any travel, lodging and food.

In addition to the initial training, we may require you and your personnel to attend up to five days of refresher training each year at a location we designate. We may charge a fee for this additional training. We may also require you to attend a national business meeting or an annual convention for up to three days each year. You will be responsible for all of your and your personnel's expenses such as travel, lodging and food for attending these events.

We may require you to undergo additional training if we determine that you are not operating in accordance with our requirements. We may conduct this training at your site or a different location we select. You may also request additional on-site training or assistance and we will decide whether or not to provide it. In either case, you will be responsible for paying a daily training rate per trainer provided, and the expenses of the trainer or trainers including travel, lodging and food. The rate per trainer may be higher if we provide the additional training at your location.

ITEM 12

TERRITORY

Once the location of your PickUp USA Fitness Club is determined, we grant you an exclusive territory surrounding it. There is no specific radius for the territory. Rather, the territory will typically consist of a geographic area that has a minimum population base of 50,000 surrounding the PickUp USA Fitness Club. The size and shape of the exclusive territory will also take into consideration the specific market variables at the location, such as population density, population age, market trends, traffic flow, and the location of other PickUp USA Fitness Clubs. Provided that you are not in default of your Franchise Agreement, we will not operate a PickUp USA Fitness Club in this territory and we will not license third parties to do so.

If you do not have a location for your PickUp USA Fitness Club when you sign the Franchise Agreement, we will designate a general geographic area in which you may search for locations. This area may be a city, a county or a state. You do not have any rights to exclusivity within this general geographic area, only in the area around your location once it is determined.

You may not relocate your business or establish additional PickUp USA Fitness Clubs without our prior written consent. If you request our approval for you to relocate your PickUp USA Fitness Club and we agree, you must pay a fee of 40% of the then-current franchise fee to us for our assistance in evaluating the new site, reviewing your new lease terms and lease document, assisting you with the design of the new location, assisting you in coordinating suppliers for the new location and providing you with onsite opening support and marketing planning assistance. You may not schedule any event or conduct any business activity outside of your territory without our prior written consent.

We do not ordinarily grant any options, rights of first refusal or similar rights to acquire additional franchises, but we have granted a right of first refusal in the past.

We or our affiliate may use other channels of distribution such as the Internet, catalog sales, telemarketing or other direct marketing sales to advertise in your territory, using our trademarks or other marks, but you will provide services to customers who respond and seek to join your PickUp USA Fitness Club. We do not provide you with any assurance that prospective customers in your territory will not respond to such advertisements by contacting and joining a different PickUp USA Fitness Club. We

reserve the right to sell products through the channels of distribution identified above to customers in your territory without compensation to you.

You may not advertise outside of your territory but there are no restrictions on the customers you can accept at your facility.

You may not establish a website or other Internet or electronic presence without our prior written consent. We will assist you in setting up social media accounts with Facebook, Instagram, Yelp, and Google, and provide best practices and standard brand language. We require administrative access to all of these social media applications. We may require you to remove any questionable usage or content involving our trademarks.

As of the date this Disclosure Document was issued, neither we nor any of our affiliates operates, franchises or has plans to operate or franchise a business under a different trademark that will offer similar services to the ones you will offer as an PickUp USA Fitness Club franchisee, but we reserve the right to do so.

The continuation of your territorial rights is not dependent on achievement of any certain sales volume, market penetration or other contingency other than your compliance with the terms of the Franchise Agreement.


ITEM 13

TRADEMARKS

We grant you the right to operate a single, full-service, basketball-focused fitness club under the name "PickUp USA Fitness," a design logo as seen on the cover page of this Disclosure Document, and related trademarks. You must also use other trademarks which we develop or prescribe to identify your business and its services and products. By trademark, we mean trade names, trademarks, service marks and logos used to identify your business, its services and its products.

You must follow our rules when you use these trademarks. You must use the ® symbol anytime you use the trademarked names or logos listed below. You must use the ™ symbol next to other unregistered trademarks that we designate. You cannot use a name or mark as part of a corporate name or with modifying words, designs or symbols except for those which we license to you. You may not use our trademarks in the sale of an unauthorized product or service or in a manner not authorized in writing by us. If we adopt trademarks that you develop in the course of operating your franchised business, they will belong to us and you may only use them while you are a franchisee.

Our affiliate, PickUp USA, LLC, has obtained federal trademark registration for the following marks on the principal register of the U.S. Patent and Trademark Office ("USPTO"):

Registration Number	Description of Mark	Registration Date
5,077,318	PICKUPUSA	November 8, 2016
5,362,330	PICKUP USA	December 26, 2017
5,362,331		December 26, 2017
5,367,282		January 2, 2018

Our affiliate has filed all required affidavits.

There are currently no effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, and there are no pending infringement, opposition, or cancellation proceedings, or any pending material litigation, involving our principal trademark.

We have the right to use the trademarks and to license their use to you under an agreement with our affiliate dated as of April 7, 2016. Unless terminated, the agreement continues indefinitely, and the agreement may not be modified without both parties' consent. Our affiliate can terminate the agreement if we breach the quality control provisions and do not cure the breach within 30 days after notice, if we are involved in any litigation that affects the value of the trademarks, if we are accused of violating any franchise law that applies to us, if we are the subject of a criminal investigation, if we file for bankruptcy protection or are judicially found to be insolvent or otherwise unable to pay our debts as they become due, or if we otherwise materially breach the agreement and do not cure the breach within 30 days after notice. If the agreement is terminated for any reason, it provides that the owner of the trademarks has the option to continue to honor the rights we granted to you. No other agreements limit our right to use or license the use of the trademarks.

You must notify us immediately when you learn about a challenge to your use of our affiliate's trademark. The Franchise Agreement requires us to protect you against claims of infringement if you are using the trademark as required by the Franchise Agreement, if you are in good standing, if you notify us of the claim and if you cooperate in the defense of the claim. You must assist us and our affiliate in protecting any of our or our affiliate's rights, at our expense. We or our affiliate will control any administrative proceedings or litigation involving the trademark and decide whether or not to settle any action. You do not have the right to settle a claim without our consent.

If you learn about a third party's use of our affiliate's trademark or similar ones that you believe to be unauthorized, you must notify us immediately. We or our affiliate will decide whether or not to take action against the third party, and you must assist us or our affiliate, at our expense, if we or our affiliate decides to do so.

If we decide to add a new trademark, or modify or discontinue the use of any trademark, you must use the new trademark or change or discontinue the use of the trademark, all at your expense.

You must not contest our or our affiliate's right to our or our affiliate's trademarks, trade secrets or business techniques or our right to use them.

We do not know of any superior prior rights or infringing uses that could materially affect your use of the trademark.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

You do not receive the right to use any item covered by a patent.

We claim a copyright in the Brand Standards Manual. We may also claim copyright protection covering various other materials used in our business including videos, advertising, promotional and training materials. We have not registered these materials with the United States Registrar of Copyrights, but we are not required to do so. We may register any of these items or copyrightable materials in the future. Any and all copyright in materials you develop for the franchised business will belong to us. You must not contest our rights to our copyrights.

There are currently no material determinations of the USPTO, the United States Copyright Office or any court regarding any copyright we own. There is no material pending proceeding in the USPTO or any court concerning any copyrighted materials.

You must notify us immediately if you learn about a challenge to use of our copyrighted materials. We will defend you against claims of infringement if you are using the copyrighted material as required by the Franchise Agreement, if you notify us of the claim and you are in good standing. You must assist us in protecting any of our rights, at our expense. We will control any administrative proceedings or litigation involving the copyrighted materials. You do not have the right to settle a claim without our consent.

If you learn about a third party's use of these copyrighted materials which you believe to be unauthorized, you must notify us immediately. We will decide whether or not to take action against the third party, and you must assist us, at our expense, if we decide to do so.

We do not know of any superior rights or infringing uses that could materially affect your use of our copyrighted materials.

You also receive the right to use certain of our trade secrets and confidential and other proprietary information, including our proprietary practices and procedures, interior and exterior layout, construction plans and specifications, marketing strategies, operations, techniques, financial information, supplier and customer lists, specifications and materials about fitness services and activities, fitness plans and, in general, methods, techniques, formulas, formats, specifications standards, procedures, know-how, information systems and knowledge and the contents of our Brand Standards Manual. You must have any of your personnel with access to this information sign a confidentiality and non-competition agreement in a form acceptable to us. You must also obtain your staff's written consent that their telephone conversations at the PickUp USA Fitness Club may be recorded.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

You (or if you are a business entity, your owners) must be actively engaged with the operation of your PickUp USA Fitness Club and you are typically required to work full-time in the business. If you do not work full-time in the business, we require you to designate an operating partner who lives close to your PickUp USA Fitness Club and who owns at least 10% of the business entity that is the franchisee. Your operating partner will be required to work full-time in the business. You must obtain our consent to any operating partner you designate, and your operating partner will be our primary day-to-day contact on all operations issues for your business. The Franchise Agreement requires that your PickUp USA Fitness Club always be under the direct on-site supervision of you or your operating partner. The Franchise Agreement also requires that you have a qualified general manager at the time you open your PickUp USA Fitness Club. If you elect to serve as general manager, we recommend that you employ an assistant general manager. Any on-site general manager or operating partner that you employ at your PickUp USA Fitness Club must successfully complete our training program. We may also require that any operating partner or general manager execute a confidentiality and non-competition agreement. If your operating partner or any general manager you employ is terminated or otherwise ends his or her relationship with your business, you must recruit a new operating partner or general manager within 30 days and submit his or her qualifications to us for review and consent. We may require that we provide training to any replacement operating partner or general manager and that he or she complete that training to our satisfaction.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

We require that you offer and sell only those goods and services that we have approved.

You must offer all goods and services that we designate unless we otherwise agree in writing. We have the right to add, delete or change authorized goods or services that you must offer. There are no limits on our right to do so. In the future we may develop additional fitness services that we may require you to provide, and you may incur costs to provide such services.

We have developed a system of reciprocity that enables members of your PickUp USA Fitness Club to have access to any PickUp USA Fitness Club, and members of any other PickUp USA Fitness Club to have access to your PickUp USA Fitness Club. You must comply with the reciprocity programs we implement. We may make changes to this program.

ITEM 17

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

THE FRANCHISE RELATIONSHIP

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

Franchise Agreement

Provision	Section in Franchise Or Other Agreement	Summary
a. Length of the franchise term	Section 1E(1)	10 years.
b. Renewal or extension of the term	Section 1E(2)	If you meet certain conditions, you can enter into a successor Franchise Agreement for up to two additional five year terms. If you seek to renew your franchise, you may be asked to sign an agreement with terms and conditions that are materially different from those in your original agreement.
c. Requirements for franchisee to renew or extend	Section 1E(2)	Renewal means that you may continue to operate your franchised business. The

Provision	Section in Franchise Or Other Agreement	Summary
		<p>requirements for renewal are that you must sign our then-current Franchise Agreement which may include terms and conditions that are materially different from those of your original Franchise Agreement; you must be in full compliance under all agreements with us or our affiliates and you must have paid all that you owe us as and when due; your club must meet our then-current requirements or you must update the club and its equipment to reflect our then-current requirements; you must successfully complete retraining; you must sign a general release; you must not have received three or more default notices in any 24 month period; we must not have decided to withdraw from your market; you must have the right to continue operating at your location, you must pay us a renewal fee of \$3,000; and you must have given us 120 days' notice of your election to renew and return documents within 20 days.</p>
d. Termination by franchisee	Not applicable	Not applicable.
e. Termination by franchisor without cause	Not applicable	Not applicable.
f. Termination by franchisor with cause	Section 13	We can terminate if you default or if the events described in (h) occur.
g. "Cause" defined – curable defaults	Section 13B	You have five days to cure nonpayment, and up to 30 days

Provision	Section in Franchise Or Other Agreement	Summary
		to cure other types of noncompliance, subject to applicable law.
h. "Cause" defined – non-curable defaults	Section 13A	Noncurable defaults (subject to applicable law): Bankruptcy; insolvency; abandonment; you make material misrepresentations to us; your failure to obtain our consent to a location within twelve months after signing the Franchise Agreement; the failure to open your club by the earlier of six months after signing a lease for the location or 18 months after signing the Franchise Agreement; failure to complete training to our satisfaction; you or your principal are convicted or plead no contest to a felony or other crime or offense, or engage in conduct that reflects unfavorably on us or the franchised business; unauthorized transfer; termination of any other agreement with us or our affiliate because of your breach; you lose the right to your location and do not find a new location we approve within 60 days; your unauthorized use of our trademarks or trade secrets; failure to treat the Brand Standards Manual as confidential (including failure to keep it in a secure location) and to protect the confidential information contained within it; repeated failure to comply with

Provision	Section in Franchise Or Other Agreement	Summary
		Franchise Agreement requirements (three or more times during term); seizure or execution of levy by government official or lien holder; noncompliance with law within three days after notice; intentional failure to report gross revenues; undischarged execution of levy on your club; final judgment of more than \$5,000 remains unsatisfied for 30 days; we determine your operation is a danger to public health or safety; you become a specially designated national or blocked person; the right to operate under any license or permit is suspended, terminated or interrupted; fraudulent behavior; failure to submit any reports provided by local licensing authorities within ten days of receipt.
i. Franchisee's obligations on termination/nonrenewal	Section 14	Pay all amounts due to us; refrain from identifying yourself as our licensee or franchisee; return or destroy all products with our trademarks; refrain from engaging in competing business; discontinue use of trademarks and system; return the Brand Standards Manual and other confidential information; re-assign to us telephone and facsimile numbers, e-mail addresses, home pages, subdomain names, websites, social media pages and the like as we direct; provide us with

Provision	Section in Franchise Or Other Agreement	Summary
		customer lists if we request; refrain from soliciting customers or personnel; cancel fictitious business name statement; assist in smooth transition of the business; refrain from making disparaging remarks; de-identify; obtain tail insurance coverage that meets our specifications; and comply with all other requirements in the Brand Standards Manual; all obligations that survive shall continue.
j. Assignment of contract by franchisor	Section 15	No restrictions on our right to assign the Franchise Agreement.
k. "Transfer" by franchisee – defined	Section 15B(2)	Includes transfer of Franchise Agreement, assets of business or greater than 25% ownership of the franchisee.
l. Franchisor approval of transfer by franchisee	Section 15B(1)	You must obtain our consent to all transfers and meet certain conditions.
m. Conditions for franchisor approval of transfer	Section 15B(3)	Conditions include: You must not be in default under the Franchise Agreement or any other agreement with us or our affiliates; the club must meet our then-current standards; your lessor consents; transferee meets qualifications for new franchisee and must have completed training to our satisfaction; the transferee must sign the then-current form of Franchise Agreement and guaranty for remaining term; you pay the transfer fee; you sign a general release; transferee's obligations to you are

Provision	Section in Franchise Or Other Agreement	Summary
		subrogated to obligations to us; at our option, you must transfer all of your agreements with us; transferee must have all necessary licenses and transferee must not be a specially-designated national or blocked person under the anti-terrorism laws. If you want to transfer your franchise to an entity, you must own the entity, sign a personal service agreement with the entity and a personal guaranty, reimburse us for our expenses, the entity must agree to the Franchise Agreement and the franchise business must be the sole business of the entity.
n. Franchisor's right of first refusal to acquire franchisee's business	Section 15C	We or our nominee can match any offer for your business.
o. Franchisor's option to purchase franchisee's business	Section 14D	We or our nominee have the option of acquiring your assets if the Franchise Agreement expires or terminates. You must pay ½ the cost of the appraisal if we cannot agree on the fair market value of the assets.
p. Death or disability of franchisee	Section 15D	If you or your principal dies, your executor or representative may either satisfy the then-current qualifications for franchisees or transfer the Franchise Agreement to a qualified buyer within 60 days.
q. Non-competition covenants during the term of the franchise	Section 12A(1)	You may not be involved in any similar business.

Provision	Section in Franchise Or Other Agreement	Summary
r. Non-competition covenants after the franchise is terminated or expires	Section 12A(2)	You may not operate a similar business within 10 miles of an existing PickUp USA Fitness Club for two years after termination or expiration.
s. Modification of the agreement	Section 17I	No modifications without a writing signed by both parties, except that we may amend and supplement the Brand Standards Manual.
t. Integration/merger clause	Section 17I	Only the terms of the Franchise Agreement are binding. Any other promises may not be enforceable. Nothing in the Franchise Agreement is intended to disclaim anything contained in this Disclosure Document.
u. Dispute resolution by arbitration or mediation	Section 17J	Except for certain claims (including claims related to non-curable defaults and quality control defaults), all disputes must be mediated and if not resolved, arbitrated.
v. Choice of forum	Section 17J	Mediation and arbitration must be in city where our headquarters is located, currently, Pasadena, California. These provisions may be subject to applicable state law.
w. Choice of law	Section 17J(1)	California law applies (except that the law where your club is located applies to covenants against competition), subject to the Lanham Act and the Federal Arbitration Act. These provisions may be subject to applicable state law.

ITEM 18

PUBLIC FIGURES

We do not use any public figures to promote our franchise as of the date this Franchise Disclosure Document was issued.

ITEM 19

FINANCIAL PERFORMANCE REPRESENTATIONS

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

Below you will find information on sales metrics and operating cost metrics, which are based on the historical gross revenues and costs for all of our affiliate and franchised locations that were open during all or part of the twelve month period ended December 31, 2023.

PRE-OPEN METRICS AND OPERATING METRICS

These sales metrics are sales data from PickUp USA Fitness Clubs. Systemwide Customer Age Groups categorizes all PickUp USA customers across all clubs into age segments. Suggested Pricing is our suggested pricing for various PickUp USA services. Pre-Open Memberships Sold include sales activity that occurs from the first day of presales for a PickUp USA Fitness Club through grand opening, including demo days and a soft opening period. The pre-open data is for all new PickUp USA Fitness Clubs that opened in 2017 through 2023. Five new PickUp USA Fitness Clubs started and completed their pre-open in 2023. The remaining Operating Club Metrics in the chart below are data for the 13 PickUp USA Fitness Clubs that were operating as of December 31, 2023. For each open club, we take their total output on selected performance metrics in 2023 and divide that output by the number of months they were open. That produces an average per month output for the selected metrics for each club. Then we report system-wide numbers that show the ranges, averages and medians for all the clubs on each selected performance metric.

Systemwide Customer Age Groups

<u>Youth vs. Adult Breakdown</u>	
18 Years Old and Younger	52%
19 Years Old and Over	48%
<u>Youth Breakdown</u>	
13 - 18 Years Old	55%
13 Years Old and Under	45%

Suggested Pricing

Adult Membership	\$35 - \$49 / Month
Youth Membership	\$80 - \$150 / Month
Private Training	\$60 - \$80 / Session
Court Rental	\$50 - \$125 / Hour
Shooting Machine	\$30 - \$60 / Hour

Operating Club Metrics				
	<u>Lowest Recorded in the System</u>	<u>Highest Recorded in the System</u>	<u>Average Systemwide</u>	<u>Median Systemwide</u>
Pre-Open Memberships Sold	76	625	350	310
Average Monthly Memberships Sold	28	74	52	55
Average Monthly Private Training Revenue	\$280	\$11,796	\$4,418	\$2,590

Cost Item	Projected Amount	Reference Note
Monthly Rent	See Note 1	1
Monthly Payroll Hours	500 – 1,300	2
Membership Commission Percentage	50%	3
Cost per Private Training Session	See Note 4	4
Payroll Taxes and Worker's Compensation Insurance	8% - 15% of Gross Payroll	5
Monthly Local Marketing	\$3,000	6
Monthly SBA or Similar Loan Payment	See Note 7	7
Monthly Utilities	\$1,000 - \$3,000	8
Monthly Supplies	\$250 - \$500	9
Monthly Repair and Maintenance	\$200 - \$1,000	10
Monthly Cost of Merchandise (percentage of sales price)	35% - 50%	11
Monthly Cost of Concessions (percentage of sales price)	40% - 50%	12
Monthly Insurance	\$400 - \$800	13
Software and Bookkeeping	\$200 - \$400	14
Additional Franchisee Costs		
• Royalty Fee	6% of gross revenues	
• Marketing Fee	Up to 2% of gross revenues	
• Monthly Continuing Education Fee	\$150	
• Monthly Technology Fee	\$150	

Reference Notes:

1. Your monthly rent rate will be a function of the size of your facility and the price per square foot of your facility. Current PickUp USA Fitness Clubs range in size from 9,500 square feet to 35,379 square feet. Base rent rates on current PickUp USA Fitness Clubs range from \$0.42 to \$1.50 per square foot per month. Some leases also include NNN (triple net rent) costs that landlords pass through to the tenant that can increase the price per square foot on a lease.
2. Your monthly payroll hours will vary depending on a variety of factors such as the operating hours of your club, the amount of daily training sessions and games you

provide, and the staffing model that you implement. A PickUp USA Fitness Club that is open seven days per week, and that follows our suggested staffing model, can expect between 500 to 1,300 payroll hours per month, including managers, membership advisors, front desk, trainers, referees, and janitors.

3. Your membership commission percentage will vary depending on the commission plan you choose to provide your staff. Our affiliate typically paid 50% commission on new sales to staff on these items in 2023.
4. Your cost per private training session will vary depending on the pay structure you choose to provide your staff. Our affiliate typically paid trainers between 35% - 50% of training revenue on these items in 2023. As an example, if a private training session costs \$70, the trainer would be paid between \$24.50 and \$35 for this session. Trainer pay per session increases as they sell and service more sessions.
5. Calculating these taxes involves applying a multiple to your total gross payroll (hourly plus commissions) for payroll taxes (local, state, federal, FICA, and any other taxes) and worker's compensation insurance. Local tax rates, as well as your PickUp USA Fitness Club's track record of unemployment claims and worker's compensation claims, and any employee benefits you offer affect these rates.
6. We require that you spend \$3,000 on local marketing each month, but you may spend more if you prefer. This includes the cost of your local advertising, social media, AdWords, Yelp, mailers and similar costs.
7. If you are planning to finance a portion of your development costs with an SBA or similar loan, you will have monthly payments on this loan.
8. This estimate includes costs for streaming radio, telephone/internet, trash, water, electricity, cable, and a security system. Your local climate and local energy costs will impact your utility expenses.
9. This is a general category that incorporates costs to stock your PickUp USA Fitness Club with basic items needed for daily operations, including items like cleaning supplies, toilet paper, paper towels, soap, paper, and printer toner.
10. You should anticipate that periodic repair and maintenance needs will arise in your PickUp USA Fitness Club, on the building itself, as well as with the fitness and basketball equipment.
11. Your merchandise costs will vary depending on your product mix and the retail prices you choose to charge your customers. If you follow the MSRP on the merchandise that you sell in your retail section, your merchandise costs will typically be 35% to 50% of your selling price.
12. Your concession costs will vary depending on your product mix and the retail prices you choose to charge your customers. If you follow the MSRP on your concession products that

you sell in your vending machine, your costs will typically be 40% to 50% of your selling price.

13. This insurance estimate is for the required general liability policy. Insurance premiums vary depending on a wide range of factors. If you choose additional supplementary insurance policies, that would be an additional cost not included in this range. Worker's compensation insurance is not included in this line item, but is included in the payroll taxes line item above, because worker's compensation is a multiple of total gross payroll.
14. This software and bookkeeping estimate is for required operating software and bookkeeping expenses.

These figures are only estimates of what we think you may earn. Your individual results may differ. There is no assurance that you'll sell as much.

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

Other than as set forth above, 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 Jordan Meinster at 556 S. Fair Oaks Ave #101-455, Pasadena, California 91105 and (800) 584-9507, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

**Table No. 1
Systemwide Outlet Summary
For Years 2021 to 2023**

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2021	7	6	-1
	2022	6	11	+5
	2023	11	12	+1
Affiliate-Owned	2021	1	1	0
	2022	1	1	0
	2023	1	1	0

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Total Outlets	2021	8	7	-1
	2022	7	12	+5
	2023	12	13	+1

Table No. 2
Transfers of Outlets from Franchisees to New Owners
(Other Than to Us)
For Years 2021 to 2023

Column 1 State	Column 2 Year	Column 3 Number of Transfers
Total	2021	0
	2022	0
	2023	0

Table No. 3
Status of Franchised Outlets
For Years 2021 to 2023

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Terminations	Column 6 Non- Renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations -Other Reasons	Column 9 Outlets at End of Year
California	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	1	0	0
	2023	0	0	0	0	0	0	0
Colorado	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Florida	2021	1	0	1	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
Indiana	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	1	0
Louisiana	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1

Maryland	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Michigan	2021	1	0	0	0	0	0	1
	2022	1	1	0	0	0	0	2
	2023	2	0	0	0	0	2	0
Missouri	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Ohio	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
Pennsylvania	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Texas	2021	2	0	0	0	0	0	2
	2022	2	1	0	0	0	0	3
	2023	3	2	0	0	0	1	4
Utah	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
Total	2021	7	0	1	0	0	0	6
	2022	6	6	0	0	1	0	11
	2023	11	5	0	0	0	4	12

**Table No. 4
Status of Affiliate-Owned Outlets
For Years 2021 to 2023**

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Outlets Reacquired from Franchisee	Column 6 Outlets Closed	Column 7 Outlets Sold to Franchisee	Column 8 Outlets at End of Year
Arizona	2021	1	0	0	0	0	1
	2022	1	0	0	1	0	0
	2023	0	0	0	0	0	0
California	2021	0	0	0	0	0	0
	2022	0	0	1	0	0	1
	2023	1	0	0	0	0	1
Total	2021	1	0	0	0	0	1
	2022	1	0	1	1	0	1
	2023	1	0	0	0	0	1

Table No. 5
Projected Openings
As of December 31, 2023

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
Alabama	1	0	0
Arizona	1	0	0
California	12	6	0
Colorado	1	1	0
Connecticut	1	1	0
Florida	9	4	0
Georgia	3	1	0
Idaho	1	1	0
Indiana	1	0	0
Iowa	1	1	0
Louisiana	1	1	0
Massachusetts	2	1	0
Michigan	3	0	0
Minnesota	1	0	0
Missouri	1	1	0
Montana	1	1	0
Nevada	2	1	0
New Hampshire	1	1	0
New Jersey	2	1	0
New York	2	0	0
North Carolina	3	2	0
Ohio	1	1	0
Oklahoma	1	0	0
Pennsylvania	2	1	0
South Carolina	1	1	0

State	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Tennessee	2	2	0
Texas	12	4	0
Virginia	1	0	0
West Virginia	1	0	0
Total	71	33	0

Our affiliate, PickUp USA, LLC, operates the following PickUp USA Fitness Club in Irwindale, California:

2387 Buena Vista Street
Irwindale, California 91010

Attached to this Disclosure Document as part of **Exhibit H** is a list of the names, addresses and telephone numbers of all existing franchisees of PickUp USA Franchise Company, LLC as of December 31, 2023. **Exhibit H** also includes a list of the names, cities and states and last known business telephone numbers of franchisees that have had an outlet terminated, canceled, not renewed or otherwise ceased to do business under the Franchise Agreement during the fiscal year ended December 31, 2023, or who have not communicated with us for the 10-week period before the date this Disclosure Document was issued. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about experience with PickUp USA. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

We have not created, sponsored or endorsed a trademark-specific franchisee association. No trademark-specific franchisee organization has made a request to be included in this Franchise Disclosure Document.

ITEM 21

FINANCIAL STATEMENTS

Attached as **Exhibit C** to this Franchise Disclosure Document are our audited financial statements as of December 31, 2023, December 31, 2022 and December 31, 2021.

ITEM 22

CONTRACTS

Attached are copies of the following agreements proposed for use in this state:

Exhibit D – Franchise Agreement

Exhibit C to Exhibit D – Spousal Consent

Exhibit E to Exhibit D – Guaranty and Assumption of Franchisee's Obligations

Exhibit G – ClubReady Merchant Services Agreement

Exhibit I – Form of SBA Addendum to Franchise Agreement

Exhibit J – Lease Addendum

ITEM 23

RECEIPTS

Attached to the end of this Franchise Disclosure Document, following the Exhibits, is a receipt. Please sign it, date it the date you receive the Franchise Disclosure Document, and return it to us. Make sure that you indicate the franchise seller(s) with whom you had substantive discussions about this franchise. A duplicate of the receipt is attached for your records.

EXHIBIT A

EXHIBIT A

LIST OF STATE FRANCHISE ADMINISTRATORS

<u>State Number</u>	<u>Title of Administrator</u>	<u>Telephone</u>
California	Toll Free Number	(866) 275-2677
	Commissioner of Financial Protection and Innovation 320 W. 4th Street Suite 750 Los Angeles, California 90013-1259	(213) 576-7500
	or	
	One Sansome Street Suite 600 San Francisco, California 94104-4428	(415) 972-8565
or		
	1455 Frazee Road, Suite 315 San Diego, California 92108	(619) 610-2093
	or	
	2101 Arena Boulevard Sacramento, California 95834	(916) 445-7205
Hawaii	Commissioner of Securities 335 Merchant Street, RM. 205 Honolulu, Hawaii 96813	(808) 586-2744
Illinois	Attorney General 500 South Second Street Springfield, Illinois 62701	(217) 782-4465
Indiana	Securities Commissioner 302 West Washington St., Rm. E-111 Indianapolis, Indiana 46204	(317) 232-6681

Maryland	Office of the Attorney General, Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2021	(410) 576-6360
Michigan	Attorney General 525 West Ottawa Street G. Mennen Williams Building, 1 st Floor P.O. Box 30755 Lansing, Michigan 48909	(517) 335-7632
Minnesota	Commissioner of Commerce Main Office, Golden Rule Building 85 7th Place East, Suite 280 St. Paul, Minnesota 55101	(651) 539-1500
New York	NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21 st Floor New York, New York 10005	(212) 416-8222
North Dakota	Securities Commissioner 600 East Boulevard Avenue State Capitol, Fifth Floor Bismarck, North Dakota 58505-0510	(701) 328-2910
Oregon	Director, Department of Consumer and Business Services 350 Winter Street NE P.O. Box 14480 Salem, Oregon 97309-0405	(503) 378-4100
Rhode Island	Director of Business Regulation Building 69-1 1511 Pontiac Avenue Cranston, Rhode Island 02920	(401) 462-9500
South Dakota	Director, Division of Insurance - Securities Regulation 124 S. Euclid, 2 nd Floor Pierre, South Dakota 57501	(605) 773-3563

Virginia	Director, Division of Securities and Retail Franchising Tyler Building, 9 th Floor 1300 East Main Street Richmond, Virginia 23219	(804) 371-9051
Washington	Director, Department of Financial Institutions 150 Israel Rd. SW Tumwater, Washington 98501	(360) 902-8760
Wisconsin	Commissioner of Securities 4822 Madison Yards Way, North Tower Madison, Wisconsin 53705	(608) 266-2139

EXHIBIT B

EXHIBIT B

LIST OF AGENTS FOR SERVICE OF PROCESS PICKUP USA FRANCHISE COMPANY, LLC

<u>State</u>	<u>Name and Address of Agent</u>
California	Jordan Meinster 556 S. Fair Oaks Avenue Unit 101 Pasadena, California 91105
Indiana	Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, Indiana 46204
Maryland	Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2021
Michigan	Corporations, Securities and Land Development Bureau Michigan Department of Consumer and Industry Services 6546 Mercantile Way P.O. Box 30222 Lansing, Michigan 48909
Minnesota	Minnesota Commissioner of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101-2198
New York	New York Secretary of State New York Department of State One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, New York 12231-0001

If a state is not listed, we have not appointed an agent for service of process in that state in connection with the requirements of franchise laws. There may be states in addition to those listed above in which we have appointed an agent for service of process.

EXHIBIT C

Pickup USA Franchise Company, LLC

Financial Statements

December 31, 2023, 2022 and 2021

Pickup USA Franchise Company, LLC

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December 31, 2023, 2022 and 2021

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Independent Auditors' Report

To the Members of
Pickup USA Franchise Company, LLC

Opinion

We have audited the financial statements of Pickup USA Franchise Company, LLC (the Company), which comprise the balance sheets as of December 31, 2023, 2022 and 2021, and the related statements of operations and members' deficit, 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 the Company as of December 31, 2023, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

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

Baker Tilly US, LLP

Los Angeles, California
April 12, 2024

Pickup USA Franchise Company, LLC

Balance Sheets

December 31, 2023, 2022 and 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Assets			
Current Assets			
Cash and cash equivalents	\$ 45,395	\$ 61,021	\$ 15,411
Receivables from franchisees	40,144	28,053	42,307
Prepaid expenses and other current assets	<u>8,493</u>	<u>8,493</u>	<u>14,990</u>
Total current assets	94,032	97,567	72,708
Intangible Assets	6,930	6,930	6,930
Lease Right-of-Use (ROU) Asset	<u>74,343</u>	<u>84,503</u>	<u>-</u>
Total assets	<u>\$ 175,305</u>	<u>\$ 189,000</u>	<u>\$ 79,638</u>
Liabilities and Members' Deficit			
Current Liabilities			
Accounts payable	\$ 10,303	\$ 75,439	\$ 51,481
Advertising payable	4,837	826	7,478
Deferred franchise fee revenue, current	1,744	1,150	1,150
Operating lease liability, current	<u>59,106</u>	<u>59,709</u>	<u>-</u>
Total current liabilities	75,990	137,124	60,109
Deferred Franchise Fee Revenue, Noncurrent	1,990,171	1,297,278	678,428
Operating Lease Liability, Noncurrent	15,237	15,237	-
Note Payable to Related Party	<u>4,001</u>	<u>97,185</u>	<u>110,875</u>
Total liabilities	2,085,399	1,546,824	849,412
Members' Deficit	<u>(1,910,094)</u>	<u>(1,357,824)</u>	<u>(769,774)</u>
Total liabilities and members' deficit	<u>\$ 175,305</u>	<u>\$ 189,000</u>	<u>\$ 79,638</u>

See notes to financial statements

Pickup USA Franchise Company, LLC

Statements of Operations and Members' Deficit
Years Ended December 31, 2023, 2022 and 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Revenues			
Franchise fee revenues	\$ 521,513	\$ 316,150	\$ 146,149
Royalty revenues	289,804	182,564	187,401
Marketing revenues	48,301	30,428	31,234
Total revenues	<u>859,618</u>	<u>529,142</u>	<u>364,784</u>
Operational Expenses			
Franchise related expenses	-	500	3,484
Marketing and advertising expenses	187,945	99,969	105,203
Selling, general and administrative expenses	1,409,565	1,086,590	824,496
Total operational expenses	<u>1,597,510</u>	<u>1,187,059</u>	<u>933,183</u>
Loss from operations	<u>(737,892)</u>	<u>(657,917)</u>	<u>(568,399)</u>
Other Income and (Expense)			
Gain on forgiveness of PPP note payable	-	-	55,907
Vendor rebate income	128,745	43,861	28,379
Other income	71,947	37,499	40,810
Interest expense	(3,326)	(7,207)	(6,098)
Taxes	(11,744)	(4,286)	(4,490)
Total other income	<u>185,622</u>	<u>69,867</u>	<u>114,508</u>
Net loss	<u>(552,270)</u>	<u>(588,050)</u>	<u>(453,891)</u>
Members' Deficit, Beginning	<u>(1,357,824)</u>	<u>(769,774)</u>	<u>(315,883)</u>
Members' Deficit, Ending	<u>\$ (1,910,094)</u>	<u>\$ (1,357,824)</u>	<u>\$ (769,774)</u>

See notes to financial statements

Pickup USA Franchise Company, LLC

Statements of Cash Flows

Years Ended December 31, 2023, 2022 and 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities			
Net loss	\$ (552,270)	\$ (588,050)	\$ (453,891)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Gain on forgiveness of PPP note payable	-	-	(55,907)
Changes in operating assets and liabilities:			
Receivables from franchisees	(12,091)	14,254	(17,939)
Prepaid expenses and other current assets	-	1,497	(9,990)
Change in Lease Right-of-Use (ROU) asset	68,000	(4,557)	-
Accounts payable	(65,136)	23,958	(14,490)
Advertising payable	4,011	(6,652)	3,058
Deferred franchise fee revenue	693,487	618,850	483,851
Lease liability	(58,443)	-	-
	<u>77,558</u>	<u>59,300</u>	<u>(65,308)</u>
Net cash provided by (used in) operating activities			
Cash Flows From Financing Activities			
Payments of principal on note payable to related party	(93,184)	(13,690)	(14,000)
Proceeds from PPP note payable	-	-	36,245
	<u>(93,184)</u>	<u>(13,690)</u>	<u>22,245</u>
Net cash (used in) provided by financing activities			
Net (decrease) increase in cash and cash equivalents	(15,626)	45,610	(43,063)
Cash and Cash Equivalents, Beginning	<u>61,021</u>	<u>15,411</u>	<u>58,474</u>
Cash and Cash Equivalents, Ending	<u>\$ 45,395</u>	<u>\$ 61,021</u>	<u>\$ 15,411</u>
Noncash Transactions			
Noncash initial recognition of leases under ASC 842, <i>Leases</i>	<u>\$ -</u>	<u>\$ 74,851</u>	<u>\$ -</u>
Noncash remeasurement of leases under ASC 842, <i>Leases</i>	<u>\$ 57,840</u>	<u>\$ 58,416</u>	<u>\$ -</u>
Supplemental Disclosure of Cash Flow Information			
Cash paid for interest	<u>\$ 3,326</u>	<u>\$ 7,207</u>	<u>\$ 6,098</u>
Cash paid for taxes	<u>\$ 11,744</u>	<u>\$ 4,286</u>	<u>\$ 4,490</u>

See notes to financial statements

Pickup USA Franchise Company, LLC

Notes to Financial Statements
December 31, 2023, 2022 and 2021

1. Nature of Operations

Pickup USA Franchise Company, LLC (the Company) is a California limited liability company established on March 23, 2016.

The Company is engaged in the business of franchising fitness gyms throughout the United States. The gyms operate under the name Pickup USA Fitness which are basketball focused physical fitness centers. The Company's revenues are primarily derived from franchise fees and royalties from its franchised locations. Currently, the Company earns royalties from franchise locations in California, Colorado, Florida, Indiana, Louisiana, Maryland, Michigan, Missouri, Ohio, Pennsylvania, Texas, and Utah. As of December 31, 2023, twelve domestic franchised gym locations were in operation (see Note 3). As of December 31, 2023, the Company has received signed franchise agreements and initial franchise fees from an additional 67 franchisees for which locations have not yet opened.

Under the terms of the Company's franchise agreements, each franchisee receives training and a protected area to operate a Pickup USA Fitness franchise. In return the franchisees pay an initial franchise fee to the Company and once operations commence, pay marketing and royalty fees per the franchise agreement.

During March 2016, the Company authorized the issuance of member units in exchange for \$100 of cash. The members share in profits and losses to the extent of and in proportion to their membership percentage interest.

Liquidity

The accompanying financial statements have been prepared assuming that the company will continue as a going concern. As shown in the financial statements, the Company has incurred accumulated net losses as of December 31, 2023.

Management plans on continuing to implement operational strategies to achieve the needed working capital to sustain operations. Key elements of this strategy are to get pipeline franchisee locations opened and operating and continue to grow franchisee royalty revenue streams. Additional sources of financing may be required in order to maintain the Company's current level of operations, and Management believes it has access to additional sources of financing if needed. Management has determined that their plans alleviate any going concern uncertainty.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The financial statements are presented on the accrual basis of accounting.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less to be cash equivalents. As of December 31, 2023, 2022 and 2021, the Company did not have any cash equivalents. The Company maintains cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts.

Pickup USA Franchise Company, LLC

Notes to Financial Statements
December 31, 2023, 2022 and 2021

Receivables From Franchisees

Receivables from franchisees reflects outstanding balances due from franchisees. No allowance for doubtful accounts has been recorded as of December 31, 2023, 2022, and 2021 as the balances are collected within a month from year end.

Intangible Assets

Intangible assets consist of certain intellectual property, including trademarks with indefinite useful lives. Intangible assets are reviewed annually for impairment or more frequently if impairment indicators arise. No impairment loss has been recorded for the years ended December 31, 2023, 2022 and 2021.

Income Taxes

GAAP requires management to evaluate tax positions taken and recognize a tax liability (or asset) if the organization has taken an uncertain tax position that more likely than not would not be sustained upon examination by the Internal Revenue Service (IRS). Management has analyzed the tax positions, and has concluded that as of December 31, 2023, 2022 and 2021, there are no positions taken or expected to be taken that would require recognition of a liability (or an asset) or disclosure in the financial statements. Furthermore, under current law, no federal or state income taxes are paid directly by the LLC, as each member is held responsible for his respective share of LLC income or loss. Certain states assess fees on gross revenues, and these amounts are included on the statement of income as taxes.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Accordingly, actual results could differ from those estimates.

Revenue Recognition

The Company recognizes revenue in accordance with Accounting Standards Update (ASU) No. 2014-09, Revenue From Contracts With Customers (Topic 606), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods and services to customers.

In January 2021, the FASB issued ASU No. 2021-02, *Franchisors—Revenue from Contracts with Customers (Subtopic 952-606): Practical Expedient*. The amendments in ASU No. 2021-02 provide a practical expedient related to the FASB Accounting Standards Codification (FASB ASC) No. 606, *Revenue from Contracts with Customers*, that permits franchisors that are not public business entities (PBEs) to account for pre-opening services provided to a franchisee as distinct from the franchise license if the services are consistent with those included in a predefined list within the ASU. Additionally, amendments in ASU No. 2021-02 provide an accounting policy election to recognize the pre-opening services as a single performance obligation. The Company elected to use the practical expedient and adopted this ASU during the year ended December 31, 2020.

Topic 606 requires that the transaction price received from customers is allocated to each separate and distinct performance obligation. The transaction price attributable to each separate and distinct performance obligation is then recognized as the performance obligations are satisfied as specified in the contract. As the Company elected to use the practical expedient under ASU No. 2021-02, it treats the pre-opening services as a single performance obligation and related franchise fee revenue is recognized upon franchise location opening. Part of the franchise fee is related to the franchise right provided to the franchisee and the related revenue is recognized as revenue over the term of the franchise agreement, which is consistent with the franchisee's right to use and benefit from the intellectual property.

Pickup USA Franchise Company, LLC

Notes to Financial Statements

December 31, 2023, 2022 and 2021

The deferred franchise fee revenues presented on the accompanying balance sheets are comprised of unamortized and unrecognized upfront fees received from franchisees. A summary of changes to the balance during 2023, 2022 and 2021 is as follows.

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 1,298,428	\$ 679,578	\$ 195,727
Revenue recognized that was included in unamortized upfront fees received from franchisees at the beginning of the period	(521,513)	(316,150)	(111,149)
Increase for upfront fees associated with contracts that became effective during the period, net of amounts recognized as revenue during the period	<u>1,215,000</u>	<u>935,000</u>	<u>595,000</u>
Balance, end of year	<u>\$ 1,991,915</u>	<u>\$ 1,298,428</u>	<u>\$ 679,578</u>

The franchise fees are nonrefundable and generally due upon signing of the franchise agreement. Franchise fee revenue from the sale of individual franchises is partly recognized over the term of the individual franchise agreement and partly upon distinct preopening performance obligations being satisfied. Unamortized nonrefundable fees collected in relation to the sale of franchises is recorded as deferred franchise fee revenue. The franchise agreement typically is for a ten-year period and is renewable by the franchisee. In the event a franchisee does not comply with their development timeline for opening franchise stores, the franchise rights may be terminated, and franchise fee revenue is recognized for nonrefundable deposits.

In addition to franchise fee revenue, the Company collects a royalty of 6% and a marketing fee of 1% of gross sales from its franchisees. Royalties and marketing fees are recognized as revenue as the related sales are made by the franchisees. Cumulative advertising collections in excess of expenditures are recorded as an advertising payable on the accompanying balance sheets as of December 31, 2023, 2022 and 2021.

There are two items involving revenue recognition on franchise contracts that requires the Company to make subjective judgments: the determination of which performance obligations are distinct within the context of the overall contract and the estimated standalone selling price of each performance obligation. The Company estimates the standalone selling price of each performance obligation based on either a cost plus margin approach or an adjusted market assessment approach. Part of the franchise fee revenue is attributable to the franchise right provided to the franchisee during the contract term and therefore, part of the franchise fee is recognized on a straight-line basis over the life of the contract.

During the year ended December 31, 2023, the Company collected \$1,215,000 in franchise fees, none of which was recognized as franchise fee revenue during the year. The entire amount was deferred and recorded in deferred franchise fee revenue on the accompanying balance sheet.

Marketing and Advertising Expenses

Advertising costs are expensed in the period in which they are incurred or over the life of the contract, when applicable. Advertising and marketing costs were \$187,945, \$99,969, and \$105,203 for the years ended December 31, 2023, 2022 and 2021, respectively.

Pickup USA Franchise Company, LLC

Notes to Financial Statements
December 31, 2023, 2022 and 2021

Fair Value of Financial Instruments

The carrying amount of the Company's cash and cash equivalents, receivables from franchisees, prepaid expenses and other current assets, accounts payable and advertising payable approximate their estimated fair values due to the short-term maturities of those financial instruments. Management has concluded that it is not practical to determine the estimated fair value of the note payable to related party due to its related party nature.

Recently Adopted Accounting Standards

Leases

Effective January 1, 2022, the Company adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, and all related amendments using the modified retrospective approach. The Company's 2021 financial statements continue to be accounted for under the FASB's Topic 840 and have not been adjusted.

ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the balance sheet. At lease inception, leases are classified as either finance leases or operating leases with the associated right-of-use asset and lease liability measured at the net present value of future lease payments. Operating lease right-of-use assets are expensed on a straight-line basis as lease expense over the noncancelable lease term. Expenses for finance leases are comprised of the amortization of the right-of-use asset and interest expense recognized based on the effective interest method. At the date of adoption, the Company recorded operating lease right-of-use assets and lease liabilities of \$74,851.

The new standard provides for several optional practical expedients. Upon transition to Topic 842, the Company elected:

- The package of practical expedients permitted under the transition guidance which does not require the Company to reassess prior conclusions regarding whether contracts are or contain a lease, lease classification and initial direct lease costs.

The new standard also provides for several accounting policy elections, as follows:

- When the rate implicit in the lease is not determinable, rather than use the Company's incremental borrowing rate, the Company elected to use a risk-free discount rate for the initial and subsequent measurement of lease liabilities for all asset classes;
- The Company elected not to apply the recognition requirements to all leases with an original term of 12 months or less, for which the Company is not likely to exercise a renewal option or purchase the asset at the end of the lease; rather, short-term leases will continue to be recorded on a straight-line basis over the lease term;

Additional required disclosures for Topic 842 are contained in Note 8.

Pickup USA Franchise Company, LLC

Notes to Financial Statements
December 31, 2023, 2022 and 2021

Credit Losses

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326)*. The ASU introduces a new credit loss methodology, Current Expected Credit Losses (CECL), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. Since its original issuance in 2016, the FASB has issued several updates to the original ASU. The CECL methodology utilizes a lifetime "expected credit loss" measurement objective for the recognition of credit losses at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. The methodology replaces the multiple existing impairment methods in current GAAP, which generally require that a loss be incurred before it is recognized. The Company adopted the guidance as of January 1, 2023, using a modified retrospective approach. The adoption of the standard did not have a material impact on the Company's financial position, results of its operations and its cash flows.

3. Summary of Franchise Outlets

As of December 31, 2023, 2022 and 2021, franchise outlets consisted of the following:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Franchise locations			
In operation, beginning of year	11	6	7
Franchise locations reacquired by Pickup USA, LLC, related party	-	(1)	-
Franchise locations opened during the year	5	6	-
Franchise locations that ceased operations	<u>(4)</u>	<u>-</u>	<u>(1)</u>
In operation, end of year	<u>12</u>	<u>11</u>	<u>6</u>

4. Franchise Fees

For the year ended December 31, 2023, the Company received initial franchise fees from 27 franchises totaling \$1,215,000 none of which was recognized as franchise fee revenue. The entire amount is included in deferred franchise fee revenue as of December 31, 2023.

For the year ended December 31, 2022, the Company received initial franchise fees from 22 franchises totaling \$940,000 none of which was recognized as franchise fee revenue. The entire amount is included in deferred franchise fee revenue as of December 31, 2022.

For the year ended December 31, 2021, the Company received initial franchise fees from 15 franchises totaling \$625,000 of which \$35,000 was recognized as franchise fee revenue and the remaining balance is included in deferred franchise fee revenue as of December 31, 2021.

Pickup USA Franchise Company, LLC

Notes to Financial Statements

December 31, 2023, 2022 and 2021

For the years ended December 31, 2023, 2022 and 2021, initial and other franchise revenues consisted of the following:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Initial franchise fees and transfer fees recognized upon location opening and over the contract term	\$ 301,513	\$ 236,150	\$ 1,149
Initial franchise fees recognized upon franchise agreement termination	<u>220,000</u>	<u>80,000</u>	<u>145,000</u>
Balance, end of year	<u>\$ 521,513</u>	<u>\$ 316,150</u>	<u>\$ 146,149</u>

Initial franchise fees recognized upon franchise agreement termination relate to franchisees that did not comply with their development timeline for opening franchise stores and the franchise rights were terminated.

5. Vendor Rebate Income

The Company receives a fee for referring the individual franchise locations to certain vendors for services such as lending, merchandising and payment processing. The fees are generally recognized as revenue as the related sales are made by the franchisees. This amounted to \$128,745, \$43,861, and \$28,379 for the years ended December 31, 2023, 2022 and 2021, respectively, and is included on the accompanying statement of operations and members' deficit.

6. Related-Party Transactions

Note Payable to Related Party

In March 2016, the Company borrowed a total of \$115,000 from Pickup USA, LLC, a related party, under the terms of a loan agreement. The loan bears a fixed interest rate of 6.0% per annum and requires interest only payments with the entire principal balance due in March 2026. During the year ended December 31, 2023, the Company paid down \$93,184 of the loan principal balance. During the year ended December 31, 2022, the loan balance was reduced by \$13,690 as the Company paid certain expenses on behalf of the related party, which was considered a reduction to the loan's principal balance. During the year ended December 31, 2021, the Company paid down \$14,000 of the loan principal balance. As of December 31, 2023, 2022 and 2021, the outstanding balance was \$4,001, \$97,185, and \$110,875, respectively.

Related Party Rent

The Company leases its office space from Pickup USA, LLC, a related party. The lease term is 12 months and required equal monthly payments of \$13,096, \$21,808 and \$16,625 for the years ended December 31, 2023, 2022 and 2021, respectively.

Related Party Car Expense

During the year ended December 31, 2023, the Company utilized the majority owner's car for various business-related trips. As a result, the Company paid \$9,072 during the year ended December 31, 2023 as compensation for the car rental.

Pickup USA Franchise Company, LLC

Notes to Financial Statements
December 31, 2023, 2022 and 2021

7. Paycheck Protection Program Note Payable

In April 2020, the Company received loan proceeds in the amount of \$19,662 under the Paycheck Protection Program (the First Draw PPP Loan). The Paycheck Protection Program (PPP), established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loan and accrued interest are forgivable after eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness was reduced if the borrower terminated employees or reduced salaries during the eight-week period. Any unforgiven portion of the first PPP Loan is payable in monthly installments of \$1,101 over two years at an interest rate of 1%, with a deferral of payments until September 2020.

In February 2021, the Company received additional loan proceeds in the amount of \$36,245 under the PPP (the Second Draw PPP Loan). Second Draw PPP loans can be used to help fund payroll costs, including benefits. Funds can also be used to pay for mortgage interest, rent, utilities, worker protection costs related to COVID-19, uninsured property damage costs caused by looting or vandalism during 2020, and certain supplier costs and expenses for operations. In order to qualify for the second PPP loan, the entity has to meet the following criteria: 1) previously received a First Draw PPP loan and will or has used the full amount only for authorized uses; 2) has no more than 300 employees; and 3) Can demonstrate at least a 25% reduction in gross receipts between comparable quarters in 2019 and 2020. Similar to the First Draw PPP Loan, the Second Draw PPP Loan and accrued interest are forgivable after eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. Any unforgiven portion of the Second Draw PPP Loan is payable in monthly installments of \$2,029 over two years at an interest rate of 1%, with a deferral of payments until October 2021.

The Company met both the First and Second Draw PPP Loans' forgiveness requirements, and therefore applied for forgiveness during 2021. On May 4, 2021 and October 6, 2021, the Company received legal releases from the Small Business Administration and therefore, recorded the total amounts borrowed under the program, \$55,907, as gain on forgiveness in the statement of operations.

8. Commitments and Contingencies

During the year ended December 31, 2021 the Company entered into an operating lease agreement with an unaffiliated party. The original lease term is two years, expires on March 31, 2023 and requires monthly payments of \$4,995. In April 2022, the Company entered into an agreement to extend the lease to March 31, 2024 with a new monthly rental payment of \$5,100 for the extension period. In July 2023, the Company entered into an agreement to extend the lease to March 31, 2025 with monthly rental payment of \$5,100 for the extension period.

Leases, January 1, 2022 and After

Right-of-use assets represent the Company's right to use an underlying asset for the lease term, while lease liabilities represent the Company's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date of a lease based on the net present value of lease payments over the lease term.

Certain of the Company's leases include options to renew or terminate the lease. The exercise of lease renewal or early termination options is at the Company's sole discretion. The Company regularly evaluates the renewal and early termination options and when they are reasonably certain of exercise, the Company includes such options in the lease term.

Pickup USA Franchise Company, LLC

Notes to Financial Statements

December 31, 2023, 2022 and 2021

In determining the discount rate used to measure the right-of-use assets and lease liabilities, the Company uses the rate implicit in the lease, or if not readily available, the Company uses a risk-free rate based on U.S. Treasury notes or bond rates for a similar term.

Right-of-use assets are assessed for impairment in accordance with the Company's long-lived asset policy. The Company reassesses lease classification and remeasures right-of-use assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with Topic 842.

The Company made significant assumptions and judgments in applying the requirements of Topic 842. In particular, the Company:

- Determined the discount rate used to measure the lease liability

As described in Note 6, the Company has a one-year lease with a related party.

The following table summarizes the operating lease right-of-use assets and operating lease liabilities as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Operating lease right-of-use assets	\$ 74,343	\$ 84,503
Operating lease liabilities:		
Current	59,106	59,709
Long-term	<u>15,237</u>	<u>15,237</u>
Total operating lease liabilities	<u>\$ 74,343</u>	<u>\$ 74,946</u>

Below is a summary of expenses incurred pertaining to leases during the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Operating lease expense	\$ 65,552	\$ 60,378
Short-term lease expense	<u>157,150</u>	<u>261,700</u>
Total lease expense	<u>\$ 222,702</u>	<u>\$ 322,078</u>

The table below summarizes the Company's scheduled future minimum lease payments for years ending after December 31, 2023:

Years ending December 31:		
2024	\$ 61,200	
2025	<u>15,300</u>	
Total lease payments	76,500	
Less present value discount	<u>(2,157)</u>	
Total lease liabilities	74,343	
Less current portion	<u>(59,106)</u>	
Long-term lease liabilities	<u>\$ 15,237</u>	

Pickup USA Franchise Company, LLC

Notes to Financial Statements

December 31, 2023, 2022 and 2021

The following table includes supplemental cash flow and noncash information related to the leases for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 60,885	\$ 59,940
Operating lease right-of-use assets obtained in exchange for lease liabilities upon adoption of ASC No. 842, <i>Leases</i>	-	74,851
Operating lease right-of-use assets and lease liability remeasurement	57,840	58,416

9. Subsequent Events

The Company has evaluated subsequent events through April 12, 2024, the date that the financial statements were available to be issued.

EXHIBIT D

PICKUP USA FITNESS®
FRANCHISE AGREEMENT

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Exhibits

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Exhibit B	Territory Addendum
Exhibit C	Spousal Consent
Exhibit D	Information Regarding Non-Individual Franchisees
Exhibit E	Guaranty and Assumption of Franchisee's Obligations

PICKUP USA FITNESS®
FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT is entered into as of _____, by and between PickUp USA Franchise Company, LLC, a California limited liability company ("**Franchisor**"), and _____, a(n) _____ ("**Franchisee**"), with reference to the following facts:

A. Franchisor has the right to operate and grant to others the right to operate full-service, basketball-focused fitness clubs under the name "PickUp USA Fitness®" that offers members access to traditional cardiovascular and strength training exercise equipment combined with staff-organized and officiated pick-up basketball games structured to maximize playing time for members, along with group and private basketball training programs, in accordance with certain proprietary practices and procedures ("**Proprietary Information**") that are part of a system relating to the establishment, development, operation and management of such fitness clubs ("**System**");

B. Franchisor has the right to use and license the use of the trademarks, tradenames, service marks, designs, emblems, logos, slogans, copyrights, Trade Dress, Trade Secrets (as defined below), commercial symbols and other indicia it designates, now or hereafter used or intended to be used or hereafter used in connection with the System, and any and all revisions, modifications and additions thereto, whether or not recorded or registered with the United States Patent and Trademark Office or any other local, state, federal or foreign agency, registrar or body including, without limitation, the name "PickUp USA Fitness" and related design logos ("**Marks**") pursuant to an agreement with Franchisor's affiliate, PickUp USA, LLC; and

C. Franchisor licenses the right to use the System and the Marks in the management of PickUp USA Fitness clubs ("**Franchised Business**"). Franchisee desires to obtain a license to use the Marks and System in the operation of a Franchised Business, and Franchisor is willing to grant Franchisee a license upon the terms and subject to the conditions set forth in this Agreement.

NOW THEREFORE, in consideration of these premises and of the mutual covenants contained herein, the receipt and sufficiency of which is acknowledged by the parties, the parties agree as follows:

1. GRANT OF RIGHTS

A. NON-EXCLUSIVE LICENSE

Subject to the terms and conditions of this Agreement, Franchisor hereby grants to Franchisee, and Franchisee accepts, a non-exclusive license to use the Marks and the System solely in the operation of a single Franchised Business at one (1) location to be

determined pursuant to the terms and conditions of this Agreement within the geographic area described in **Exhibit “A”** attached hereto (“**Geographic Area**”). Franchisee acknowledges and agrees that it does not have any territorial or exclusive rights whatsoever with regards to the Geographic Area. The parties agree and acknowledge that Franchisee and its personnel shall be responsible for, and have complete authority, responsibility, supervision and control over, the provision of all services performed at the Franchised Business.

B. TERRITORY

At such time that Franchisee identifies and Franchisor consents to, a location for the Franchised Business within the Geographic Area pursuant to the procedures set forth in Section 1C of this Agreement, Franchisor and Franchisee shall execute a separate addendum to this Agreement, substantially in the form of **Exhibit “B”** attached hereto, identifying the location and the territory within which the Franchised Business is located (“**Territory**”).

C. SITE SELECTION PROCEDURE

(1) Franchisee’s Obligation. Within the time limits specified in this Section IC, Franchisee shall lease a facility for the Franchised Business at a site to which Franchisor consents. Franchisor will consult with Franchisee in the site selection process and will provide Franchisee with certain guidelines, criteria and specifications for site selection, design, and construction of the facility; provided, however, that Franchisee assumes all cost, liability, expense, risk and responsibility for locating, obtaining financing for and developing the site of the Franchised Business and for constructing and equipping the Franchised Business. Franchisor may designate one or more real estate tenant representative companies, and if Franchisor does so, Franchisee shall retain the services of such company or one of such companies.

(2) Site Proposal. Franchisee shall provide Franchisor with all relevant information concerning the proposed site including the general location and neighborhood, zoning of the site, demographic information about the surrounding area, traffic patterns, parking, rent, size, layout, physical characteristics of the location, lease terms and such other information as Franchisor may require (collectively, “**Site Proposal**”). The Site Proposal shall include (a) a property description; (b) a demographic profile of the site; (c) a rendering or design plan showing the preliminary proposed layout; (d) identification of competing fitness clubs within the general area; and (e) information about the community in which the proposed site is located. Franchisor will decide whether or not to consent to the proposed site within thirty (30) days after it receives Franchisee’s complete Site Proposal. Franchisee must obtain Franchisor’s consent to a site for the Franchised Business within twelve (12) months after execution of this Agreement.

(3) Franchisor’s Evaluation. Franchisor may act in its sole discretion in deciding whether or not to consent to a Site Proposal. Franchisee shall not secure any site unless Franchisor consents to the Site Proposal in writing.

(4) Consent to Site Proposal. After Franchisee has obtained Franchisor's consent to the Site Proposal, it shall be Franchisee's sole responsibility to obtain required approvals and permits from the appropriate governmental entities and to comply with local law regarding the securing of any architect stamps, permits, licenses, or other necessary governmental approvals.

(5) Leased Property Site Development and Lease Terms. Franchisee shall not sign a lease or contract for the location without receiving Franchisor's prior written consent. Franchisee shall fully perform all obligations to be performed by Franchisee under the lease or contract and shall immediately upon receipt of any notice of violation from the lessor or other party to the contract deliver a copy of such notice to Franchisor together with a statement of the steps proposed to be taken by Franchisee in response to the notice. The lease or contract must contain such additional terms and conditions as Franchisor may require to provide for the protection of Franchisor's rights and interests, including but not limited to a conditional lease assignment to Franchisor or its nominee in a form acceptable to Franchisor, and including the following:

- (a) the absolute and unconditional right of Franchisee to assign its interest in the lease to Franchisor or Franchisor's nominee at any time without the consent of the landlord and without rent increase or penalty;
- (b) the landlord's acknowledgment that Franchisee shall not assign or transfer the lease or any of its rights thereunder or grant any sublease thereunder without the prior written consent of Franchisor;
- (c) the landlord's consent to Franchisee's use of such signage and other displays of the Marks as Franchisor may require;
- (d) the obligation of the landlord to notify Franchisor in writing of any default by Franchisee of any of the terms and conditions of the lease and to provide to Franchisor, at Franchisor's option, the right to cure any default under the lease within fifteen (15) days after expiration of the period in which Franchisee is required to cure the default, if Franchisee fails to do so;
- (e) that no amendment, addition, or other modification or change be made to the lease without obtaining the prior written consent of Franchisor;
- (f) that upon expiration or termination for any reason of the Franchise Agreement, Franchisee's rights under the lease will, at the option of Franchisor, be transferred and assigned to Franchisor or its nominee without rent increase or penalty immediately upon notice by Franchisor;
- (g) Franchisee's acknowledgment that the landlord may rely upon such notice and will not be required to inquire into the due execution of such notice or the accuracy of the statements set forth in such notice;

- (h) that such notice will, without further act or formality, operate as an effective assignment of Franchisee's rights under the lease to Franchisor or its nominee without rent increase or penalty, and the assumption by Franchisor or its nominee of the covenants required to be observed or performed by Franchisee under the lease; provided, however, that landlord agrees and acknowledges that Franchisor and its nominee, if any, shall not assume, and shall have no obligation to the landlord, with respect to any liabilities arising from or relating to Franchisee's actions, failure to act or defaults prior to the assignment of the lease;
- (i) Franchisee's acknowledgment that the landlord will, upon the written request of Franchisor, disclose to Franchisor all reports, information or data in the landlord's possession respecting the premises and the operation of the Franchised Business, including, without limitation, revenue information;
- (j) the landlord's acknowledgment that the Franchise Agreement contains a right on the part of Franchisor, in the event of expiration or termination of this Agreement for any reason whatsoever, to enter the premises and to make any alterations to the exterior or interior decor and signage as Franchisor deems necessary to remove its identification with the System as required by this Agreement and, in the event of the exercise by Franchisor of such right, the landlord further acknowledges that such entry by Franchisor shall not constitute an assignment of the lease nor a subletting of the premises; and
- (k) that Franchisor is a third party beneficiary under the lease.

Franchisee shall be responsible for all costs associated with the negotiation of the lease. All amounts spent by Franchisor to cure any breach by Franchisee of the lease for the site of the Franchised Business shall be due to Franchisor from Franchisee upon Franchisor's written demand. Nothing herein shall create an obligation on the part of Franchisor to cure any breach by Franchisee.

(6) Architects; Permitting Firm. Franchisor reserves the right to provide Franchisee with a list of designated architects for construction or remodeling of the facility for the Franchised Business. If Franchisor does so, Franchisee must retain one of the designated architects to develop floor plans and construction drawings for the Franchised Business. If Franchisor does not provide Franchisee with a list of designated architects, Franchisee must select an architect with commercial construction experience and the architect is subject to Franchisor's consent. Franchisee must also work with a permitting firm to obtain construction and use permits

(7) Contractors. Franchisee must employ a contractor who meets Franchisor's specifications and standards including, without limitation, the requirements that the contractor be commercially licensed and insured and have experience in building fitness centers.

(8) Design and Construction. Franchisor will provide input and information to Franchisee on the design and construction of the Franchised Business.

(9) Additional Franchisee Responsibilities. In addition to Franchisee's other responsibilities hereunder, Franchisee agrees that it is solely responsible for (a) obtaining all required zoning changes, all required building, utility, health, sanitation and sign permits and licenses; (b) purchasing or leasing equipment, fixtures, furniture and signs as required by this Agreement; (c) completing construction or remodeling, equipment, fixture, furniture and sign installation and decorating the Franchised Business in compliance with plans and specifications required by Franchisor and all applicable ordinances, building codes and permitting requirements; (d) obtaining all customary contractors' sworn statements and partial and final waivers of lien for construction, remodeling, decorating and installation services; and (e) otherwise completing development of the site.

(10) Signage and Decorating Materials. All signage and decorating materials at the Franchised Business site shall conform to Franchisor's specifications. Franchisee acknowledges and agrees that Franchisor has the right, at Franchisor's option, to require that Franchisee purchase or lease the signage from Franchisor or its affiliate.

(11) Equipment and Supplies. Franchisee must purchase equipment and initial supplies for the Franchised Business as designated by Franchisor from suppliers that are designated or approved by Franchisor as provided in Section 4D below.

(12) Relocation. Franchisee may not relocate the Franchised Business without Franchisor's prior written consent. If Franchisee requests consent from Franchisor to relocate the Franchised Business, Franchisee shall pay to Franchisor a relocation fee of forty percent (40%) of the then-current initial franchise fee.

FRANCHISEE ACKNOWLEDGES THAT ALTHOUGH FRANCHISOR MAY HAVE BEEN INVOLVED IN THE SITE SELECTION PROCESS AND IN SITE DEVELOPMENT AND MAY HAVE PROVIDED AND REVIEWED INFORMATION ON THE SITE, THE LEASE, CONSTRUCTION AND OTHER ASPECTS OF THE DEVELOPMENT OF THE FRANCHISED BUSINESS (INCLUDING REQUIRING FRANCHISEE TO USE AN ARCHITECT DESIGNATED OR CONSENTED TO BY FRANCHISOR), FRANCHISOR MAKES NO WARRANTY, REPRESENTATION OR GUARANTY OF ANY KIND WITH RESPECT TO THE LOCATION, ITS DESIGN OR CONSTRUCTION, THE LEASE, OR THE SUCCESS OR PROFITABILITY OF THE BUSINESS TO BE OPERATED AT SUCH LOCATION.

D. FRANCHISOR'S RESERVATION OF RIGHTS

Franchisee acknowledges that this Agreement does not restrict Franchisor or its affiliates from conducting businesses using marks or commercial symbols different from the Marks either within or outside of the Territory, nor does it preclude them from using the Marks or licensing the right to others to use the Marks for purposes other than

operating the Franchised Business. Franchisor reserves all rights not specifically granted to Franchisee under this Agreement. In particular, and not in limitation of the foregoing, Franchisor reserves the right to conduct all commerce over the Internet and other means of electronic commerce as may in the future be developed, and Franchisee has no right to do so except as may be specifically permitted hereunder.

E. TERM AND RENEWAL

(1) Term. The term of this Agreement shall begin on the date it is executed by Franchisor and shall continue for ten (10) years, subject to earlier termination as provided herein.

(2) Renewal. Subject to compliance with each and every one of the conditions set forth below, Franchisee shall have the option to renew the right to operate the Franchised Business for two (2) additional, consecutive periods of five (5) years:

- (a) Franchisee must sign Franchisor's then-current form of Franchise Agreement which may contain terms that are materially different from those set forth in this Agreement; and
- (b) Franchisee must be in full compliance with this Agreement, and all other contracts between Franchisee and Franchisor and its affiliates, and in particular, must have paid all sums owing to Franchisor and its affiliates as and when due; and
- (c) Franchisee's Franchised Business must meet Franchisor's then-current requirements or Franchisee must make all expenditures deemed necessary by Franchisor to update the Franchised Business' equipment, signage and decor to reflect Franchisor's then-current requirements and image; and
- (d) Franchisee, Franchisee's operating partner or Franchisee's general manager, as applicable, must complete re-training to Franchisor's satisfaction; and
- (e) Franchisee (and its principals if Franchisee is a corporation or other entity) shall execute and deliver a general release in a form acceptable to Franchisor of any and all claims against Franchisor, and its affiliates and associates, officers, directors, managers, shareholders, members, employees, agents and representatives; and
- (f) Franchisee shall not have received three (3) or more notices of default during any twenty-four (24) month period during the initial term or preceding renewal term, as applicable; and
- (g) Franchisor must not have decided to withdraw from the Territory; and

- (h) Franchisee must have the right to occupy the premises of its Franchised Business for the renewal term; and
- (i) Franchisee must pay to Franchisor a renewal fee of \$3,000 at the time at which Franchisee provides Franchisor notice that it seeks to renew.

Franchisee shall notify Franchisor no later than one hundred twenty (120) days prior to the expiration of the initial term or the preceding renewal term of this Agreement, as applicable, if Franchisee wishes to enter into a new Franchise Agreement with Franchisor at the expiration of the initial term or preceding renewal term, as applicable. Franchisee shall have no right to enter into a new agreement with Franchisor if Franchisee fails to do so or if Franchisee fails to comply with each of the conditions set forth above in a timely manner or if Franchisee fails to return to Franchisor any documents within twenty (20) days after Franchisor has delivered them to Franchisee.

2. COMMENCEMENT OF OPERATIONS

A. CONDITIONS FOR OPENING

Franchisee shall not begin operating the Franchised Business until Franchisor has given its consent in writing. Franchisee shall satisfy the conditions to commencement of operations, including without limitation, the completion of the Initial Training Program, as defined below, to Franchisor's satisfaction and Franchisor's consent to Franchisee's business plan. Franchisor may require that Franchisor or its representative conduct an on-site inspection prior to giving its consent and from time to time during the term of this Agreement.

B. OPENING SCHEDULE REQUIREMENTS

Franchisee must begin operations by the earlier of eighteen (18) months after signing the Franchise Agreement or six (6) months after signing the lease for the location.

3. TRAINING AND OPERATING ASSISTANCE

A. TRAINING

(1) Franchisor shall furnish to Franchisee and such personnel of Franchisee as Franchisor shall designate an initial training program during such period as Franchisor designates ("**Initial Training Program**"). The Initial Training Program may be furnished at Franchisor's offices or at another location designated by Franchisor in its discretion. Franchisee, Franchisee's operating partner, Franchisee's general manager, and if Franchisor requires, Franchisee's assistant general manager, must complete the Initial Training Program to the sole satisfaction of Franchisor at least three (3) months before the Franchised Business opens.

(2) Franchisor shall have the right, during the Initial Training Program, to further evaluate Franchisee's fitness to operate under this Agreement. No person shall

be permitted to operate the Franchised Business until such person has completed the Initial Training Program to Franchisor's satisfaction.

(3) Franchisee shall not be charged an additional fee for the Initial Training Program if Franchisee's personnel all attend the Initial Training Program of the same time unless Franchisee requests that Franchisor train a replacement operating partner or general manager.

(4) Franchisor may require Franchisee and those of Franchisee's personnel as Franchisor may designate to attend refresher and additional training courses for up to five (5) days per year. Franchisor may also require Franchisee to attend additional training if Franchisor deems it necessary or appropriate. Franchisee agrees and acknowledges that Franchisor may designate the location for such training. Franchisee will pay Franchisor's then-current per-day, per-trainer training fee. If Franchisor requires that such additional training be held at the Franchised Business location, Franchisee will also pay the expenses of the trainer or trainers, including lodging, transportation and food. Franchisee may also request additional on-site training or assistance and Franchisor will determine whether or not to provide it. If Franchisor does so, Franchisor will charge its then-current per-day, per-trainer training fee. If such additional training is held at the Franchised Business location, Franchisee will also pay the expenses of the trainer or trainers, including lodging, transportation and food. Franchisee will pay the training fee to Franchisor before Franchisor conducts the training. Franchisee also agrees to attend a national business meeting or convention if required by Franchisor, for up to three (3) days per year, at Franchisee's expense.

(5) Franchisee shall be responsible for all travel and living expenses, if any, that Franchisee and its personnel may incur in connection with the Initial Training Program or refresher or additional training and in attending national business meetings or conventions.

(6) Franchisee shall be responsible for training new employees and then-current employees in the operation of the Franchised Business. All employees must have all certifications and credentials required by applicable laws and regulations, and must complete all continuing education requirements, if any.

B. BRAND STANDARDS MANUAL

Franchisor will lend to Franchisee for use during the term of this Agreement copies of Franchisor's proprietary and confidential manuals which Franchisor may amend from time to time, containing mandatory and suggested specifications, standards, operating procedures and rules for the System designed to protect and maintain the value of the Marks (collectively, "**Brand Standards Manual**"). All of the mandatory specifications, standards, operating procedures and rules prescribed from time to time in the Brand Standards Manual, or otherwise communicated to Franchisee in writing, shall constitute requirements of this Agreement and shall be kept confidential by Franchisee. Franchisee will not at any time copy any part of the Brand Standards Manual, disclose any information contained in it to others or permit others access to them. Franchisee

acknowledges and agrees that the Brand Standards Manual may be modified from time to time to reflect changes in the standards of authorized services or products or the System. All modifications to the Brand Standards Manual shall be binding upon Franchisee upon being mailed or otherwise delivered to Franchisee. Franchisee agrees to accept, implement and adopt any such modifications at Franchisee's own cost. The Brand Standards Manual will contain proprietary information belonging to Franchisor and Franchisee acknowledges that the Brand Standards Manual is, and shall remain, the property of Franchisor. Franchisee shall promptly return the Brand Standards Manual to the Franchisor upon termination or expiration of this Agreement. Franchisee understands and agrees that it is of substantial value to Franchisor and other franchisees of Franchisor, as well as to Franchisee, that the System establishes and maintains a common identity. Franchisee agrees and acknowledges that compliance with the mandatory provisions of the Brand Standards Manual is essential to preserve, maintain and enhance the reputation, trade demand and goodwill of the System and the Marks and that failure of Franchisee to operate the Franchised Business in accordance with the System and the Brand Standards Manual can cause damage to all of the other parties described above, as well as to Franchisee. Notwithstanding the foregoing and consistent with the goals of the System, Franchisee shall be responsible for the day-to-day operation of the Franchised Business.

C. PERIODIC ADVICE AND CONSULTATION

Franchisor shall, from time to time, to the extent it deems necessary, furnish Franchisee advice or consult with Franchisee on the operation of the Franchised Business in order to communicate new developments, techniques and services. Franchisor will periodically, with such frequency as Franchisor shall determine in its sole discretion, consult with Franchisee in the development of its business. Franchisor may do so via telephone or e-mail or by sending field consultants to the Franchised Business.

4. OPERATION BY FRANCHISEE

A. CONDITION AND APPEARANCE

Franchisee agrees:

(1) that neither the Franchised Business nor its premises will be used for any purpose other than the operation of the Franchised Business in compliance with this Agreement;

(2) to operate the Franchised Business with a high ethical and moral standard and to maintain the condition and appearance of the Franchised Business in accordance with Franchisor's standards as specified in the Brand Standards Manual, and consistent with the image of the Franchised Business as a clean, sanitary, safe, educational, attractive, and efficiently operated business offering professional and courteous service;

(3) to maintain the condition, appearance and efficient operation of the Franchised Business and its premises as is required by Franchisor, including, without limitation:

- (a) continuous and thorough cleaning and sanitation of the interior and exterior of the Franchised Business;
- (b) interior and exterior repair of the Franchised Business;
- (c) maintenance of equipment in good condition;
- (d) replacement of worn out or obsolete improvements, fixtures, furnishings, equipment and signs with approved improvements, fixtures, furnishings, equipment and signs; and
- (e) periodic painting and decorating.

(4) to place or display on the Franchised Business' premises only such signs, emblems, lettering and logos, and display only such advertising materials as are from time to time consented to in writing by Franchisor and to display all advertising materials required by Franchisor.

B. ALTERATIONS AND REMODELING

Franchisee shall not make any alterations to the Franchised Business premises, or to any improvements, layout, fixtures, and furnishings, signs, equipment, or appearance thereof or other elements of the Trade Dress, as defined below, without the prior written consent of Franchisor. Franchisee shall undertake all such remodeling, modernization and redecoration of the Franchised Business as Franchisor shall from time to time require.

C. PRODUCTS AND SERVICES

(1) Franchisee shall cause the Franchised Business to use all equipment, products and services, and only those equipment, products and services, designated by Franchisor from time to time, and shall use such equipment, products and services strictly in accordance with the standards and specifications described in the Brand Standards Manual.

(2) Franchisee shall at all times provide prompt, courteous, friendly and efficient service to all customers. Franchisee shall in all dealings with all customers and the public, adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. Franchisee agrees not to deviate from the standards, specifications and operating procedures set forth in this Agreement and the Brand Standards Manual in order to ensure uniformity and quality of services offered to the public under the Marks.

D. PURCHASE OF PRODUCTS; SUPPLIERS

(1) Franchisee shall purchase any and all products (including, without limitation, products bearing the Marks), and any and all other equipment, supplies and services required or used in the operation of the Franchised Business only from (a) manufacturers, suppliers or distributors from time to time designated in writing by Franchisor, (b) such other suppliers proposed by Franchisee and consented to by Franchisor in the manner and subject to the conditions set forth in subsection (2) below, or (c) from Franchisor or its affiliate, if available. Franchisee agrees and acknowledges that certain specially designed equipment (such as signage and certain equipment), proprietary products, certain services and items used in the Franchised Business that are integral to the System may only be available from Franchisor or its designated supplier. Franchisee agrees and acknowledges that the prices charged for such products, services and items are fair and reasonable. Franchisee further agrees and acknowledges that Franchisor has the right to negotiate purchase arrangements with suppliers for the benefit of franchisees and establish purchasing or distribution cooperatives, and agrees to participate in such a cooperative if required to do so by Franchisor.

(2) Franchisor may, in its sole discretion, consent to suppliers proposed by Franchisee provided the following conditions are first met. Franchisor is not obligated to consider or evaluate suppliers proposed by Franchisee.

- (a) Franchisee shall submit a written request to Franchisor for consent to the supplier and agree to pay up to One Thousand Dollars (\$1,000) of Franchisor's costs plus travel expenses in evaluating the proposed supplier. Franchisee must pay to Franchisor these amounts upon submission of a request to evaluate a proposed supplier and they are non-refundable;
- (b) The supplier shall demonstrate to Franchisor's satisfaction that it is able to supply an item to Franchisee meeting Franchisor's specifications for such item, including but not limited to, providing Franchisor with samples and the opportunity to inspect its facilities from time to time;
- (c) The supplier shall demonstrate to Franchisor's satisfaction that the supplier is of good standing in the business community with respect to its financial soundness and reputation and the reliability of its product and service;
- (d) The supplier shall obtain, maintain and submit to Franchisor proof of, sufficient insurance coverage (including, but not limited to, product liability coverage) at limits and including coverage acceptable to Franchisor, and shall include Franchisor and Franchisee as additional named insureds with the right to receive at least thirty (30) days' prior written notice of any modification, cancellation or termination of such policy; and

- (e) In the event the item to be supplied is required to bear one of the Marks, such supplier must execute a license agreement (which may include a royalty payment) in a form acceptable to Franchisor.

(3) Until and unless Franchisor notifies Franchisee in writing that it has consented to a supplier, Franchisee must continue to purchase from the parties described in subsection (1) above. Franchisor will generally notify Franchisee whether or not it consents to a supplier within ninety (90) days.

(4) If Franchisor determines that a previously approved supplier no longer conforms to such standards, it shall so notify Franchisee and Franchisee shall thereupon discontinue making purchases from that supplier.

E. SPECIFICATIONS, STANDARDS AND PROCEDURES

Franchisee acknowledges that each and every detail of the appearance, center layout, supplies utilized, services offered, Franchised Business premises, and other elements of trade dress in the operation of the Franchised Business (“**Trade Dress**”) is important to Franchisor and the System. Franchisee shall comply with all mandatory specifications, standards and operating procedures relating to (i) the type and quality of the services offered by the Franchised Business; (ii) the appearance, color, indicia and signage of the Franchised Business premises; (iii) appearance of employees; (iv) cleanliness, standards of services, and operation of the Franchised Business; (v) submission of requests for consent to use materials, supplies, distributors and suppliers; and (vi) safety procedures and programs prescribed by Franchisor. Franchisee also agrees to use all equipment, signage and services Franchisor authorizes for the System from time to time. Mandatory specifications, standards, and operating procedures may be prescribed from time to time by Franchisor in the Brand Standards Manual, or otherwise communicated to Franchisee in writing, including without limitation, procedures regarding handling customer complaints. All references herein to this Agreement shall include all such mandatory specifications, standards, and operating procedures.

F. SUPERVISION; DUTY TO DILIGENTLY CARRY OUT OBLIGATIONS

The Franchised Business must have a qualified general manager at the time of opening. The operation of the Franchised Business must be under the direct supervision of Franchisee or an operating partner of Franchisee. Franchisor may require that Franchisee or one of its owners that Franchisor identifies must work full-time in the Franchised Business. If Franchisee does not work full-time in the business, Franchisee must designate an operating partner who must live close to the Franchised Business, own at least ten percent (10%) of the Franchised Business, and work full-time in the business. Franchisee must obtain Franchisor’s consent to any operating partner Franchisee designates, and the operating partner will be Franchisor’s primary day-to-day contact on all operations issues for the Franchised Business. If Franchisee elects to serve as general manager, Franchisor recommends that Franchisee employ an assistant general manager. Any on-site general manager or operating partner that

Franchisee employs at the Franchised Business must complete the Initial Training Program to Franchisor's satisfaction and must execute a confidentiality and non-competition agreement in a form acceptable to Franchisor. If an operating partner or general manager employed by Franchisee is terminated or otherwise terminates the employment relationship with Franchisee, Franchisee shall find a new operating partner or general manager, and such new operating partner or general manager must complete training within thirty (30) days of such termination, provided that Franchisee must obtain Franchisor's consent to any new operating partner and Franchisor reserves the right to directly provide the Initial Training Program to a new operating partner or general manager. Franchisee shall pay Franchisor's then-current fees and charges for the Initial Training Program if Franchisor elects to exercise such right.

G. SYSTEM CHANGES

Franchisee acknowledges that the System must continue to evolve in order to reflect changing markets and to meet new and changing business demands, and that accordingly variations and additions to the System may be required from time to time in order to preserve and enhance the public image of the System. Accordingly, Franchisee agrees that Franchisor may, from time to time, upon notice, add to, subtract from or otherwise modify or change Franchisee's obligations under the System, including, without limitation, changes reflecting Franchisor's adoption and use of new or modified Marks, services and equipment. Franchisee agrees promptly to accept and implement all such additions, modifications and changes at Franchisee's sole cost and expense (e.g., changing signs, destroying or recalling advertising and promotional items). Franchisee agrees and acknowledges that if Franchisee develops any component of the System which Franchisor permits or adopts for use in the Franchised Business, such component will belong to Franchisor and Franchisee shall have no right or interest in such component other than a license to use it as part of the System pursuant to this Agreement. In particular, and not in limitation of the foregoing, Franchisee agrees that all reproductions, notes, summaries or similar documents relating to the Trade Secrets and any files, memoranda, reports, price lists, customer lists and other documents relating to the System, shall become and remain the property of Franchisor immediately upon creation.

H. RECIPROCITY

Franchisor has developed, and is continuing to develop, a system of reciprocity among owners of PickUp USA Fitness clubs to allow members of one PickUp USA Fitness club to have access to other PickUp USA Fitness clubs. Franchisee will participate in and fulfill the obligations of the reciprocity system as directed from time to time by Franchisor. Franchisee acknowledges and agrees that the reciprocity system may change over time and will implement all changes Franchisor requires.

I. COMPLIANCE WITH LAW AND GOOD BUSINESS PRACTICES

(1) Prior to beginning operations, Franchisee shall secure in Franchisee's name as the owner of an independent business all required licenses, permits and certificates relating to Franchisee's operation of the Franchised Business in the Territory, including, without limitation, all permits and certificates relating to the Franchised Business. Franchisee shall require all fitness professionals whom it employs to secure all professional certifications and meet professional standards for fitness professionals required by applicable law. In addition, Franchisee shall adhere to all applicable legal requirements regarding fitness clubs. Franchisee acknowledges that such licenses, certificates and permits may require the payment of security deposits and other fees. Franchisee shall maintain all such licenses, permits and certificates (and require its fitness professionals to maintain their respective licenses, permits and certificates) in full force and effect throughout the term of this Agreement. In addition, Franchisee shall utilize membership agreements and other documents delivered to customers that comply with applicable law.

(2) Franchisee shall operate in full compliance with all applicable laws, ordinances and regulations, including, without limitation, such laws, ordinances and regulations relating to occupational hazards and health, worker's compensation insurance, unemployment insurance and withholding and payment of federal and state income taxes and social security taxes, trade name and advertising restrictions, building codes and handicap access. In particular, and not in limitation of the foregoing, Franchisee shall comply with the Americans with Disabilities Act.

(3) In particular, and not in limitation of the foregoing, Franchisee must comply with all laws governing consumer data and privacy and employ all means to maintain the security of consumer data. If any data security incident occurs, Franchisee shall notify Franchisor immediately and shall take steps to address and remedy such incident. Franchisor is not obligated to remedy Franchisee's data security issue, but if Franchisor requires Franchisee to take certain steps including, without limitation, the retention of a remediation expert, Franchisee agrees to do so. A data security incident includes an act originated within or outside Franchisee's organization affecting Franchisee's computer system or other technology that violates the law or Franchisor's policies and involves unauthorized access to view, copy or use the System, customer data, confidential information or Trade Secrets.

(4) Immediately upon receipt of any citation, notice, complaint or other indication that Franchisee or any of its personnel has violated any law or regulation, Franchisee shall immediately notify Franchisor and transmit to Franchisor copies of all such citations, notices, complaints or other such indications.

5. INSURANCE

Before beginning to operate the Franchised Business, Franchisee must obtain all insurance required by Franchisor from an insurer or insurers that meet Franchisor's criteria and which has a minimum rating of A-VII by Best's Insurance Review, and to

which Franchisor consents. Franchisor may designate one or more insurance companies, and if Franchisor does so, Franchisee must obtain insurance from such company or companies. Franchisee also hereby waives subrogation in Franchisor's favor and confirms that the insurance policies it secures will be primary and non-contributory to any policies Franchisor may carry. Such insurance shall include coverage insuring against all loss and liability arising out of or in connection with the operation of the Franchised Business, including, without limitation, general liability coverage in the minimum amounts of One Million Dollars (\$1,000,000) per occurrence and Three Million Dollars (\$3,000,000) in the aggregate, professional liability coverage in the minimum amounts of One Million Dollars (\$1,000,000) per occurrence and Three Million Dollars (\$3,000,000) in the aggregate (including a sublimit of One Million Dollars (\$1,000,000) for abuse and molestation coverage for trainers and coaches), property insurance covering one hundred percent (100%) of the replacement cost of all furniture, fixtures and equipment (including all build out costs), business income coverage for at least fifty percent (50%) of the Franchised Business' annual sales, wind, flood or earthquake coverage if the Franchised Business is located in a catastrophic area, auto liability coverage with a combined single limit of One Million Dollars (\$1,000,000) for all owned, non-owned and hired automobiles used in the Franchised Business, umbrella liability coverage of One Million Dollars (\$1,000,000) excess of all liability policies except employment practices liability, employment practices liability coverage of One Million Dollars (\$1,000,000) for first and third party coverage, cyber liability coverage of at least One Million Dollars (\$1,000,000), worker's compensation coverage required by applicable law and employer's liability coverage of at least One Million Dollars (\$1,000,000) by disease, One Million Dollars (\$1,000,000) by accident and One Million Dollars (\$1,000,000) policy limit. Franchisee shall also secure an alternate employer's endorsement in favor of Franchisor. Franchisee shall maintain such insurance coverage in full force and effect during the entire term of this Agreement. Franchisee shall cause Franchisor and any of its affiliates that Franchisor specifies to be named as additional insureds under all such policies. Franchisee shall provide to Franchisor copies of all insurance policies related to the Franchised Business and written and issued on behalf of Franchisee. In addition, all such policies shall provide for thirty (30) days' prior written notice to Franchisor of any material modification, cancellation or expiration of a policy. No later than thirty (30) days prior to opening the Franchised Business and periodically upon Franchisor's request, Franchisee shall provide Franchisor with a certificate and endorsement evidencing coverage. All amounts spent by Franchisor to secure any insurance coverage Franchisee fails to obtain shall be due to Franchisor by Franchisee upon Franchisor's written demand. Nothing herein shall create an obligation on the part of Franchisor to secure any insurance coverage for Franchisee. Franchisee also acknowledges that Franchisor may periodically change the amounts and types of coverage required under such insurance policies and require different or additional kinds of insurance at any time, including excess liability insurance.

6. TRADE SECRETS

Franchisee acknowledges that there is information disclosed by Franchisor pursuant to this Agreement, during the Initial Training Program and subsequent training program and otherwise (including, without limitation, the Proprietary Information, methods of

service, sources and suppliers of equipment and décor, the design of the Franchised Business including interior and exterior layout, construction plans and specifications, marketing strategies, operations, techniques, financial information, supplier and customer lists, specifications and materials concerning fitness services and activities, fitness plans, monthly calendar of events, newsletter formats and, in general, methods, techniques, formulas, formats, specifications, standards, procedures, know-how, information systems and knowledge of the System and the entire contents of the Brand Standards Manual), that is proprietary, confidential or a trade secret of Franchisor ("**Trade Secrets**"). Franchisee acknowledges that all of the Trade Secrets are economically valuable and that such value is derived from not being generally known to others. Franchisee agrees to maintain the absolute confidentiality of all such information during and after the term of this Agreement and agrees not to use any such information in any other business or in any manner not specifically authorized in writing by Franchisor. Franchisee shall not make copies of such information or divulge such information to any other person. Franchisee shall require any other person involved in Franchisee's Franchised Business who will have access to any confidential information or Trade Secrets to sign a confidentiality and noncompetition agreement in a form acceptable to Franchisor. Franchisee shall also require its personnel to sign a written consent allowing their conversations to be recorded by Franchisor or Franchisee.

7. FEES

A. INITIAL FRANCHISE FEE

Franchisee must pay to Franchisor, upon execution of this Agreement, a non-refundable initial franchise fee of Forty-Five Thousand Dollars (\$45,000). If this is Franchisee's second or subsequent Franchised Business, Franchisee must pay to Franchisor, upon execution of this Agreement, a non-refundable initial franchise fee of Thirty-Five Thousand Dollars (\$35,000). If Franchisee is a United States military veteran who received an honorable discharge from military service, Franchisee must pay to Franchisor, upon execution of this Agreement, an initial franchise fee of Forty-Five Thousand Dollars (\$45,000); provided that Franchisor will rebate Five Thousand Dollars (\$5,000) to such Franchisee upon the grand opening of the Franchised Business. Except with respect to the rebate described above, the initial franchise fee is fully earned immediately upon payment and is non-refundable.

B. ROYALTY FEE

Franchisee shall pay to Franchisor a royalty ("**Royalty Fee**") equal to six percent (6%) of Gross Revenues. The Royalty Fee shall be paid on a weekly basis. "**Gross Revenues**" means all revenues Franchisee receives from the operation of the Franchised Business (including any payments under Franchisee's business interruption insurance coverage) but subject to the rules of any discount, coupon and gift certificate programs adopted by Franchisor, deducting only amounts paid to any governmental tax authorities and any customer refunds made in accordance with Franchisor's policy.

C. MARKETING FEE

Franchisor has a marketing fund (“**Marketing Fund**”) to which Franchisee must contribute one percent (1%) of Gross Revenues (“**Marketing Fee**”). Franchisor may adjust the percentage of Gross Revenues that Franchisee must contribute to the Marketing Fund at any time but this amount will not exceed two percent (2%) of Gross Revenues. The Marketing Fee shall be paid on a weekly basis during the term of this Agreement.

D. TECHNOLOGY FEE

Franchisee acknowledges and agrees that Franchisor may require you to pay for any of the following to Franchisor or a third-party provider designated by Franchisor: (1) licensing and help desk fees for required software; (2) licensing or user-based fees for a franchise portal or benchmarking platform; (3) fees related to exposure on Franchisor’s website; or (4) other technology uses Franchisor may require (“**Technology Fee**”).

E. CONTINUING EDUCATION FEE

Franchisee shall pay to Franchisor a continuing education fee (“**Continuing Education Fee**”) of One Hundred Fifty Dollars (\$150) per month for continuing education items that may include the following or other items designated by Franchisor: (1) web-based live trainings; (2) web-based pre-recorded trainings; (3) in-person training at a location designated by Franchisor; (4) performance evaluations, audits, or mystery shop activities; or (5) other continuing education activities designated by Franchisor.

F. PAYMENT METHOD

Franchisee must make payments through the ClubReady software program, as described below. Franchisor shall have the right to vary the frequency of the due date (e.g., from weekly to monthly) and the method of payment from time to time. The Royalty Fee, Marketing Fee, Technology Fee and Continuing Education Fee are non-refundable.

G. NONPAYMENT

If Franchisor does not receive Franchisee’s Royalty Fee, Marketing Fee, Technology Fee, Continuing Education Fee or any other payment hereunder by the dates they are due, Franchisee acknowledges that, in addition to exercising all other rights and remedies that Franchisor has, Franchisor may terminate this Agreement.

H. CHARGE ON LATE PAYMENTS; DISHONORED PAYMENTS

In addition to all other rights and remedies that accrue to Franchisor, if Franchisee does not pay an amount when due, then Franchisee must pay Franchisor a late fee equal to the lesser of two percent (2%) of the amount due per month or the highest applicable rate allowed by law. In the event any payment by Franchisee is made by check and is returned to Franchisor for insufficient funds, or is made by credit or debit card, by ACH

payments or other form of payment, and such payment is dishonored, Franchisee will be assessed an administrative handling fee of One Hundred Dollars (\$100.00) in addition to all other applicable late fees and administrative charges. In such event Franchisor may also require Franchisee to make all future payments by money order, cashier's check or a similar method of payment of immediately available funds. Franchisee acknowledges that this Section does not constitute agreement by Franchisor to accept such payments after they are due or a commitment to extend credit to, or otherwise finance such amounts.

I. NO WITHHOLDING OF PAYMENT

Franchisee agrees that Franchisee will not, on the grounds of the alleged nonperformance by Franchisor of any of its obligations hereunder or for any other reason whatsoever, withhold payment of any amounts due, nor shall Franchisee have any right of offset.

J. APPLICATION OF PAYMENTS; RIGHT OF OFFSET

Notwithstanding any designation by Franchisee, Franchisor shall have discretion to apply any payments by Franchisee to any indebtedness of Franchisee. In addition, Franchisor shall have the right to offset any amounts due to it or its affiliates against any amounts to be paid to Franchisee.

K. TAXES

In the event Franchisee is required by local law to withhold or deduct any tax on behalf of Franchisor from any amount payable to Franchisor under this Agreement, Franchisee shall increase the payment made to Franchisor by that amount and shall provide Franchisor with: (1) documentation showing that Franchisor is being taxed at the lowest rate allowed under local law; and (2) written receipts from the appropriate taxing authority certifying that payments have been made on Franchisor's behalf at the rates previously communicated to Franchisor.

8. REPORTING AND RECORD KEEPING

A. COMPUTER SYSTEM

Franchisee shall purchase and install a personal computer (PC) system, including two (2) desktop personal computers and a laptop, and maintain Internet access which meets or exceeds Franchisor's specifications as set forth in the Brand Standards Manual. Franchisee shall maintain only such information specified in the Brand Standards Manual on the computer system. Franchisee shall use the computer system in accordance with Franchisor's policies, transmit data as required by Franchisor, give Franchisor unrestricted access, and ensure that Franchisee's employees are adequately trained to operate the computer system and in Franchisor's policies and procedures. Franchisee shall maintain, repair, upgrade or update any computer equipment used in the Franchised Business to maintain compatibility with any designated software and as Franchisor may from time to time require. Franchisee

acknowledges and agrees that Franchisor shall have the right to have independent access to the information on Franchisee's computer system, including the right to download any information on such system. Franchisee acknowledges that neither Franchisor nor any affiliate of Franchisor has any obligation to provide ongoing maintenance, repairs, upgrades or updates to any of the computer hardware or software used in the Franchised Business.

B. CLUBREADY SOFTWARE AND RECORDKEEPING

(1) As of the date of this Agreement, Franchisor requires Franchisee to use ClubReady, a software program that facilitates gym member check-in, member management, retail point-of-sale, collections, scheduling and other functions. Franchisee must sign agreements and pay fees to ClubReady or any third party merchant services provider Franchisor designates. Any agreements or other documents that the ClubReady software may provide are samples only, and Franchisee acknowledges and agrees that all it shall take all steps necessary (including without limitation, review by Franchisee's independent legal counsel) to ensure that the agreements and other documents Franchisee utilizes in the Franchised Business meet the requirements of applicable law. Franchisee acknowledges and agrees that Franchisor shall have the right at any time to change or modify the required software or to develop proprietary computer software.

(2) Franchisee must have bookkeeping and accounting services that fairly reflect the Gross Revenues, receipts and reports, costs of labor, semi-variables, fixed costs and advertising, and the financial results of the Franchised Business, and also such procedures as may be more particularly described in the Brand Standards Manual. In particular and not in limitation of the foregoing, as of the date of this Agreement, Franchisee must use QuickBooks, subject to Franchisor's right to designate a different program. If Franchisee does not meet Franchisor's accounting and reporting standards, Franchisor may require that Franchisee hire a third party accounting firm designated by Franchisor.

C. REPORTS

With each payment of the Royalty Fee and Marketing Fee, Franchisee shall also deliver to Franchisor a Gross Revenues report on a form designated by Franchisor. On a monthly basis, Franchisee shall also prepare income statements using Franchisor's then-current chart of accounts and income statement formats. Within ten (10) days after the close of each calendar quarter and within thirty (30) days after the close of each fiscal year of Franchisee, Franchisee shall provide to Franchisor a Gross Revenues report, profit and loss statements and, for the annual statement, a balance sheet, on such forms as Franchisor may require, prepared in accordance with U.S. generally accepted accounting principles. Franchisee shall also submit to Franchisor such other financial and non-financial reports and information as Franchisor may request. These statements and reports shall be certified as true and correct by Franchisee. Each such report shall be in the form and present the information required by or described in the Brand Standards Manual. Franchisee must provide electronic

access to Franchisor to Franchisee's Gross Revenues, costs, other financial information and financial statements.

D. REQUIRED DISCLOSURE

Franchisee acknowledges that Franchisor may be required by law, regulation or other legal requirement, or may deem it advisable, to disclose information regarding Franchisee or the operation of the Franchised Business, including without limitation, earnings and other financial performance information. Franchisee agrees that Franchisor shall be entitled to disclose such information and that Franchisor shall have the right to determine the extent and manner in which such disclosure will be made. If Franchisor does not have the information necessary for the disclosure Franchisor determines it will make, Franchisee shall provide such information to Franchisor promptly upon Franchisor's request.

9. MARKETING AND ADVERTISING

A. EXPENDITURES FROM MARKETING FUND

Franchisee agrees and acknowledges that the Marketing Fee may be deposited in Franchisor's general operating account, may be commingled with Franchisor's general operating funds and may be deemed an asset of Franchisor. Franchisor will administratively segregate the Marketing Fund on its books and records. Franchisor will use the Marketing Fund for the purpose of marketing and promotional purposes, and Franchisor may elect to disseminate promotional materials through the Internet, television, radio and print media such as magazine, billboard, flyers or mailers, and newspapers. Franchisor may also use the Marketing Fund to hire a website management firm to manage a website on behalf of all Franchisees. Franchisor may use the Marketing Fund to develop promotional and advertising materials, including, but not limited to, brochures, handouts, or other similar materials, for use by Franchisee. Franchisor may also use the Marketing Fund to hire an outside consultant or advertising agency to assist in the development, production and dissemination of promotional material. Franchisor will conduct such advertising and marketing of the System and its services as Franchisor deems desirable to promote and enhance the reputation of the System, including, without limitation, producing materials for use in connection with such advertising and marketing. Franchisee understands, acknowledges and agrees that all decisions regarding advertising and marketing, including without limitation, the type, quantity, timing, placement and choice of media, market areas and advertising agencies shall be made by Franchisor. Franchisee agrees and acknowledges that all costs of the formulation, development and production of any advertising and promotion (including without limitation the proportionate compensation of Franchisor's employees who devote time and render services in connection with such advertising and promotional programs or the administration, accounting and collection of the Marketing Fees) will be paid from the Marketing Fund. Franchisee acknowledges that Franchisor may spend a portion of the Marketing Fund for the administration of the Marketing Fund. Franchisor does not have any obligation to make expenditures that are proportionate or equivalent to Franchisee's Marketing Fees in the market area of the Territory, nor does

Franchisor represent that Franchisee will benefit directly or pro rata from the placement of advertising. Franchisee agrees and acknowledges that Franchisor has the right to conduct local, regional or national advertising campaigns. If Franchisor decides to terminate the Marketing Fund, it may do so. Franchisor will distribute any amounts remaining in the Marketing Fund after its termination, if any, to then-existing franchisees pro rata based on Marketing Fees paid by franchisees over the previous three (3) years.

B. FRANCHISEE PROMOTION AND EXPENDITURES

Franchisee agrees at all times to use its best efforts to promote the Franchised Business and to increase the sales and service of the Franchised Business by providing promotion and service to potential clients of the Franchised Business. Franchisee agrees to engage in local advertising and promotional activities authorized by Franchisor and to make expenditures of at least Three Thousand Dollars (\$3,000) per month, beginning on the day after the Franchised Business opens for business (“**Local Advertising Expenditures**”). Franchisor may adjust the amount of expenditures required for local advertising and promotions at any time. Franchisee authorizes Franchisor to conduct promotional activities on its behalf on social media websites that are directed to Franchisee’s market. If Franchisor does so, Franchisee shall reimburse Franchisor for the cost of conducting such activities and any such amounts may be credited against the Local Advertising Expenditures for that month. Franchisor may require that on or prior to the tenth (10th) day of each calendar month Franchisee submit to Franchisor receipts evidencing expenditures for authorized local advertising during the preceding calendar month. Franchisee shall not advertise outside of the Territory unless Franchisee obtains Franchisor’s prior written consent to do so. Franchisor may periodically assist Franchisee in developing a business plan for the operation and marketing of the Franchised Business. Franchisee agrees and acknowledges that Franchisor has the right to establish a local or regional marketing cooperative, and agrees to participate in such a cooperative if required to do so by Franchisor. Franchisor may require Franchisee to contribute all or a portion of its local advertising expenditures to such a cooperative.

C. CONSENT TO USE OF ADVERTISING

All advertising copy and other marketing and promotional materials Franchisee proposes to use shall be in strict accordance and conformity with the standards, formats and specimens set forth in the Brand Standards Manual. Franchisor shall advise Franchisee from time to time on marketing and advertising issues. Franchisor may periodically provide Franchisee with advertising materials. If Franchisee wishes to develop advertising materials, Franchisee shall submit the proposed advertising material to Franchisor at least ten (10) days in advance of publication or use and shall use only such advertising copy and materials as have been authorized in writing by Franchisor. Franchisee agrees and acknowledges that the copyright for any advertising or other materials that Franchisee develops for the Franchised Business shall be on behalf of and shall belong to Franchisor without any further action required by the parties.

D. OPENING ADVERTISING

Franchisee acknowledges and agrees that adequate opening advertising is essential to the success of the Franchised Business and agrees to conduct a grand opening advertising and pre-sale program in connection with the opening of the Franchised Business in accordance with Franchisor's directions. Franchisor shall provide assistance to Franchisee in conducting such advertising and marketing efforts to pre-sell memberships. Franchisee agrees and acknowledges that such required program required by Franchisor will cost a minimum of Fifteen Thousand Dollars (\$15,000), such program to begin at least sixty (60) days prior to opening the Franchised Business and to continue through the day the Franchised Business first opens (which may be earlier than the grand opening of the Franchised Business). Thereafter, Franchisee shall engage in local advertising as required by Section 9.B. Franchisee must obtain Franchisor's prior written consent to Franchisee's grand opening marketing and pre-sale activities.

E. DISCOUNTS, COUPONS AND GIFT CERTIFICATES

From time to time as part of the advertising and promotional activities conducted by Franchisor, Franchisor may institute discount programs and issue or permit franchisees to issue coupons and gift certificates. Franchisee agrees to accept such coupons and gift certificates from customers and to redeem them in accordance with Franchisor's policies then in effect and to participate in such discount programs to the extent permitted by applicable law and licensing boards. These may include reciprocity programs that allow members of the Franchised Business to have access to any PickUp USA Fitness club, and members of other PickUp USA Fitness clubs to have access to the Franchised Business for a fee. Franchisee shall not offer any discounts or coupon or gift certificate programs without Franchisor's prior written consent. Franchisee acknowledges that discount, coupon and gift certificate programs may affect the determination of Gross Revenues.

F. NO FIDUCIARY DUTY

Nothing in this Section or anywhere in this Agreement creates a fiduciary relationship between the parties, nor shall anything herein be deemed to create any trust duties between the parties. No covenant shall be implied to vary or interpret the terms of this provision.

10. INSPECTION RIGHTS

A. TIMING AND SCOPE

Franchisor and its representatives shall have the right, at any time, with or without notice, to monitor and observe the conduct of the Franchised Business for the purpose of determining compliance with the requirements of this Agreement, for conducting quality assurance audits which may include customer surveys, and for any other purpose connected with the System. Franchisor will advise Franchisee of operating problems it discovers as a result of such activities or other reports.

B. MYSTERY SHOP PROGRAM

Franchisor may, at its option, conduct a mystery shop program, or retain a third party to conduct a mystery shop program.

C. INSPECTIONS AND AUDITS

Franchisor's representatives (including without limitation PickUp USA, LLC) shall have the right at all times during normal business hours to confer with employees and customers of the Franchised Business, to observe the manner in which Franchisee is rendering its services and conducting its fitness services and activities, to take photographs and make videotapes of the Franchised Business, and to inspect and audit Franchisee's books, records and tax returns, or such portions thereof as pertain to the operation of the Franchised Business. Upon request, Franchisee shall submit to Franchisor an affidavit of quality control in a form required by Franchisor. All such books, records and tax returns shall be kept and maintained for at least three (3) years after their creation at the Franchised Business or such other place as may be agreed to from time to time in writing by the parties. If any such inspection or audit reveals that the Gross Revenues reported in any report or statement are less than the actual Gross Revenues ascertained by such inspection, then Franchisee shall immediately pay Franchisor the additional amount of Royalty Fees and Marketing Fees owing by reason of the understatement of Gross Revenues previously reported, together with interest as provided in Section 7H above. In the event that any report or statement understates Gross Revenues by more than two percent (2%) of the actual Gross Revenues ascertained by Franchisor's inspection, Franchisee shall, in addition to making the payment provided for in the immediately preceding sentence, and in addition to any other remedies and rights Franchisor may have, pay and reimburse Franchisor for any and all expenses incurred in connection with its inspection and audit, including, but not limited to, accounting and legal fees and travel expenses, room and board and compensation for Franchisor's representatives. Such payments shall be without prejudice to any other rights or remedies Franchisor may have under this Agreement or otherwise.

11. MARKS AND TRADE DRESS

A. OWNERSHIP OF MARKS AND GOODWILL

Franchisee's right to use the Marks is derived solely from, and is subject to, the terms and conditions of this Agreement. Such right is limited to the operation of the Franchised Business in accordance with this Agreement and all mandatory standards, specifications and operating procedures prescribed from time to time by Franchisor. Franchisee agrees not to contest or oppose, nor to assist anyone else to contest or oppose, directly or indirectly, Franchisor's affiliate's ownership of the Marks, its applications for registration, or registration of, or the validity or enforceability of, any of the Marks or Franchisor's right to use and license the Marks. Franchisee also agrees not to acquire or use any trademarks that are similar or identical to the Marks.

Franchisee agrees that its usage of the Marks and any goodwill established thereby shall inure to the exclusive benefit of Franchisor and its affiliate.

B. LIMITATIONS ON FRANCHISEE'S USE OF MARKS AND TRADE DRESS

(1) If local laws require that Franchisee file a registration stating that Franchisee is conducting business under an assumed name or trade name, Franchisee shall state in such document that it is conducting such business as a franchisee of Franchisor. Franchisee shall use the Marks consistently and shall reproduce the Marks in the exact manner directed by Franchisor. With respect to the colors used for the Marks, Franchisee shall use the colors and shades designated by Franchisor. Franchisee further agrees to use the Marks as adjectives rather than nouns and to place a disclaimer in a prominent location in the Franchised Business to the effect that "PICKUP USA FITNESS" is a trademark (or registered trademark, if applicable) of PickUp USA, LLC and that the Franchised Business is owned and operated by Franchisee, an independently owned and operated franchisee of Franchisor. Franchisee shall correct any misuse of the Marks immediately upon receipt of notice from Franchisor.

(2) Franchisee shall not use or register any of the Marks or similar words or colorable imitations thereof as part of any name of any corporation, partnership, limited liability company or other business entity, or with any other prefix, suffix or other modifying words, terms, designs or symbols, or in any modified form or as part of any domain name, web address or similar electronic use; nor may Franchisee use any of the Marks in connection with the sale of any unauthorized products or service or in any other manner not explicitly authorized in writing by Franchisor. Franchisee acknowledges that any such registration would be in bad faith as defined under the Uniform Domain Name Dispute Resolution Policy (UDRP) and the Anticybersquatting Consumer Protection Act. Franchisee will not use or display, or permit the use or display, of the trademarks, trade names, service marks, insignias, logotypes or any other commercial symbols or trade dress of any other person or entity in connection with the Franchised Business without the prior written consent of Franchisor, or as expressly permitted in the Brand Standards Manual.

(3) Franchisor has the right to control the quality of services offered by Franchisee under the Marks. Franchisee shall comply with the quality control standards prescribed by Franchisor. Upon request by Franchisor, Franchisee shall deliver to Franchisor a written affidavit in a form acceptable to Franchisor affirming that Franchisee is in compliance with the quality control standards prescribed by Franchisor and there has been no decline in the quality standards in the operation of the Franchised Business.

C. COPYRIGHTS

Franchisee acknowledges that Franchisor and/or its affiliate has developed, and may further develop during the term of this Agreement, certain artistic designs, and certain other word combinations and other materials designated for use by Franchisee including, but not limited to, the Brand Standards Manual and various other materials used in the Franchised Business including DVDs, videos, advertising, promotional and training materials. Franchisee acknowledges that Franchisor and/or its affiliate retains all right, title and interest thereto as provided by copyright law to the originator of works and, further, that Franchisee is licensed to use such copyrighted materials solely in accordance with the terms and during the term of this Agreement. Franchisee agrees and acknowledges that, if Franchisee develops any materials for use in the Franchised Business that Franchisor authorizes, Franchisor may incorporate such materials in the System and the copyright for any such materials shall belong to Franchisor without any further action required by the parties.

D. DEFENSE OF TRADEMARKS AND COPYRIGHTS

(1) In the event that Franchisee receives notice or learns of a claim, suit, demand or proceeding against Franchisee on account of any alleged infringement, unfair competition, or similar matter relating to Franchisee's use of the Marks or of any of Franchisor's or its affiliate's copyrights in accordance with the terms of this Agreement, Franchisee shall promptly notify Franchisor of such claim, suit, demand or proceeding. Franchisee shall have no power, right, or authority to settle or compromise any such claim by a third party without the prior written consent of Franchisor. Provided that Franchisee is in full compliance with this Agreement, Franchisor shall defend Franchisee against any claim by a third party against Franchisee for Franchisee's use of the Marks and copyrighted material in accordance with this Agreement, using attorneys of Franchisor's choosing. Franchisor may elect to compromise or settle any such claim, at its sole discretion. Franchisee agrees to cooperate fully with Franchisor in connection with any such defense. Franchisee irrevocably grants Franchisor authority and power of attorney to defend or settle such claims, demands, suits or proceedings.

(2) In the event that Franchisee receives notice or is informed or learns that any third party, that Franchisee believes to be unauthorized to use the Marks, is using the Marks or any variants thereof, or is using any of Franchisor's or its affiliate's copyrights, Franchisee shall promptly notify Franchisor. Thereupon, Franchisor shall, in its sole discretion, determine whether or not it wishes to undertake any action against such third party on account of said person's alleged infringement of the Marks or copyrights. In the event Franchisor undertakes such action, it shall have the authority and power of attorney to prosecute or settle such action. Franchisee agrees to render such assistance as Franchisor requires and agrees to cooperate fully with Franchisor to carry out the prosecution of any such action. Franchisee shall have no right to prosecute any claim of any kind or nature whatsoever against such alleged infringer for or on account of said alleged infringement.

E. DISCONTINUANCE OF USE OF TRADEMARKS

If it becomes advisable at any time in Franchisor's sole discretion for Franchisee to modify or discontinue use of any Mark or any items of Trade Dress or use one or more additional or substitute marks or items, Franchisee agrees to comply with Franchisor's directions to modify or otherwise discontinue the use of such Mark or item of Trade Dress and to accept, use and display such additional marks or items of trade dress within a reasonable time after notice thereof by Franchisor but in no event more than thirty (30) days after receiving notice from Franchisor. Franchisor shall not be obligated to compensate Franchisee for any costs incurred by Franchisee in connection with any such addition, modification or discontinuance.

F. SOCIAL MEDIA POLICY

Franchisee shall not register a domain name, create or maintain a website or electronic mail address utilizing the Marks or any name similar to the Marks or relating in any way to the Franchised Business without Franchisor's prior written consent. Franchisee also agrees to observe Franchisor's policy on on-line communications including, without limitation, communications on social and professional networking sites such as Facebook, Twitter, LinkedIn, SnapChat, Instagram and other sites or blogs. Franchisee acknowledges that it may not mention or discuss the Franchised Business, Franchisor or the System without Franchisor's prior written consent. Franchisee agrees and acknowledges that Franchisor has the right to review all on-line content involving the Marks or the System, and to require Franchisee to remove any content or usage, in Franchisor's sole discretion.

12. COMPETITION

A. FRANCHISEE'S COVENANT NOT TO COMPETE

(1) Franchisee acknowledges that Franchisor could not protect the Trade Secrets against unauthorized use or disclosure and could not achieve a free exchange of ideas and information among owners of Franchised Businesses if Franchisee held interests in any competitive business. Franchisee acknowledges that Franchisor grants the rights to Franchisee in part in consideration of, and in reliance upon, Franchisee's agreement to deal exclusively with Franchisor. Therefore, Franchisee shall not at any time during the term of this Agreement, individually or in conjunction with any person or entity, have any interest as an owner, investor, shareholder, partner, member, lender, director, officer, manager, employee, consultant, guarantor, representative, or agent or in any other manner whatsoever, directly or indirectly, carry on or be engaged in, financially or otherwise, or advise in the establishment or operation of any business involving or related to fitness or any similar business.

(2) In addition, for two (2) years after the termination or expiration of this Agreement, Franchisee shall not carry on, be engaged in or advise in the establishment or operation of any business involving or related to fitness or similar businesses described in subsection (1) above except (a) pursuant to Franchise Agreements with

Franchisor, or (b) if Franchisee is not then a party to any other Franchise Agreement with Franchisor, only at a site that is at least ten (10) miles from any Franchised Business (including Franchisee's former Franchised Business) that is operating or being developed. Franchisee agrees and acknowledges that this restriction represents only a limited one on Franchisee's ability to conduct a business and that the purpose of this covenant is not to deprive Franchisee of a means of livelihood, and will not do so, but is rather to protect the goodwill and interest of Franchisor and the System. In the event that Franchisee does not comply with this provision and Franchisor is required to enforce it, the two (2)-year period is tolled for the period of noncompliance.

B. ACTIVITIES OF OTHER PERSONS

The activities of Franchisee's immediate family, Franchisee's owners, officers, directors, shareholders, members, trusts, trustees, subsidiaries, parent companies, partners, agents and employees or any enterprise in which any of them owns, directly or indirectly, any equity interest (except for investments totaling less than one percent (1%) of the stock of publicly held corporations), for purposes of this Section 12, shall be deemed to be activities of Franchisee. Upon Franchisor's request, Franchisee shall obtain the signature of any such persons on a non-disclosure and non-competition agreement in a form acceptable to Franchisor. Franchisee shall use its best efforts to cause such other persons to observe the terms of those agreements.

13. TERMINATION

The following provisions are in addition to and not in limitation of any other rights and remedies Franchisor may have at law or in equity, all of which are expressly reserved. The exercise by Franchisor of any right or remedy shall not be deemed an election of remedies.

A. WITH NOTICE AND NO OPPORTUNITY TO CURE

This Agreement shall immediately terminate on delivery of notice of termination to Franchisee by Franchisor upon the occurrence of any of the following events, each of which is deemed to be an incurable breach of this Agreement and each of which is deemed to be "good cause." If Franchisee:

(1) becomes insolvent or admits in writing Franchisee's inability to pay its debts as they mature, or makes an assignment for the benefit of creditors, files a petition under any foreign, state or United States bankruptcy act, receivership statute, or the like or if such a petition is filed by a third party, or if an application for a receiver is made by anyone and such petition or application is not dismissed within ninety (90) days. For purposes of this section, "insolvent" means Franchisee's liabilities exceed its assets;

(2) abandons the Franchised Business by failing to operate it for five (5) consecutive business days, or for any shorter period in such circumstances that render reasonable the conclusion that Franchisee does not intend to continue operating the

Franchised Business, unless such failure is due to disaster or similar reasons beyond Franchisee's control;

(3) has made any material misrepresentation or omission in the application for the Franchised Business or in any report that Franchisee submits to Franchisor pursuant to this Agreement;

(4) fails to obtain Franchisor's consent to the location of the Franchised Business within twelve (12) months after signing this Agreement;

(5) fails to open the Franchised Business according to Section 2C of this Agreement;

(6) or Franchisee's operating partner or general manager or assistant general manager fails to complete the Initial Training Program to Franchisor's satisfaction no later than three (3) months before the scheduled opening of the Franchised Business;

(7) is convicted by a trial court of or pleads no contest to a felony or other crime or offense or engages in conduct that reflects materially and unfavorably upon the operation and reputation of Franchisor or the System, or if any principal of Franchisee is convicted of or pleads no contest to a felony or other crime or offense or engages in such conduct;

(8) attempts to make or makes an unauthorized assignment, encumbrance or other transfer of Franchisee's rights or obligations under this Agreement;

(9) is a party to any other agreement with Franchisor or its affiliates that is terminated for Franchisee's breach thereof;

(10) loses the right to Franchisee's location and does not find a new location Franchisor consents to within sixty (60) days;

(11) makes any unauthorized use of the Marks or Trade Secrets or makes any duplication or disclosure of any Trade Secrets including, but not limited to, any portion of the Brand Standards Manual;

(12) fails to treat and protect the Brand Standards Manual and its contents as confidential, including failure to store the Brand Standards Manual in a secure location, or does not adequately restrict or protect access to the Brand Standards Manual or other information in sections of the Franchisor's website to which access is restricted to franchisees;

(13) fails on three (3) or more separate occasions during the term of this Agreement to pay on a timely basis any fees payable hereunder or otherwise fails to comply with this Agreement or the Brand Standards Manual and the quality standards therein, whether or not such failures to comply are corrected after notice is delivered to Franchisee and whether or not such failures to comply relate to the same or different requirements of this Agreement;

(14) shall at any time have the Franchised Business or its assets or premises seized, taken over or foreclosed by a government official in the exercise of such official's duties, or by a creditor, lien holder or lessor of Franchisee, or a writ or levy of execution shall issue against the franchise granted hereunder or the goods and chattels of Franchisee;

(15) fails, for a period of three (3) days after notification of noncompliance, to comply with any federal, state or local law or regulations applicable to the operation of the Franchised Business, including, without limitation, the Americans with Disabilities Act;

(16) intentionally under-reports its Gross Revenues to Franchisor;

(17) has an undischarged execution of levy on the Franchised Business;

(18) has a judgment against it issued in the amount of more than Five Thousand Dollars (\$5,000.00) that remains unsatisfied (unless an appeal is filed or a supersedeas bond is secured) for a period of more than thirty (30) days;

(19) is subject to a determination by Franchisor, in its sole discretion, that continued operation of the Franchised Business by Franchisee will result in imminent danger to public health or safety;

(20) is designated, or any person described in Section 12B is designated, by the United States government as a Specially Designated National or Blocked Person (as defined below);

(21) has its right to operate under any license or permit suspended, superseded, terminated or interrupted;

(22) engages in fraudulent behavior including, without limitation, insurance or billing fraud; or

(23) fails to submit to Franchisor any reports provided by local licensing authorities within ten (10) days of receipt.

B. WITH NOTICE AND OPPORTUNITY TO CURE

This Agreement shall terminate upon Franchisee's failure to cure any of the following, each of which is deemed to be "good cause":

(1) noncompliance with any requirement in this Agreement not listed in Section 13A above within thirty (30) days after notice thereof is delivered to Franchisee; or

(2) failure to make payments to Franchisor for any amounts due within five (5) days after notice thereof is delivered to Franchisee.

C. NO WAIVER

The description of any default in any notice served upon Franchisee shall in no way preclude Franchisor from specifying additional or supplemental defaults in any action, arbitration, hearing or suit relating to this Agreement or the termination hereof.

D. ENFORCEMENT

Franchisee acknowledges that the decision to enforce or not to enforce compliance with Franchisor's rules and regulations by other franchisees shall not affect Franchisor's right to enforce such rules and regulations against Franchisee, even under similar circumstances.

14. RIGHTS AND OBLIGATIONS UPON TERMINATION OR EXPIRATION

A. PAYMENT OF AMOUNTS OWED TO FRANCHISOR

Franchisee agrees to pay Franchisor immediately after the effective date of termination or expiration of this Agreement, all amounts due to Franchisor and all other amounts owed to Franchisor or its affiliates which are then unpaid.

B. MARKS

After the termination or expiration of this Agreement, Franchisee will do the following and take all other actions required by the Brand Standards Manual:

(1) not directly or indirectly at any time or in any manner identify Franchisee or any business with which Franchisee is affiliated as a current or former franchisee or licensee of Franchisor, or as otherwise associated with Franchisor, or use any Mark, any imitation thereof or other indicia of the Franchised Business in any manner or for any purpose, or utilize for any purpose any trade name, trade or service mark or other commercial symbol that suggests or indicates a connection or association, or former connection or association, with Franchisor;

(2) at Franchisor's option, return or destroy (and if destroyed, Franchisee must set forth with particularity in a writing signed by Franchisee or a principal thereof the items destroyed) all products bearing any Marks;

(3) refrain from engaging in a competing business as provided in Section 12 above;

(4) stop using the Marks and the System and return to Franchisor all copies of the Brand Standards Manual and all other proprietary information, including, without limitation, client lists;

(5) stop all use of all telephone numbers, facsimile numbers, e-mail addresses, home pages, domain and subdomain names, web sites, social media pages and the like that are associated with the Franchised Business and cooperate with

Franchisor in causing all applicable telephone companies and other service providers to reassign such numbers and addresses to Franchisor or its nominee including, without limitation, signing telephone transfer forms upon the execution of this Agreement or upon demand by Franchisor for use by Franchisor upon expiration or termination of this Agreement;

(6) refrain from soliciting clients or personnel of the Franchised Business, and turn over all client information and data to Franchisor;

(7) take such action as may be required to cancel all fictitious or assumed name or equivalent registrations relating to Franchisee's use of any Marks;

(8) assist in the smooth transition of the business to any successor franchisee;

(9) refrain from making any disparaging comments regarding Franchisor;

(10) if Franchisee retains the premises, take such steps as are necessary to change the décor, signage, flooring, fixtures, furniture and equipment and other elements of décor and Trade Dress so that the premises no longer resemble the Franchised Business;

(11) obtain "tail" insurance coverage that meets Franchisor's specifications, which tail coverage shall extend the insurance policies required pursuant to Section 5 hereof for a minimum of four (4) years; and

(12) comply with all further requirements set forth in the Brand Standards Manual.

C. CONTINUING OBLIGATIONS

All obligations of the parties that expressly or by nature survive the expiration or termination of this Agreement, including without limitation, Sections 6, 11, 12, 16, 17F, 17J and 17P shall continue in full force and effect subsequent to and notwithstanding its expiration or termination until they are satisfied in full or by nature expire.

D. OPTION TO PURCHASE

Upon termination or expiration of this Agreement, Franchisor or its nominee shall have the option, exercisable for sixty (60) days following the effective date of termination or expiration, to purchase the assets of the Franchised Business. The purchase price for the assets will be the fair market value as determined by the parties. If the parties are unable to agree upon the fair market value of the assets, they shall jointly select an independent appraiser to do so. Franchisee and Franchisor shall each pay one-half (½) of the cost of appraisal. The fair market value of the assets shall be determined without giving effect to goodwill. Franchisor may deduct any amounts Franchisee owes to Franchisor, any liabilities relating to the assets, and, if Franchisor has not complied with the requirements of this Agreement to upgrade and renovate the Franchised Business,

the amount necessary to upgrade and renovate the Franchised Business to reflect Franchisor's then-current image. The purchase price will be payable fifty percent (50%) at the time of closing and the balance in three (3) equal annual installments of principal plus interest at a rate per annum equal to the prime lending rate charged by Franchisor's bank determined as of the closing date.

15. ASSIGNMENT, TRANSFER AND ENCUMBRANCE

A. BY FRANCHISOR

This Agreement is fully transferable and assignable by Franchisor, in whole or in part, and shall inure to the benefit of any assignee, transferee or other legal successor to its interest herein.

B. BY FRANCHISEE

(1) The rights granted to Franchisee in this Agreement are personal and Franchisee acknowledges that Franchisor is entering into this Agreement in reliance upon and in consideration of the individual character, skill, attitude, business ability and financial capacity of Franchisee or, if Franchisee is a corporation, partnership, limited liability company or other entity, of its principal owners and officers or partners. Accordingly, Franchisee shall not transfer (as defined below) this Agreement or any interest therein without Franchisor's written consent and without offering Franchisor a right of first refusal. Any attempt at a transfer that violates the provisions of this Section shall constitute a material breach of this Agreement and shall convey no right or interest in this Agreement. A transfer by an individual franchisee to an entity that is wholly owned by Franchisee and the sole business of which is the operation of the business contemplated by this Agreement shall not be subject to Franchisor's right of first refusal nor shall Franchisee be required to pay the transfer fee set forth in subsection 15B(3)(f) below; provided that Franchisee notifies Franchisor in advance of the transfer and provides Franchisor with all documents Franchisor deems necessary or advisable including without limitation, an assumption agreement and personal guaranty by Franchisee as an individual. The entity must agree to the Franchise Agreement. Franchisee shall reimburse Franchisor for its expenses in documenting such a transfer.

(2) For purposes hereof, "**transfer**" means any voluntary, involuntary, direct or indirect assignment, sale, division, encumbrance, hypothecation, mortgage, pledge or other transfer by Franchisee, in whole or in part, of any interest in this Agreement, any interest in the Franchised Business or more than twenty-five percent (25%) of the ownership of Franchisee (either by one or by a series of transfers), if Franchisee is a corporation, partnership, limited liability company or other entity. By way of example, "**transfer**" also includes, in the event of Franchisee's death, a transfer to the surviving spouse, heirs, estate or other representative of Franchisee ("**Survivor**").

(3) Franchisor may require fulfillment of any or all of the following conditions precedent to the granting of consent to any transfer:

- (a) there shall be no existing default in the performance of Franchisee's obligations under this Agreement or under any other agreement with Franchisor or any of its affiliates;
- (b) the physical premises of the Franchised Business shall be in complete compliance with Franchisor's then-current standards;
- (c) if required, the lessor of the premises of the Franchised Business has consented to Franchisee's sublease or transfer of the lease or sublease for the premises to the proposed transferee;
- (d) the proposed transferee shall be qualified according to Franchisor's then-current standards for new franchisees, and shall have successfully completed Franchisor's Initial Training Program;
- (e) the proposed transferee shall have executed Franchisor's then-current standard franchise agreement for a term of years equal to the remaining term of this Agreement, the proposed transferee shall have executed all ancillary agreements then required by Franchisor and all holders of an equity interest in the proposed transferee (if an entity) shall have executed Franchisor's then-current form of guaranty;
- (f) Franchisee shall have paid to Franchisor a transfer fee. The transfer fee will be forty percent (40%) of the then-current initial franchise fee if the transferee is an existing franchisee that Franchisor has authorized to develop additional locations. The transfer fee will be eighty percent (80%) of the then-current initial franchise fee if the transferee is not an existing franchisee. Franchisee must pay to Franchisor the transfer fee upon submission of an application to transfer. If Franchisor does not consent to the transfer, Franchisor will return the transfer fee to Franchisee after deducting any expenses Franchisor may have incurred in evaluating the proposed transfer;
- (g) Franchisee (and its principals if Franchisee is a corporation or other entity) shall have executed and delivered a general release in a form acceptable to Franchisor of any and all claims against Franchisor and its affiliates, associates, officers, directors, managers, shareholders, members, employees, agents and representatives;
- (h) any obligations of the transferee to Franchisee shall be subrogated to the transferee's obligations to Franchisor under the franchise agreement it enters into with Franchisor;
- (i) at Franchisor's option, Franchisee must transfer this Agreement together with all other agreements it has entered into with Franchisor and all rights thereunder to the transferee;
- (j) the transferee and its personnel must have all necessary licenses; and

- (k) the transferee is not: (i) a person designated by the U.S. Department of Treasury's Office of Foreign Assets Control from time to time as a "specially designated national or blocked person" or similar status, (ii) a person described in Section 1 of U.S. Executive Order 13224, issued on September 23, 2001, or (iii) a person otherwise identified by government or legal authority as a person with whom Franchisor is prohibited from transacting business ("**Specially Designated National or Blocked Person**") or a person in which a Specially Designated National or Blocked Person has an interest.

(4) Franchisor's consent to any transfer shall not constitute a waiver of any claim that Franchisor may have against Franchisee or its owner(s), or of Franchisor's right to demand strict compliance with this Agreement.

(5) No interest in this Agreement or the franchise shall be the subject of a lien, security interest or pledge either in favor of Franchisee as part of a transfer, or otherwise.

C. RIGHT OF FIRST REFUSAL

Franchisee shall provide Franchisor with complete information on the proposed transferee and terms of the transfer. Within sixty (60) days of receipt of the complete information and documents by Franchisor, Franchisor will inform Franchisee: (1) whether it or its nominee will exercise its right of first refusal; and (2) if not, whether it will consent to the transfer. In the event that Franchisor notifies Franchisee that it or its nominee will exercise its right of first refusal, except as provided below, Franchisor or its nominee will accept the transfer upon the same terms and conditions as set forth in the instruments and documents which embodied the proposed transfer. Franchisor shall not be required, by exercise of its right of first refusal, to perform obligations of the proposed transferee which are merely incidental to the transfer (e.g., employment agreements in favor of individuals, and brokers or finders fees to be paid by the proposed transferee to Franchisee or to any principal of Franchisee). Moreover, Franchisor or its nominee shall have not less than sixty (60) days from the delivery of Franchisor's notice of exercise to consummate the transfer. If Franchisor elects not to exercise its right of first refusal and consents to the proposed transferee, Franchisee may consummate the proposed transfer, but only upon the terms and conditions set forth in the notice submitted to Franchisor.

D. DEATH OR PERMANENT DISABILITY

If Franchisee, or the principal of a Franchisee that is not an individual, dies or is permanently disabled in a manner that prohibits operation of the Franchised Business, the survivor or, in the case of permanent disability, the representative of Franchisee shall, within sixty (60) days of such death or determination of permanent disability, either meet all of the qualifications required of franchisees or shall transfer this Agreement in accordance with the requirements of Section 15.

E. FRANCHISEE'S HYPOTHECATION/MORTGAGE

If the transfer involves the hypothecation or mortgage of the Franchised Business, the form of any loan agreement or mortgage and any related documents shall be subject to Franchisor's prior written consent, which may be conditioned upon delivery of such documents as Franchisor may require including, without limitation, a subordination agreement. Franchisor may require that additional provisions be included in the loan agreement and related documents, including the obligation of the lender or mortgagee to notify Franchisor in writing of any default by Franchisee of any of the terms and conditions of the loan agreement or related documents and to provide to Franchisor, at Franchisor's option, the right to cure any such default within fifteen (15) days after expiration of the period in which Franchisee is required to cure the default, if Franchisee fails to do so. Franchisee shall pay all of Franchisor's expenses in reviewing the form of loan agreement and related documents and the cost of preparing any documents, including attorney's fees, regardless of whether the documents are signed by Franchisee and regardless of whether Franchisor provides its consent to them.

16. INDEMNIFICATION OF FRANCHISOR

Franchisee shall, during the term of this Agreement and after the termination or expiration of this Agreement, protect, defend, indemnify and hold Franchisor, and its affiliates and associates, officers, directors, managers, shareholders, members, employees, agents, representatives and assignees harmless against any and all liability for all claims of every kind or nature arising in any way out of or relating to Franchisee's actions or failure to act, whether personal or in connection with the operation of the Franchised Business, any other actions or failure to act by Franchisee, its agents or representatives or any breach of this Agreement. For purposes of this indemnification, "claims" means and includes all obligations, actual and consequential damages, losses, claims, demands, liens, reckonings, accounts and costs incurred in the defense of any claim (such as, by way of illustration, but not limitation, accountants', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses). Franchisor shall have the right to defend any such claim against it with counsel of its own choosing. Franchisee shall have no right to settle or refuse to settle any claim; Franchisor shall retain all right to do so. In addition, Franchisee agrees to cooperate fully with Franchisor in any such defense and in other claims brought by or against Franchisor.

17. MISCELLANEOUS

A. FORCE MAJEURE

In the event of a natural disaster such as an earthquake, flood, hurricane or fire or a strike, lockout or labor controversy or the happening of any extraordinary event beyond the control of one of the parties which results in the inability of that party to operate or to provide the services contemplated by this Agreement, the obligation on the part of that party to operate or to provide such services shall be postponed during the period when such party is unable to do so; provided, however, that this provision shall not affect a

party's obligation to make payments required by this Agreement; and provided, further, that in no event shall such postponement last longer than six (6) months.

B. GRAMMAR

The masculine of any pronoun will include the feminine and the neuter thereof, and the singular of any noun or pronoun shall include the plural, or vice versa, wherever the context requires.

C. INTERPRETATION

References in the Agreement to actions, rights, decisions or options to be exercised in Franchisor's discretion shall mean the sole, absolute and unfettered discretion of Franchisor. When calculating the date upon which or the time within which any act is to be done, the date which is the reference date in calculating such period shall be excluded. If the last day of such period is not a business day, the period in question shall end on the next business day. The terms of this Agreement shall not be interpreted or construed in favor of or against any party on the ground that one party was the draftsman hereof.

D. SECTION HEADINGS

Section headings are for convenience of reference only and should not be construed as part of this Agreement nor should they limit or define the meaning of any provision herein.

E. NONWAIVER

No failure by either party to take action on account of any default of the other party, whether in a single instance or repeatedly, and no course of dealing of the parties in variance with the terms hereof constitutes a waiver of any such default or of the performance required of either party by this Agreement. No express waiver by either party of any provision or performance hereunder or of any default by the other party constitutes a waiver of any other or future provision, performance or default. No waiver or extension of time shall be effective unless expressly contained in a writing signed by the waiving party. The parties may in their sole respective discretion elect from time to time to waive obligations of one another under this Agreement upon such terms and conditions as they may, in their sole respective discretion, set forth in such written waiver.

F. NO EXEMPLARY DAMAGES

Neither party to this Agreement shall assert against the other party any claim for special, exemplary or punitive damages arising out of the Franchisor-Franchisee relationship, the formation or performance of this Agreement, any breach of this Agreement, or the operation of the Franchised Business.

G. INVALIDITY AND SEVERABILITY

If any provision or portion of a provision of this Agreement is determined to be invalid or unenforceable, either in its entirety or by virtue of its scope or application to given circumstances, such provision or portion thereof shall be deemed modified to the extent necessary to render the same valid, or as not applicable to the given circumstances, or to be excised from this Agreement, as the situation may require, and this Agreement shall be construed and enforced as if such provision or portion thereof had been included herein as so modified in scope or application, or had not been included herein, as the case may be, it being the stated intention of the parties that had they known of such invalidity or unenforceability at the time of entering into this Agreement, they would have nevertheless contracted upon the terms contained herein, either excluding such provisions, or portions thereof, or including such provisions or portions thereof only to the maximum scope and application permitted by law, as the case may be. In the event such total or partial invalidity or unenforceability of any provision or portion thereof of this Agreement exists only with respect to the laws of a particular jurisdiction, this Section will operate upon such provision or portion thereof only to the extent that the laws of such jurisdiction are applicable.

H. NOTICES

Any notice or demand given or made pursuant to the terms of this Agreement will be made in writing and delivered by personal service, e-mail, overnight delivery, or first class, registered or certified mail (postage prepaid) to such address as may be designated from time to time by the relevant party, and which will initially be as set forth as follows:

If given to Franchisor:

PickUp USA Franchise Company, LLC
556 S. Fair Oaks Ave. #101-455
Pasadena, CA 91105
Telephone: (800) 584-9507
Email:
corporateoffice@pickupusafitness.com

If given to Franchisee:

Telephone: _____
E-mail: _____

Any notice sent by certified mail will be deemed to have been given three (3) days after the date on which it is mailed. All other notices will be deemed given when sent if sent by e-mail or personal delivery, and one (1) business day after being sent by overnight

delivery. No objection may be made to the manner of delivery of any notice actually received in writing by an authorized agent of a party.

I. ENTIRE AGREEMENT; MODIFICATION

This Agreement, any documents executed contemporaneously herewith which expressly reference this Agreement and any documents referred to herein constitute and contain the entire Agreement and understanding of the parties with respect to the subject matter hereof. There are no representations, undertakings, agreements, terms, or conditions not contained or referred to herein; provided, however, that nothing in this Agreement is intended to disclaim the representations made in the Franchise Disclosure Document furnished to Franchisee. This Agreement supersedes and extinguishes any prior written agreement between the parties or any of them relating to the subject matter hereof, provided that it shall not abrogate, impair, release or extinguish any debt, obligation or liability otherwise existing between the parties. This Agreement may not be modified or amended except by a written amendment executed by both parties, except that Franchisor may amend and supplement the Brand Standards Manual.

J. CONTROLLING LAW; DISPUTE RESOLUTION; ATTORNEYS' FEES AND EQUITABLE RELIEF

(1) This Agreement, including all matters relating to the validity, construction, performance, and enforcement thereof, shall be governed by the laws of California without giving effect to its provision regarding choice of laws (except that the law where the Franchised Business is located applies to covenants against competition); provided, however, that the Lanham Act (15 U.S.C. 1051 *et seq.*), shall also apply to the provisions concerning the Marks, and that the Agreement shall be subject to the Federal Arbitration Act.

(2) Except as provided in subsection 17J(5) below, upon the occurrence of any dispute or disagreement between the parties hereto arising out of or in connection with any term or provision of this Agreement, the subject matter hereof, or the interpretation or enforcement hereof, excluding disputes relating to non-curable defaults and quality control defaults, (in each case, a "**Dispute**"), the Dispute shall first be submitted to mediation on an expedited basis in the city in which Franchisor's headquarters is then located, administered by the Judicial Arbitration and Mediation Service ("**JAMS**"), or its successor, in accordance with the JAMS rules and procedures then in effect. Either party may commence mediation by providing to JAMS and the other party a written request for mediation, setting forth the subject of the Dispute and the relief requested, with the expectation that the first mediation session shall occur within thirty (30) days of such written request. The party seeking the mediation must submit the following in addition to any demand or filing required by JAMS: a full and specific description of the claim(s) under this Agreement including, without limitation, an identification of the specific provisions that the other party has breached, documentary evidence of the facts alleged by the complaining party and a declaration under penalty of perjury that all facts stated in the claim and documentation are true and correct and do not fail to state facts known to the complaining party that are material to the

resolution of the Dispute. The parties will cooperate with JAMS and with one another in selecting a neutral mediator from the JAMS panel of neutrals and in scheduling the mediation proceedings. The mediator must be a retired judge or an attorney experienced in commercial transactions. If the parties are unable to select the mediator within ten (10) business days after receipt of the mediation notice by JAMS, then JAMS shall designate the mediator. The parties' covenant that they will (i) participate in the mediation in good faith, (ii) share equally in the costs of the mediator and JAMS administrative costs, and (iii) pay in advance the estimated fees and costs of the mediation, as may be specified in advance by the mediator. All offers, promises, conduct and statements, whether oral or written, made in the course of the mediation by any of the parties, their respective agents, employees, experts and attorneys, and by the mediator and any JAMS employees, are confidential, privileged and inadmissible for any purpose, including without limitation, impeachment, in any reference, arbitration, litigation or other proceeding involving the parties; provided, however, that evidence that is otherwise admissible or discoverable shall not be rendered inadmissible or non-discoverable as a result of its use in the mediation. In the event it is necessary, any party may file a motion in a court of competent jurisdiction to compel the other party to participate in the mediation and the prevailing party shall be awarded its costs and expenses, including reasonable attorney's fees in connection with such motion. If the Dispute is not resolved within ten (10) business days after the first mediation session, either party may (a) give written notice to JAMS and the other party that the mediation is terminated and (b) submit any remaining Disputes to binding arbitration pursuant to subsection 17J(3) below.

(3) If the parties are unable to resolve the Dispute pursuant to subsection 17J(2) above, then the parties may submit the Dispute to final and binding arbitration in, the city in which Franchisor's headquarters is then located, administered by JAMS, or its successor, in accordance with the rules and procedures of JAMS then in effect. Any party may commence the arbitration process by filing a written demand for arbitration with JAMS, with a copy to the other party. The party seeking arbitration must submit the following in addition to any demand or filing required by JAMS: a full and specific description of the claim(s) under this Agreement including without limitation an identification of the specific provisions that the other party has breached, documentary evidence of the facts alleged by the complaining party and a declaration under penalty of perjury that all facts stated in the claim and documentation are true and correct and do not fail to state facts known to the complaining party that are material to the resolution of the Dispute. The parties agree that any and all Disputes that are submitted to arbitration in accordance with this Agreement shall be decided by one (1) neutral arbitrator who is a retired judge or attorney who is experienced in commercial transactions. If the parties are unable to agree on an arbitrator, JAMS shall designate the arbitrator. The parties will cooperate with JAMS and with one another in selecting the arbitrator and in scheduling the arbitration proceedings in accordance with applicable JAMS procedures. Any award issued as a result of such arbitration shall be final and binding and shall be enforceable by any court having jurisdiction over the party against whom enforcement is sought. The parties expressly acknowledge and understand that by entering into this Agreement, they each are waiving their respective rights to have any Dispute between the parties hereto adjudicated by a jury. Despite

any applicable disclosure requirements required by government agencies, the parties confirm that they have a meeting of the minds and intend to enter into a fully binding and enforceable agreement to arbitrate.

(4) The parties recognize that their relationship is unique and that each franchisee is situated differently from all other franchisees, and that no one franchisee can adequately represent the interest of others. Therefore, the parties agree that any arbitration, suit, action or other legal proceeding shall be conducted and resolved on an individual basis only and not on a class-wide, multiple plaintiff, consolidated or similar basis.

(5) The prevailing party in any legal proceeding will be entitled to recover as an element of such party's cost of arbitration, suit or proceeding, and not as damages, reasonable attorney's fees to be fixed by the arbitrator or by the court. Nothing in this Agreement shall be construed as limiting or precluding either party from bringing any action in any court of competent jurisdiction for injunctive or other extraordinary relief, without the necessity of posting a bond (and if bond shall nevertheless be required, the parties agree that the sum of One Hundred Dollars (\$100) shall be sufficient bond), in connection with the Marks, Trade Dress, Proprietary Information or Trade Secrets. The parties shall have the immediate right to seek such injunctive or other extraordinary relief at any time, including without limitation, during the pendency of an arbitration or other proceeding. This covenant shall be independent, severable and enforceable notwithstanding any other rights or remedies which such party may have.

K. RELATIONSHIP OF PARTIES

(1) Nothing herein contained shall be deemed or construed to create the relationship of principal and agent, partnership, joint venture or employment, or a fiduciary relationship, and neither party shall hold itself out as an agent, legal representative, partner, subsidiary, joint venturer, servant or employee of the other party or its affiliate. With respect to all matters pertaining to the operation of the business conducted hereunder, Franchisee is, and shall be, an independent contractor. Neither Franchisor nor Franchisee has the right to bind or obligate the other to any obligations or debts.

(2) It is acknowledged that Franchisee is the independent owner of its business, shall be in full control thereof, and shall conduct such business in accordance with its own judgment and discretion, subject only to the provisions of this Agreement. Franchisee shall conspicuously identify itself as the independent owner of its business and as a franchisee of Franchisor. No party hereto shall be obligated by, or have any liability for, any agreements, representations or warranties made by the other nor shall Franchisor be liable for any damages to any person or property, directly or indirectly, arising out of the operation of Franchisee's business, whether caused by Franchisee's negligent or willful action or failure to act. Neither party shall have liability for any sale, use, excise, income, property or other tax levied upon the business conducted by the other party or in connection with the services performed or business conducted by it or any expenses incurred by it.

(3) Franchisee's employees are under Franchisee's sole control. Franchisor is not the employer or joint employer of Franchisee's employees. Franchisor will not exercise direct or indirect control of Franchisee's employees' working conditions. Franchisor does not share or codetermine the terms and conditions of employment of Franchisee's employees or participate in matters relating to the employment relationship between Franchisee and its employees, such as hiring, promotion, demotion, termination, hours or schedule worked, rate of pay, benefits, work assigned, discipline, response to grievances and complaints or working conditions. Franchisee has sole responsibility and authority for these terms and conditions of employment. Franchisee must notify and communicate clearly with its employees in all dealings, including, without limitation, its written and electronic correspondence, paychecks, and other materials, that Franchisee (and only Franchisee) is their employer and that Franchisor is not their employer.

L. COMPLIANCE WITH LOCAL LAW

If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of, or refusal to renew this Agreement than is required hereunder, the prior notice or other action required by such law or rule shall be substituted for the notice or other requirements hereof. Such modifications to this Agreement shall be effective only in such jurisdiction and shall be enforced as originally made and entered into in all other jurisdictions. Franchisor reserves the right to challenge the applicability of any such law or rule.

M. SPOUSAL CONSENT

Franchisee's spouse or, the spouses of all owners of Franchisee if Franchisee is an entity, shall execute a spousal consent in the form attached hereto as **Exhibit "C"**.

N. ENTITY FRANCHISEES

(1) If Franchisee is a partnership, Franchisee shall deliver to Franchisor a copy of its current partnership agreement prior to the execution of this Agreement. Thereafter, Franchisee shall deliver to Franchisor copies of all restated partnership agreements and any amendments to the partnership agreement marked to indicate changes since the date of the partnership agreement previously delivered to Franchisor. If Franchisee is a corporation, Franchisee shall deliver to Franchisor a copy of its certificate or articles of incorporation, or other charter documents and all amendments thereto, a copy of its current bylaws and a copy of any shareholders agreement and all amendments thereto, prior to the execution of this Agreement. Thereafter, Franchisee shall deliver to Franchisor copies of all subsequent amendments to its certificate or articles of incorporation or other charter documents and its current bylaws, marked to indicate changes since the date of the certificate or articles, bylaws or other charter documents previously delivered to Franchisor. If Franchisee is a limited liability company, Franchisee shall deliver to Franchisor copies of its certificate of formation or articles of organization, its operating agreement and other charter documents, and all amendments thereto. Thereafter, Franchisee shall deliver to Franchisor copies of all

subsequent amendments to its certificate of formation or articles of organization, operating agreement and other charter documents, marked to indicate changes since the date of the articles, agreement or other documents previously delivered to Franchisor.

(2) If Franchisee is a corporation, partnership, limited liability company or other entity, **Exhibit “D”** shall be completed and delivered together with this Agreement. Franchisee shall notify Franchisor in writing within ten (10) days of any change in the information contained in **Exhibit “D”**.

(3) If Franchisee is a corporation or otherwise issues ownership certificates, all securities shall be affixed with the following legend conspicuously on the face of the certificate evidencing the issuance thereof:

“The transfer of the shares/ownership interest represented by this certificate is subject to the terms and conditions of the Franchise Agreement entered into with PickUp USA Franchise Company, LLC dated _____, a copy of which is on file with the Secretary of this corporation/entity.”

O. APPROVALS, CONSENTS AND GUARANTIES

If Franchisee is a corporation, a partnership, a limited liability company or other entity, Franchisor shall not be bound unless all shareholders, general partners or members of Franchisee, as applicable, have read and approved this Agreement and further agree that any restriction applicable to the corporation, partnership, limited liability company or other entity shall also apply to them individually and collectively (including the prohibition on their ability to transfer their interests in Franchisee) and further agree, if Franchisor so requires, to personally, jointly and severally, guarantee the performance of Franchisee under the terms of this Agreement by executing the form of guaranty set forth in **Exhibit “E”** attached hereto.

P. STATUTE OF LIMITATIONS

The parties hereby acknowledge and agree that any suit, action or other proceeding relating to this Agreement must be brought within one (1) year after the occurrence of the act or omission that is the subject of the suit, action or other legal proceeding.

Q. SUCCESSION; THIRD PARTY BENEFICIARY

Franchisor’s right to sublicense Franchisee to use the Marks is pursuant to a Trademark License Agreement with Franchisor’s affiliate, PickUp USA, LLC. In the event Franchisor ceases for any reason to receive the right from its affiliate, PickUp USA, LLC, to license Franchisee to use the Marks, Franchisee agrees that PickUp USA, LLC, shall, at its option, succeed to all of the rights and assume all of the obligations of Franchisor under this Agreement. PickUp USA, LLC is a third party beneficiary of this Agreement. If required by applicable law, Franchisee agrees to enter into a novation agreement with PickUp USA, LLC and Franchisor.

R. REPRESENTATIONS AND WARRANTIES

(1) Franchisee represents and warrants to Franchisor that neither Franchisee (including, without limitation, any and all of its directors and officers), nor any of its affiliates or the funding sources for either is a Specially Designated National or Blocked Person. Neither Franchisee nor any of its affiliates is directly or indirectly owned or controlled by the government of any country that is subject to an embargo by the United States government. Neither Franchisee nor any of its affiliates is acting on behalf of a government of any country that is subject to such an embargo. Franchisee further represents and warrants that it is in compliance with any applicable anti-money laundering law, including, without limitation, the USA Patriot Act.

(2) Franchisee (on behalf of itself and all of the holders of (a) an equity interest in Franchisee, and (b) an equity interest in holders of equity interests in Franchisee) represents and warrants to Franchisor that execution and delivery of this Agreement and the performance of Franchisee's obligations hereunder, does not: (i) conflict with, violate, result in a breach of or constitute a default (or an event which, with notice or passage of time or both, would constitute a default) under, or result in the termination or in a right of termination or cancellation of, any other agreement to which Franchisee or any such holder is party or by which Franchisee or any such holder, or any of their respective assets may be bound; (ii) violate any order, writ, injunction, decree, judgment or ruling of any court or governmental authority; or (iii) violate any applicable law.

(3) Franchisee represents and warrants to Franchisor that neither Franchisor nor any of its representatives has made any of the following representations:

- (a) that Franchisor guarantees, conditionally or unconditionally, or make a written or oral representation (a) that would cause a reasonable person in Franchisee's position to believe that income is assured, (b) that Franchisee will derive income from the Franchised Business, (c) that Franchisee's investment is protected from loss or (d) that Franchisee can earn a profit in excess of its initial payment;
- (b) that Franchisor will refund all or part of the fees paid by Franchisee (including, without limitation, a representation that Franchisor will refund Franchisee's initial payment or return any promissory note upon termination or non-renewal of the Franchised Business) or repurchase any of the products, equipment, supplies, goods or chattels supplied by Franchisor or its affiliate to Franchisee;
- (c) that Franchisee will be provided with retail outlets or accounts, or assistance in establishing retail outlets or accounts, for the sale or distribution of goods or services; or
- (d) that there is a market for the goods or services to be offered, sold or distributed by Franchisee.

(4) Franchisee agrees that it will notify Franchisor in writing immediately upon the occurrence of any event that would render the foregoing representations and warranties of this Section 17R incorrect. Franchisee acknowledges that Franchisor is relying on the representations and warranties set forth above in deciding to grant a franchise to Franchisee.

18. ACKNOWLEDGMENTS

Franchisee acknowledges and represents the following to Franchisor to induce it to enter into this Agreement:

A. FRANCHISEE HAS READ THIS AGREEMENT AND THE FRANCHISE DISCLOSURE DOCUMENT AND ALL OTHER RELATED AGREEMENTS AND DOCUMENTS AND UNDERSTANDS AND ACCEPTS THE TERMS, CONDITIONS, AND COVENANTS CONTAINED IN THIS AGREEMENT AS BEING REASONABLY NECESSARY TO MAINTAIN THE SYSTEM'S HIGH STANDARDS OF QUALITY AND SERVICE AND THE UNIFORMITY OF THOSE HIGH STANDARDS BY ALL FRANCHISEES IN ORDER TO PROTECT AND PRESERVE THE GOODWILL OF THE MARKS. FRANCHISEE ACKNOWLEDGES THAT FRANCHISOR OR ITS REPRESENTATIVES HAVE FULLY AND ADEQUATELY EXPLAINED THE PROVISIONS OF SUCH DOCUMENTS TO THE SATISFACTION OF FRANCHISEE;

B. FRANCHISEE HAS CONDUCTED AN INDEPENDENT INVESTIGATION OF THE BUSINESS CONTEMPLATED BY THIS AGREEMENT. FRANCHISEE RECOGNIZES THAT THE NATURE OF THE BUSINESS MAY EVOLVE AND CHANGE OVER TIME, THAT AN INVESTMENT IN THE BUSINESS INVOLVES BUSINESS RISKS AND THAT THE SUCCESS OF THE VENTURE DEPENDS PRIMARILY UPON FRANCHISEE'S INDIVIDUAL AND INDEPENDENT BUSINESS ABILITY AND EFFORTS. FRANCHISEE UNDERSTANDS THAT THE FRANCHISED BUSINESS IS A RELATIVELY NEW CONCEPT THAT ENTAILS BUSINESS RISKS. FRANCHISEE HAS CONSULTED WITH SUCH PROFESSIONAL ADVISORS OF FRANCHISEE'S CHOOSING AS FRANCHISEE DEEMS NECESSARY, INCLUDING LEGAL COUNSEL, REGARDING ALL ASPECTS OF THE BUSINESS CONTEMPLATED BY THIS AGREEMENT, ALL RELATED AGREEMENTS AND THE BUSINESS RELATIONSHIP CREATED THEREBY, AND TO DETERMINE THAT FRANCHISEE IS FINANCIALLY PREPARED TO ASSUME THE RISKS THAT MAY BE INVOLVED IN SUCH A BUSINESS VENTURE;

C. FRANCHISEE HAS NOT RECEIVED OR RELIED UPON ANY PROMISE, REPRESENTATION, GUARANTY OR WARRANTY, EXPRESSED OR IMPLIED, ABOUT THE POTENTIAL VOLUME, REVENUES, PROFITS, OR SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT;

D. FRANCHISEE IS AWARE OF THE FACT THAT SOME PRESENT OR FUTURE FRANCHISEES MAY OPERATE UNDER DIFFERENT FORMS OF AGREEMENTS, AND CONSEQUENTLY, THAT FRANCHISOR'S OBLIGATIONS AND

RIGHTS WITH RESPECT TO ITS VARIOUS FRANCHISEES MAY DIFFER MATERIALLY;

E. NO REPRESENTATIONS HAVE BEEN MADE OR AUTHORIZED BY FRANCHISOR, OR BY ITS OFFICERS, DIRECTORS, MANAGERS, SHAREHOLDERS, MEMBERS, EMPLOYEES, PERSONNEL, AGENTS OR OTHER REPRESENTATIVES, THAT ARE CONTRARY TO THE STATEMENTS MADE IN THE FRANCHISE DISCLOSURE DOCUMENT HERETOFORE RECEIVED BY FRANCHISEE OR TO THE TERMS CONTAINED IN THIS AGREEMENT, AND FRANCHISEE HAS NOT RELIED UPON ANY OTHER SUCH REPRESENTATIONS;

F. IN ALL OF THEIR DEALINGS WITH FRANCHISEE, THE OFFICERS, DIRECTORS, MANAGERS, SHAREHOLDERS, MEMBERS, EMPLOYEES, PERSONNEL, AGENTS AND REPRESENTATIVES OF FRANCHISOR ACT ONLY IN A REPRESENTATIVE CAPACITY, NOT IN AN INDIVIDUAL CAPACITY, AND THIS AGREEMENT, AND ALL BUSINESS DEALINGS BETWEEN FRANCHISEE AND SUCH INDIVIDUALS AS A RESULT OF THIS AGREEMENT, ARE SOLELY BETWEEN FRANCHISEE AND FRANCHISOR;

G. FRANCHISEE ACKNOWLEDGES THAT IN EACH CASE IN WHICH FRANCHISOR MAY EXERCISE ANY OPTION OR OTHER RIGHT UNDER THIS AGREEMENT OR UNDER ANY AGREEMENT CONTEMPLATED HEREBY, FRANCHISOR MAY DO SO IN ITS SOLE DISCRETION, WITHOUT LIABILITY OR OTHER OBLIGATION. SO AS TO PRESERVE THE FLEXIBILITY TO DEAL WITH PRACTICAL SITUATIONS, FRANCHISOR MAY, IN ITS SOLE DISCRETION, ELECT TO NOT ENFORCE (OR TO SELECTIVELY ENFORCE) ANY PROVISION OF THIS AGREEMENT, OR ANY OTHER AGREEMENT, ANY POLICY OR OTHERWISE, WHETHER WITH RESPECT TO FRANCHISEE OR ANY OTHER FRANCHISEE OR OTHERWISE, AND FRANCHISOR MAY APPLY DIFFERENT POLICIES TO ANY FRANCHISEE, ALL WITHOUT LIABILITY OR OTHER OBLIGATION, AND ANY SUCH ACTS OR OMISSIONS WILL NOT LIMIT OR OTHERWISE AFFECT FRANCHISOR'S RIGHTS, WHETHER TO ENFORCE THIS AGREEMENT STRICTLY OR OTHERWISE; AND

H. THE APPLICATION MADE BY FRANCHISEE IS TRUE AND CORRECT. FRANCHISEE HAS MADE NO INCORRECT STATEMENT IN THE APPLICATION OR FAILED TO MAKE ANY STATEMENT THAT WOULD BE NECESSARY TO MAKE THE STATEMENTS IN THE APPLICATION NOT MISLEADING.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date stated on the first page hereof.

Franchisor:

PICKUP USA FRANCHISE COMPANY, LLC

By: _____

Title: _____

Franchisee:

(Signature)

(Print Name and Title, if applicable)

EXHIBIT A
GEOGRAPHIC AREA

Description (attach map): _____

EXHIBIT B

FORM OF ADDENDUM

THIS ADDENDUM TO FRANCHISE AGREEMENT (“**Addendum**”) is entered into as of this _____, by and between PickUp USA Franchise Company, LLC, a California limited liability company (“**Franchisor**”), and _____, a(n) _____ (“**Franchisee**”).

The following provisions shall amend and be incorporated into the Franchise Agreement, dated as of the ___ day of _____, 20___, between Franchisor and Franchisee (“**Franchise Agreement**”). All capitalized terms not defined in this Addendum shall have the respective meanings set forth in the Franchise Agreement.

1. Section 1(B) of the Franchise Agreement is amended by adding the following:

“The Franchised Business shall be located at _____.
_____ Subject to the other provisions of this Agreement and provided that Franchisee is in full compliance with this Agreement, Franchisor shall not, during the term of this Agreement, open and operate, or franchise a third party to open and operate, a Franchised Business within the territory described in Schedule 1 hereto (“**Territory**”). In the event Franchisor acquires or is acquired by a fitness company (whether by ownership purchase or purchase of assets), Franchisee agrees and acknowledges that there may be other fitness facilities operated by Franchisor or its affiliate or their respective franchisees or licensees in the Territory and that such facilities may be similar to or competitive with Franchisee’s Franchised Business.”

2. The Franchise Agreement is amended by adding Schedule 1 to this Addendum as Schedule 1 to the Franchise Agreement.
3. To the extent not amended herein, all other terms and conditions of the Franchise Agreement shall remain in full force and effect. No reference to the amendments contained herein need be made in any instrument or document at any time referring to the Franchise Agreement and any such reference is deemed to be a reference to the Franchise Agreement as amended by this Addendum.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed this Addendum on the date stated on the first page hereof.

Franchisor:

PICKUP USA FRANCHISE COMPANY, LLC

By: _____

Title: _____

Franchisee:

(Signature)

(Print Name and Title, if applicable)

SCHEDULE 1

TERRITORY

Description (attach map): _____

Note: Boundary lines include only the area within the boundary line and extend only to the middle of the boundary demarcation (for example, only to the middle of a street or highway). Franchisee has no rights under the Franchise Agreement or otherwise with respect to a facility on the other side of the boundary line, street or highway or otherwise, and no matter how close to such boundary a facility may be, regardless of the distance from, impact on, or vicinity of, Franchisee's PickUp USA Fitness club or the number of PickUp USA Fitness clubs, other outlets or otherwise in any area or market.

EXHIBIT C

SPOUSAL CONSENT

The undersigned each being the spouse of a Franchisee (or the spouse of an owner of Franchisee) hereby states

1) That he or she has read and understands the Franchise Agreement and the Franchise Disclosure Document; and

2) That he or she consents to the terms and conditions of the Franchise Agreement, including but not limited to those concerning transfer; and

3) That he or she consents to execution of the Franchise Agreement by Franchisee; and

4) That he or she consents to execution of the Guaranty and Assumption of Franchisee's Obligations.

Dated: _____

Signature: _____

Print Name: _____

EXHIBIT D

INFORMATION REGARDING NON-INDIVIDUAL FRANCHISEES

(1) If Franchisee is a corporation or partnership or other entity, there is set forth below the name, address, title and percentage ownership of each shareholder, partner or member of Franchisee:

NAME	ADDRESS	TITLE	PERCENTAGE OWNERSHIP

(2) If Franchisee is a corporation or limited liability company, there is set forth below the name, address and title of each officer and director or manager of Franchisee:

<u>NAME</u>	<u>ADDRESS</u>	<u>TITLE</u>

(3) The address where Franchisee's records are maintained is:

(4) There is set forth below the name, address and title of each of Franchisee's principal officers or partners who will be devoting his or her full time efforts to the operation of the licensed business.

<u>NAME</u>	<u>ADDRESS</u>	<u>TITLE</u>

DATE: _____

Name and Title of Person Completing Exhibit

Signature

EXHIBIT E

GUARANTY AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement ("**Agreement**") with PickUp USA Franchise Company, LLC ("**Franchisor**") of even date herewith, each of the undersigned hereby personally and unconditionally: (1) guarantees to Franchisor and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that _____ ("**Franchisee**") shall punctually pay and perform each and every undertaking, agreement, and covenant set forth in the Agreement; and (2) agrees to be personally bound by and personally liable for the breach of each and every provision in the Agreement, including but not limited to monetary obligations.

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

Each of the undersigned consents and agrees that: (1) his/her liability under this guaranty shall be joint and several; (2) he/she shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (3) he/she will individually comply with all the provisions and subsections of the Agreement and any renewals and amendments thereto; (4) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; and (5) such liability shall not be diminished, relieved, or otherwise affected by any extension of time, credit, or other indulgence which Franchisor may, from time to time, grant to Franchisee or to any other person, including, without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall, in any way, modify or amend this guaranty which shall be continuing and irrevocable during the term of the Agreement and thereafter.

If any provision of this Guaranty is deemed to be invalid or inoperative, for any reason, that part shall be deemed modified to the extent necessary to make it valid and operative or if it cannot be so modified, then severed, and the remainder of the Guaranty shall continue in full force and effect as if it had been executed and entered into with the invalid portion so modified or eliminated.

This Guaranty will continue in effect as to each of the undersigned until the date that Franchisee fully performs all its obligations under the Agreement, or until one or more of the undersigned fully perform them in Franchisee's stead, or until Franchisor agrees in writing to release such person from his or her obligations hereunder.

Each of the undersigned waives claim for exemplary or punitive damages arising out of this Guaranty, the Franchisor-Franchisee relationship, the performance of the Agreement, any breach of the Agreement, or the development or operation of any PickUp USA Fitness club.

IN WITNESS WHEREOF, each of the undersigned hereto affixed his/her signature effective on the same day and year as the executed Agreement.

GUARANTOR(S)

By: _____ Date: _____

Print Name: _____

By: _____ Date: _____

Print Name: _____

By: _____ Date: _____

Print Name: _____

By: _____ Date: _____

Print Name: _____

By: _____ Date: _____

Print Name: _____

EXHIBIT E

ADDENDUM
TO THE FRANCHISE DISCLOSURE DOCUMENT OF
PICKUP USA FRANCHISE COMPANY, LLC
REQUIRED BY THE STATE OF CALIFORNIA

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

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

Item 3. Neither the franchisor, any person or franchise broker in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling these persons from membership in this association or exchange.

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

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

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

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT www.dfpi.ca.gov.

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

Notwithstanding anything disclosed in this Addendum, the parties have a meeting of the minds and agree upon the terms of the Franchise Agreement.

The provisions of this Addendum only apply if the jurisdictional requirements of the California Franchise Investment Law and the California Franchise Relations Act are met independently without reference to this Addendum and to the extent they are then valid requirements of the statute.

**ADDENDUM
TO THE FRANCHISE DISCLOSURE DOCUMENT OF
PICKUP USA FRANCHISE COMPANY, LLC
REQUIRED BY 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 RESOURCES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.”

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

“Except as may be provided above, the following applies 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 that are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.
- C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a

franchise, antitrust 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 injunction or restrictive order or decree relating to the franchise or under a Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunction 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” section of Item 17(c), titled “Requirements for a franchisee to renew or extend,” and Item 17(m), entitled “Conditions for franchisor approval of transfer”:
- “However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; this proviso intends that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.”
4. The following language replaces the “Summary” section of Item 17(d), titled “**Termination by franchisee**”: “You may terminate the agreement on any grounds available by law.”
5. The following is added to the “Summary” sections of Item 17(v), titled “**Choice of forum**” and Item 17(w), titled “**Choice of law**”:
- “The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or the franchisee by Article 33 of the General Business Law of the State of New York.”
6. Franchise Questionnaires and Acknowledgments – No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person

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

7. Receipts – Any sale made must be in compliance with §683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. §680 et seq.) which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earliest of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

The provisions of this Addendum only apply if the jurisdictional requirements of the New York Franchise Law are met independently without reference to this Addendum and to the extent they are then valid requirements of the statute.

EXHIBIT F

PickUp USA Fitness Brand Standards Manual

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APPENDICES:

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EXHIBIT G

SERVICES AGREEMENT

Fully-Managed

This Services Agreement is entered into by and between the below-signed entity ("you" or "your") and ClubReady, LLC ("ClubReady," "Company," "we," "us," or "our"). By signing below, you agree to the pricing and services described herein, as well as ClubReady's [Terms of Service](#), [Privacy Policy](#) and any other applicable Addenda (collectively, the "Agreement"). ClubReady's rights and obligations are exclusive as of the Effective Date, as listed below.





SUBSCRIBER INFORMATION

Subscriber's Name (provide legal entity name)		Doing Business As (if applicable; tradename)	
Business Address			
Best Contact Name		Best Contact Phone	Best Contact Email



TERM


Initial Term	12 month(s) beginning ____ / ____ / 20____ ("Effective Date") and ending ____ / ____ / 20____ ("End Date").
Renewal Term	At the expiration of the Initial Term, Agreement will automatically renew for another ¹ months unless Subscriber provides written notice of cancellation at least 30 days prior to the End Date, or the expiration of any Renewal Term, as applicable.


SERVICES & FEES

SOFTWARE	Software service includes licensed right to access and use the functions and features of the ClubReady System described below			
	Product	Service	Software Fee (per mo./per location)	Comments
<input checked="" type="checkbox"/>		Member Management Module (2018)	\$ 199	
<input type="checkbox"/>		Class/PT Module (2018)	\$	
<input type="checkbox"/>		Mobile App (2018)	\$	
<input type="checkbox"/>		Lead Management & Business Automation Suite	\$	

PAYMENTS	Fully-Managed Billing			
	Service	Description	Transaction Fees	Comments
ClubReady handles all aspects of payment services, including transaction settlement, processing club's daily draft, account reconciliation, royalties management, remit issuance, financial reporting, automated card re-attempts for declined payments, PCI-compliance tools, chargeback management, and dispute handling. Separate Sub-Merchant Application and Agreement required. ClubReady, LLC is the Payment Facilitator for all Payment Services.				
	POS (Card Present)	Fee on swiped transactions at point-of-sale	2.5 %	
	POS (Card Not Present)	No card; payment information hand-keyed into ClubReady System at point-of-sale	3.0 %	
	On-Line Payments	Fee for payments made on-line	3.0 %	
	Recurring Billing	Fee for all monies drafted and processed through the ClubReady System	3.2 %	
	American Express	Fee add-on for AMEX swiped transactions	.5 %	added to rates above
	Discover	Fee add-on for Discover swiped transactions	%	
	Credit Card Updater	Tool that allows for automatic updates to expired credit card information	\$ 1.19	per update

PERFORMANCE DISPLAY & TRACKING	Product	Service	Mobile Fee (per mo./per location)	Hardware and Installation Costs (one-time fees) <small>* 1-year parts-only warranty on equipment; license and equipment non-transferrable without ClubReady's written consent</small>				
				Item	Unit Cost	Quantity	Total	
<input type="checkbox"/>		Heart Rate System (Base)	\$	<input type="checkbox"/>	Heart Rate System and Power*	\$		\$
<input type="checkbox"/>		Cycle/Row/Treadmill System (HR Syst. Incl.)	\$	<input type="checkbox"/>	Laptop with power board software*	\$		\$
<input type="checkbox"/>	Monthly Add-Ons		\$	<input type="checkbox"/>	Onsite installation and training	\$		\$
Comments								

PAST DUE COMMUNICATION	Past Due Communication (PDC) applicable to active, non-defaulted End User accounts where scheduled invoice payment fails to draft.					
	Company	Key Dates			PDC Fees	
		"Trigger Date"	The number of days that must pass on an open and unpaid End User invoice before GYM HQ starts its PDC service		Days	_____ % of PDC amounts recovered + late fees paid by the End User
	"Default Date"	The number of days that must pass on an open and unpaid End User invoice before End User account is considered closed and in default; GYM HQ stops working the account		Days		

BACK-OFFICE SUPPORT	Back-office services includes premium support in accounting, customer service, payroll processing, HR best practices, operations best practices and guidance and KPI reporting. Separate GYM HQ Agreement required.					
	Company	Back-Office Services				
	<input type="checkbox"/> Accounting	<input type="checkbox"/> Customer Support	<input type="checkbox"/> Payroll Processing	<input type="checkbox"/> HR Best Practices	<input type="checkbox"/> Operations Guidance	<input type="checkbox"/> KPI Reporting

IMPLEMENTATION & TRAINING

A "full implementation" at your location involves technology implementation and training services. Technology implementation may involve site setup with customization for scheduling, sales packages, POS, sales process, reporting and payroll; kiosk set-up for waivers and sign-ups; and/or data-cleanse and conversion from your previous club-management or billing services provider. We also provide an initial training to familiarize your staff with the basic uses and functionalities of the ClubReady System. All initial training services will be provided remotely, via webinar or conference call. Other terms and conditions apply.

Implementation Fee	\$	Charged	Max. Hours	The Implementation Fee will cover implementation and an initial training, on a per location basis, up to the maximum hours limit. Once you have reached the maximum hours limit, you may purchase additional training, either on-site or remote, at ClubReady's standard training rates.
Standard Training Rates	Remote	\$	per hour	
	On-Site	\$	per day	

STANDARD FEES & ADJUSTMENTS

* instance-based fee

Fee Name	Fee Amount				Fee Description
<input checked="" type="checkbox"/> Negative Accrual Fee*	\$	100 per instance of delinquency			Charged each time the balance in your designated account goes negative
<input checked="" type="checkbox"/> Exit File Fee*	\$	350 per data set requested			Charged when we electronically "box up" your data so it can be off-boarded from ClubReady
<input checked="" type="checkbox"/> Expedite Fee* (days notice)	\$	2 days	3 days	4-5 days	Charged if ClubReady doesn't get at least 8 days' advance written notice from you about your desire to off-board data from the ClubReady System or transfer it to another party
		1,500	1,000	500	
<input checked="" type="checkbox"/> Draft-Split Fee*	\$	50 per split			Charged each time you ask ClubReady to send a portion of your remit to a third-party
<input checked="" type="checkbox"/> Advance Deposit Fee*	\$	100 per instance			Charged each time you ask to be paid your remit in advance of the scheduled deposit date
<input checked="" type="checkbox"/> Chargeback Fee*	\$	25	per chargeback		Charged each time we handle a chargeback dispute on your behalf (only for Fully-Managed)
<input checked="" type="checkbox"/> Credit Card Inquiry Fee*	\$	15 per inquiry			Charged each time we are required to provide proof of a transaction to your End User's bank
<input checked="" type="checkbox"/> Return Item Fee*	\$	10	per returned item		Charged to your End User each time an electronic payment made by them is returned, rejected or declined. Return item fee generated as an invoice attached to the End User's account
<input checked="" type="checkbox"/> ACH Service Fee	\$	9.95 per month, per location			Pass-through fee that your bank charges ClubReady in order to accept ACH payments
<input checked="" type="checkbox"/> Remit Statement Fee	\$	9.95 per month, per location			Charged to process and publish the scheduled remits at your location
<input checked="" type="checkbox"/> PCI Fee	\$	19.95 per month, per location			Charged to help pay for Trustwave™, the third-party service that ClubReady provides its subscribers to ensure they are meeting PCI compliance standards
<input checked="" type="checkbox"/> EMV Fee (Pending)	\$	17.95 per month, per location			Charged where you are not using a Europay-Mastercard-Visa (EMV) compliant card reading terminal. EMV-compliant terminals are more commonly known as card chip-reading terminals

ADDITIONAL TERMS & COMMENTS

AGREEMENT & ACCEPTANCE

Subscriber acknowledges that it has read and accepts the Agreement as written and agrees to pay the Fees described above as of the Effective Date. Subscriber further acknowledges and agrees that ClubReady shall be able to collect all Fees directly from any club remit associated with the Subscriber's account, and that such Fees will be itemized in the Subscriber's Remit Report. The individual signing this Services Agreement on behalf of Subscriber acknowledges that he/she has the proper legal authority to act on Subscriber's behalf and bind Subscriber to the Agreement.

AGREED TO BY (SUBSCRIBER)

ACCEPTED BY CLUBREADY, LLC

Print: _____ Date: _____
Title: _____

Print: _____ Date: _____
Title: _____

EXHIBIT H

EXHIBIT H

INFORMATION ON FRANCHISEES

List of Current Franchisees as of December 31, 2023:

Colorado

H Gym, LLC
7969 E. Arapahoe Road
Greenwood Village, CO 80122
(720) 456-7115

Florida

Southern Raye Sports, LLC
8210 Cypress Plaza Drive
Jacksonville, FL 32256
(904) 586-2037

Louisiana

Crown Land Sports Facilities, LLC
2535 E. 70th Street
Shreveport, LA 71105
(318) 670-8348

Maryland

PUBBALL MD, LLC
8855 Orchard Tree Lane
Towson, MD 21286
(410) 832-3666

Missouri

Boyer Sports, LLC
2780 NE McBaine Drive
Lee's Summit, MO 64064
(816) 766-2336

Ohio

A Double, LLC
8100 Tyler Boulevard
Mentor, OH 44060
(440) 902-1162

Pennsylvania

Team Hx4, LLC
650 York Road
Warminster, PA 18974
(215) 907-3197

Texas:

Quaternion Amalgam, LLC
13010 West Willow Place Drive
Houston, TX 77070
(832) 478-5794

Z&E Fitness Company, Inc.
11275 S. Sam Houston Pkwy. W, Suite 300
Houston, TX 77031
(832) 770-9993

Green Hoops, LLC
1108 N. Highway 377
Roanoke, TX 76262
(682) 2237-7224

Dominguez Hoops, LLC
6705 NW Loop 410
San Antonio, TX 78238
(210) 952-5872

Utah

RSM Hoops, LLC
2193 South 1200 West
Woods Cross, UT 84087
(385) 777-2190

List of Franchise Agreements Signed as of December 31, 2023, but Not Yet Operational:

Alabama

Surles Hoops, LLC
Selma, AL
(334) 233-1679

Arizona

Vakeriis, LLC
Sierra Vista, AZ
(520) 508-8788

California

House D. L., LLC
Anaheim, CA
(951) 310-4470

In the Beginning, LLC
Brentwood, CA
(510) 415-4746

Coplen Dream, Inc.
Chino, CA
(562) 505-4035

F.M.F. Sports, LLC
Elk Grove, CA
(916) 821-1888

IQ Baller, LLC
Fresno, CA
(559) 567-4006

GT Hoops, LLC
Modesto, CA
(209) 535-2079

Trench, LLC
Orange County, CA
(626) 609-8998

Dunkzilla, LLC
San Bernardino, CA
(909) 796-1009

Hoops San Diego, Inc.
San Diego County, CA
(619) 756-9120

Triple G. Wellness, Inc.
San Fernando Valley, CA
(818) 455-5779

BBDB, Inc.
Santa Clara, CA
(408) 391-3408

The Arena Athletics, LLC
Tracy, CA
(209) 627-7611

Colorado

AGF Holdings, LLC
Denver, CO
(303) 862-6968

Connecticut

BIG Pickup Basketball, LLC
Ansonia, CT
(203) 668-2499

Florida

PUBBALL FL, LLC
Broward, Miami-Dade or Palm Beach Counties, FL
(703) 905-3308

Scott Athletics Corporation
Coral Springs, FL
(954) 261-3726

Lucky Bill Basketball, LLC
Daytona Beach, FL
(646) 371-0722

Just Hoop, LLC
Hialeah, FL
(786) 205-5697

Ball Out USA, LLC
Orlando, FL
(407) 791-6113

Walcott Enterprises, LLC
Orlando, FL
(407) 549-8453

The Rec Athletics Pensacola, FL
Pensacola, FL
(850) 898-6500

Agustin Hoops, LLC
St. Petersburg, FL
(310) 357-4606

KZ Hoops, LLC
Tampa, FL
(813) 852-1282

Georgia

IRUN Pick & Roll, LLC
Lilburn, GA
(678) 632-0554

Dream Then Build, LLC
Mableton, GA
(201) 241-6270

Altitude Enterprises, LLC
Smyrna, GA
(317) 809-4915

Idaho

Solid Rock Gym, LLC
Boise ID
(208) 546-2972

Iowa

The Chosen One, LLC
Urbandale, IA
(617) 230-5914

Louisiana

CM Hoops, LLC
Waggaman, LA
(504) 915-7529

Massachusetts

LOJACK SPORTS, LLC
Hanover, MA
(617) 335-8872

Birthplace Basketball and Fitness Center, LLC
Springfield, MA
(413) 315-7404

Michigan

Nobles Way, Inc.
Canton, MI
(734) 787-8038

Minnesota

Wings International Sports Group, LLC
Plymouth, MN
(206) 384-9209

Missouri

Triple Threat Athletics MO, LLC
Kansas City, MO
(816) 718-1111

Montana

Lucas Legacy, LLC
Montana City, MT
(406) 422-1985

Nevada

Silva Legacy Asset Management, LLC
Las Vegas, NV
(702) 530-6282

F.I.T., LLC
North Las Vegas, NV
(702) 429-7592

New Hampshire

Fab Five Sports, LLC
Nashua, NH
(603) 365-1648

New Jersey

Amoriello Hoops, LLC
Blackwood, NJ
(856) 842-8271

Jilen, LLC
Parsippany – Troy Hills, NJ
(201) 873-3701

New York

Dynamic Hoops & Fitness, LLC
Bronx, NY
(914) 563-7894

365 Hoops, LLC
Hempstead, NY
(678) 462-7715

North Carolina

PARK Premier Hoops, LLC
Concord, Cabarruss County, NC
(704) 975-1896

MoNi Group, Inc
Harrisburg, NC
(803) 474-3664

Benchwarmer, Inc.
Raleigh-Durham, NC
(919) 522-5807

Ohio

Champions Sports Complex, LLC
Cincinnati, OH
(513) 671-1242

Oklahoma

Britt Properties, LLC
Edmond, OK
(405) 512-8115

Pennsylvania

Overcome Business, LLC
Norristown, PA
(610) 308-7968

Full Court Management, LLC
Reading, PA
(484) 751-3060

South Carolina

Hooper Paradise, LLC
Hilton Head, SC
(703) 855-4635

Tennessee

lb. Fitness, LLC
Knoxville, TN
(423) 967-0350

Mayes Property Management, LLC
Murfreesboro, TN
(615) 663-3481

Texas

Adame Sports Development, LLC
El Paso, TX
(915) 474-3814

3wise Enterprise, LLC
Fort Worth, TX
(724) 208-5715

HBC Endeavors, LLC
Friendswood, TX
(410) 524-0700

South Texas Basketball Lab, LLC
Garden Ridge, TX
(210) 218-1868

The Goodman Salute, LLC
Georgetown, TX
(804) 349-3707

MCKIMP, LLC
Houston, TX
(832) 661-9919

TMTT Investments, LLC
Justin, TX
(972) 207-7983

Kingdom Courts, LLC
Lewisville, TX
(817) 706-7246

Dunkin' Derrick, LLC
New Braunfels, TX
(830) 660-0007

De Leon Hoops 4 Life, LLC
San Antonio, TX
(210) 426-5075

Triple Double Training, LLC
San Marcos, TX
(830) 832-1606

Virginia

Jezzine, LLC
Charlottesville, VA
(434) 242-7729

West Virginia

Team Taylor Gang, LLC
Martinsburg, WV
(301) 213-1719

List of Franchisees who had an Outlet Terminated, Canceled, Not Renewed, or Otherwise Voluntarily or Involuntarily Ceased to do Business under the Franchise Agreement (or who have not communicated with us within 10 weeks of the Disclosure Document Issuance Date)

January 1, 2023 to December 31, 2023

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

Five Out, LLC*
Noblesville, Indiana
(317) 316-5770

Keyser Hoops, LLC*
Madison Heights, Michigan
(328) 629-9360

Ice in My Veins Sports Apparel and Training, LLC*
Rochester, Michigan
(248) 841-1464

Davis James Enterprises, LLC*
Coppell, Texas
(972) 755-9437

*Ceased operating outlet but Franchise Agreement still in effect.

EXHIBIT I



ADDENDUM TO FRANCHISE

☐¹ AGREEMENT

THIS ADDENDUM (“Addendum”) is made and entered into on _____, 20____, by and between _____ (“Franchisor ☐”), located at _____, and _____ (“Franchisee ☐”), located at _____.

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

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

CHANGE OF OWNERSHIP

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

FORCED SALE OF ASSETS

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

¹ While relationships established under license, jobber, dealer and similar agreements are not generally described as “franchise” relationships, if such relationships meet the Federal Trade Commission’s (FTC’s) definition of a franchise (see 16 CFR § 436), they are treated by SBA as franchise relationships for franchise affiliation determinations per 13 CFR § 121.301(f)(5).

COVENANTS

- If the Franchisee owns the real estate where the franchise location is operating, Franchisor has not and will not during the term of the Franchise Agreement record against the real estate any restrictions on the use of the property, including any restrictive covenants, branding covenants or environmental use restrictions. If any such restrictions are currently recorded against the Franchisee's real estate, they must be removed in order for the Franchisee to obtain SBA-assisted financing.

EMPLOYMENT

- Franchisor will not directly control (hire, fire or schedule) Franchisee's employees. For temporary personnel franchises, the temporary employees will be employed by the Franchisee not the Franchisor.

As to the referenced Franchise Agreement, this Addendum automatically terminates when SBA no longer has any interest in any SBA-assisted financing provided to the Franchisee.

Except as amended by this Addendum, the Franchise Agreement remains in full force and effect according to its terms.

Franchisor and Franchisee acknowledge that submission of false information to SBA, or the withholding of material information from SBA, can result in criminal prosecution under 18 U.S.C. 1001 and other provisions, including liability for treble damages under the False Claims Act, 31 U.S.C. §§ 3729 - 3733.

Authorized Representative of FRANCHISOR :

By: _____

Print Name: _____

Title: _____

Authorized Representative of FRANCHISEE :

By: _____

Print Name: _____

Title: _____

Note to Parties: This Addendum only addresses "affiliation" between the Franchisor and Franchisee. Additionally, the applicant Franchisee and the (type of agreement) system must meet all SBA eligibility requirements.

EXHIBIT J

LEASE ADDENDUM

This Addendum is entered into as of _____ by and among _____, a(n) _____ ("**Landlord**"), _____, a(n) _____ ("**Tenant**") and PickUp USA Franchise Company, LLC, a California limited liability company ("**Franchisor**"), with respect to the following:

RECITALS

- A. Landlord and Tenant are entering into a lease of today's date for the operation of a PickUp USA fitness club at _____ ("**Lease**").
- B. Franchisor and Tenant have entered into a Franchise Agreement dated _____ ("**Franchise Agreement**") that requires that certain provisions be included in the Lease.

NOW THEREFORE, in consideration of these premises and of the mutual covenants contained herein, the receipt and sufficiency of which is acknowledged by the parties, the parties agree as follows:

(1) Tenant has the absolute and unconditional right to assign its interest in the Lease to Franchisor or Franchisor's nominee at any time without the consent of Landlord and without rent increase or penalty;

(2) Landlord acknowledges that Tenant shall not assign or transfer the Lease or any of its rights thereunder or grant any sublease thereunder without the prior written consent of Franchisor;

(3) Landlord consents to Tenant's use of such signage and other displays of Franchisor's trademarks as Franchisor may require;

(4) Landlord will notify Franchisor in writing of any default by Tenant of any of the terms and conditions of the Lease and will provide to Franchisor, at Franchisor's option, the right to cure any default under the Lease within fifteen (15) days after expiration of the period in which Tenant is required to cure the default, if Tenant fails to do so;

(5) that no amendment or addition, or other modification or change may be made to the Lease without obtaining the prior written consent of Franchisor;

(6) that upon expiration or termination for any reason of the Franchise Agreement, Tenant's rights under the Lease will, at the option of Franchisor, be transferred and assigned to Franchisor or its nominee without rent increase or penalty immediately upon notice by Franchisor;

(7) Tenant acknowledges that Landlord may rely upon such notice and will not be required to inquire into the due execution of such notice or the accuracy of the statements set forth in such notice;

(8) that such notice will, without further act or formality, operate as an effective assignment of Tenant's rights under the Lease to Franchisor or its nominee without rent increase or penalty, and the assumption by Franchisor or its nominee of the covenants required

to be observed or performed by Tenant under the Lease; provided, however, that Landlord agrees and acknowledges that Franchisor and its nominee, if any, shall not assume, and shall have no obligation to Landlord, with respect to any liabilities arising from or relating to Tenant's actions, failure to act or defaults prior to the assignment of the Lease;

(9) Tenant acknowledges that Landlord will, upon the written request of Franchisor, disclose to Franchisor all reports, information or data in Landlord's possession respecting the premises and the operation of the franchised business, including, without limitation, revenue information;

(10) Landlord acknowledges that the Franchise Agreement contains a right on the part of Franchisor, in the event of expiration or termination of the Franchise Agreement for any reason whatsoever, to enter the premises and to make any alterations to the exterior or interior decor and signage as Franchisor deems necessary to remove its identification with Franchisor's system and, in the event of the exercise by Franchisor of such right, Landlord further acknowledges that such entry by Franchisor shall not constitute an assignment of the Lease nor a subletting of the premises; and

(11) that Franchisor is a third party beneficiary under the Lease.

IN WITNESS WHEREOF, the parties hereto have executed this Addendum on the date stated on the first page hereof.

Landlord:

By: _____

Its: _____

Date: _____

Tenant:

By: _____

Its: _____

Date: _____

**Franchisor: Pickup USA Franchise
Company, LLC**

By: _____

Its: _____

Date: _____

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	Pending
Indiana	May 20, 2024
Michigan	May 16, 2023
New York	February 2, 2023, as amended _____

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

RECEIPT

The Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If PickUp USA Franchise Company, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If PickUp USA Franchise Company, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit A.

The franchisor is PickUp USA Franchise Company, LLC located at 556 S. Fair Oaks Ave #101-455, Pasadena, California 91105. Its telephone number is (800) 584-9507.

Issuance date: April 12, 2024.

Following is information about the franchise seller(s) involved in this transaction:

- Jordan Meinster, 556 S. Fair Oaks Ave #101-455, Pasadena, California 91105; (800) 584-9507.
- Gary Mazakian, 556 S. Fair Oaks Ave., #101-455, Pasadena, California 91105; (800) 584-9507.
- Grace Ronquillo, 556 S. Fair Oaks Ave., #101-455, Pasadena, California 91105; (800) 584-9507.
- Brianna Morales, 556 S. Fair Oaks Ave., #101-455, Pasadena, California 91105; (800) 584-9507.

PickUp USA Franchise Company, LLC authorizes the respective state agencies listed on Exhibit B to receive service of process in the particular state.

I received a Disclosure Document dated April 12, 2024 that included the following Exhibits:

- A. List of State Franchise Administrators
- B. List of Agents for Service of Process
- C. Financial Statements
- D. Franchise Agreement and State-Specific Addenda
- E. State-Specific Addenda to Disclosure Document
- F. Brand Standards Manual Table of Contents
- G. ClubReady Merchant Services Agreement
- H. Information on Franchisees
- I. Form of SBA Addendum to Franchise Agreement
- J. Lease Addendum

Date: _____ Franchisee: _____

Print Name: _____

Individually and as an officer, partner or member of

_____,

a _____,

which has been or will be formed to act as franchisee

Address: _____

Telephone: _____

Complete and keep this copy of the Receipt for your records.

RECEIPT

The Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If PickUp USA Franchise Company, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If PickUp USA Franchise Company, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit A.

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- Grace Ronquillo, 556 S. Fair Oaks Ave., #101-455, Pasadena, California 91105; (800) 584-9507.
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- H. Information on Franchisees
- I. Form of SBA Addendum to Franchise Agreement
- J. Lease Addendum

Date: _____ Franchisee: _____

Print Name: _____

Individually and as an officer, partner or member of

_____,

a _____,

which has been or will be formed to act as franchisee

Address: _____

Telephone: _____

Complete this copy of the Receipt and return it to Jordan Meinster at 556 S. Fair Oaks Ave #101-455, Pasadena, California 91105.