

## FRANCHISE DISCLOSURE DOCUMENT



**PUMP IT UP HOLDINGS, LLC**  
An Arizona limited liability company  
4343 E. Outlier Blvd, Suite 220  
Phoenix, AZ 85008  
(480) 371-1200  
(866) 635-0029  
franchising@fun-brands.com  
www.pumpitupparty.com

The franchisee will operate an entertainment business under the name “**Pump It Up**” that features branded super-sized inflatable equipment and other active and creative games, merchandise, food and related services (“**Pump It Up Business**”).

The total investment necessary to begin operation of a new Pump It Up Business ranges from \$104,200 to \$658,690. This includes \$32,000 that must be paid to us or our affiliates.

This Disclosure Document summarizes certain provisions of your franchise agreement and other information in plain English. Read this Disclosure Document and all accompanying agreements carefully. You must receive 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 Franchise Development, Pump It Up Holdings, LLC at 4343 E. Outlier Blvd, Suite 220, Phoenix, AZ 85008, franchising@fun-brands.com, or (480) 371-1200.

The terms of your contract will govern your franchise relationship. Do not 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](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

**Issuance Date: April 18, 2023**

## How to Use this Franchise Disclosure Document

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

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

## What You Need to Know about Franchising *Generally*

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

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

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

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

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

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

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

### Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchisor 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 risks be highlighted:

1. **Out-of-State Dispute Resolution**. The franchise agreement requires you to resolve disputes with the franchisor by litigation only in Arizona. Out-of-state litigation may force you to accept a less favorable settlement for disputes. It may also cost more to litigate with the franchisor in Arizona than in your own state.
2. **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.
3. **Turnover Rate**. During the last 3 years, a high percentage of franchised outlets (more than (50%)) were terminated, not renewed, re-acquired or ceased operations for other reasons. This franchise could be a higher risk investment than a franchise in a system with a lower turnover rate.

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.

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

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

- (1) A prohibition on the right of a franchisee to join an association of franchisees.
- (2) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (3) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provisions of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (4) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (5) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (6) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state. This language has been included in this Disclosure Document as a condition to registration. The Franchisor and Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement, including all choice of law provisions, are fully enforceable. The Franchisor and the Franchisee intend to fully enforce all of the provisions of the Franchise Agreement and all other documents signed by them, including but not limited to, all venue, choice-of-law provisions and other dispute resolution provisions.
- (7) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
  1. The failure of the proposed franchisee to meet the franchisor's then current reasonable qualifications or standards.
  2. The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

3. The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

4. The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(8) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (3).

(9) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

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

Any questions regarding the notice should be directed to:

State of Michigan  
Consumer Protection Division  
Attention: Franchise  
P.O. Box 30213  
Lansing, Michigan 48909  
Telephone Number: (517) 373-7117

## TABLE OF CONTENTS

ITEM 1	THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES .....	1
ITEM 2	BUSINESS EXPERIENCE.....	4
ITEM 3	LITIGATION .....	5
ITEM 4	BANKRUPTCY .....	6
ITEM 5	INITIAL FEES .....	6
ITEM 6	OTHER FEES.....	7
ITEM 7	ESTIMATED INITIAL INVESTMENT .....	12
ITEM 8	RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES .....	16
ITEM 9	FRANCHISEE’S OBLIGATIONS .....	20
ITEM 10	FINANCING .....	21
ITEM 11	FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING.....	22
ITEM 12	TERRITORY .....	33
ITEM 13	TRADEMARKS.....	35
ITEM 14	PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION .....	37
ITEM 15	OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS .....	38
ITEM 16	RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL .....	38
ITEM 17	RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION.....	39
ITEM 18	PUBLIC FIGURES .....	41
ITEM 19	FINANCIAL PERFORMANCE REPRESENTATIONS .....	41
ITEM 20	OUTLETS AND FRANCHISEE INFORMATION .....	46
ITEM 21	FINANCIAL STATEMENTS.....	51
ITEM 22	CONTRACTS .....	51
ITEM 23	RECEIPTS.....	LAST PAGE

## EXHIBITS

- A. List of State Administrators
- B. List of Agents for Service of Process
- C. Franchise Agreement
- D. Confidentiality Agreement
- E. General Release
- F. Software License Agreement
- G. Financial Statements and Guarantee of Performance
- H. Addenda Required by Certain States
- I. Franchisee Lists
- J. Manuals Table of Contents
- K. Receipts



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

Pump It Up Holdings, LLC is the franchisor. For ease of reference, in this disclosure document, we refer to Pump It Up Holdings, LLC as “PIU,” “we,” “us,” “Franchisor,” or “our.” “You” or “your” refers to the person, persons, corporation, limited liability company, partnership, or similar business entity (“**Entity**”), which is awarded a franchise.

Pump It Up Holdings, LLC does business under the names “Pump It Up Holdings, LLC” and “Pump It Up.” We are an Arizona limited liability company formed on May 12, 2015. Our principal place of business is 4343 E. Outlier Blvd., Suite 220, Phoenix, AZ 85008. We began offering Pump It Up franchises in June 2015.

Our parent company is FB Holdings, LLC. FB Holdings, LLC is owned by TNC FB Holdings, LLC. TNC FB Holdings, LLC is owned by our ultimate parent, Outlier Holdings, LLC. The principal business address for FB Holdings, LLC, TNC FB Holdings, LLC and Outlier Holdings, LLC is 4343 E. Outlier Blvd., Suite 300, Phoenix, AZ 85008.

FB Holdings, LLC owns the Pump It Up System and the Marks, as described below. We have the right, pursuant to a Trademark License Agreement dated July 7, 2008, which was assigned to FB Holdings, LLC on June 5, 2015, to grant franchises using the System and the Marks. We do not offer franchises in any other line of business.

Our predecessor, PIU Holdings, LLC, is a Delaware Limited Liability Company. PIU Holdings, LLC offered Pump It Up franchises from July 2008 until June 2015. On June 5, 2015, PIU Holdings, LLC assigned to us the franchise agreements and all rights to act as the franchisor for Pump It Up Businesses. PIU Holdings LLC does not offer franchises in any line of business, does not offer franchises for Pump It Up Businesses and is no longer operating.

PIU Holdings, LLC’s predecessor, PIU Management LLC (“**PIU Management**”), a Delaware limited liability company, sold Pump It Up franchises from January 2002 to June 2008. On July 2, 2008, PIU Management assigned to PIU Holdings, LLC the franchise agreements and all rights to act as the franchisor for Pump It Up Businesses. PIU Management does not offer franchises in any line of business, does not offer franchises for Pump It Up Businesses and is no longer operating.

As of December 31, 2022, there were 48 franchised Pump It Up Businesses, and no company owned Pump It Up Business in operation.

Our affiliate, BounceU Holdings, LLC (“**BounceU Holdings**”), an Arizona limited liability company formed on May 15, 2015, has offered franchises for the BOUNCEU system since June 2015. BounceU Holdings’ principal place of business is the same as ours. BOUNCEU facilities are retail party service businesses identified by the trade name and service mark “BOUNCEU®” which offer for sale party services featuring interactive games and inflatable play equipment and activities, food, drink and other products and services for consumers. BounceU Holdings’ predecessor BU Holdings, LLC offered BOUNCEU franchises between July 2008 and June 2015.

On July 2, 2008, our predecessor PIU Management acquired the BOUNCEU System from BU Licensing, LLC, an Arizona limited liability company (“**BU Licensing**”) and BU Management, LLC, an Arizona limited liability company (“**BU Management**”). PIU Management subsequently transferred the BOUNCEU franchise agreements to BU Holdings LLC. BU Management sold BOUNCEU franchises from August 2004 to June 2008. Neither BU Licensing nor BU Management operate any BOUNCEU facilities

or engage in any other line of business. As of December 31, 2022, there are no company owned BOUNCEU facilities and 11 franchised BOUNCEU facilities.

Outlier Holdings, LLC is the parent of TNC REI, LLC. TNC REI, LLC is the parent of New REI Holdings, LLC. New REI Holdings, LLC is the parent of Realty Executives Intl. Svcs. LLC. Realty Executives Intl. Svcs. LLC is the franchisor for real estate brokerage franchises under the brand name Realty Executives throughout the United States and internationally. The principal business address of TNC REI, LLC, New REI Holdings, LLC and Realty Executives Intl. Svcs. LLC is 4343 E. Outlier Blvd., Suite 220, Phoenix, AZ 85008.

Outlier Holdings, LLC is the parent of Passport Health Holdings, LLC. Passport Health Holdings LLC is the parent of Passport Health, LLC. Passport Health LLC is the franchisor for Passport Health travel medicine clinics throughout the United States. The principal business address of Passport Health Holdings, LLC and Passport Health LLC is 4343 E. Outlier Blvd., Suite 100W, Phoenix, AZ 85008.

Our agents for service of process are listed in Exhibit B of this disclosure document. We do not engage in any business not described in this Item 1.

## **Pump It Up Businesses**

Pump It Up Businesses are family entertainment businesses that feature super-sized branded inflatable equipment and other active and creative games, merchandise, food, and services. Pump It Up Businesses offer the latest games and rides in our playrooms known as arenas (“**Arenas**”) where children are challenged both mentally and physically in a playful, fun, safe, and clean environment. After the scheduled time in the Arenas, guests are escorted to a party room where they can eat, open presents, celebrate and/or conduct team-building meetings or business, and continue with their event. Pump It Up offers food, beverages, paper goods and branded goodie bags and other party add-ons for each event. In addition to parties, Pump It Up Businesses generate revenue from three other platforms: Open Jump, Camps, and Special Events.

Typically, Pump It Up Businesses are located in retail, light industrial or commercial areas and offer a full complement of branded inflatable equipment, party rooms, merchandise, food and services. Our facilities generally range in size from 9,000 to 11,000 square feet and feature two Arenas and two or three party rooms. In order to accommodate our play equipment, the Arenas should have ceiling heights of at least 18 feet and must meet all local code and use requirements. The play equipment is targeted to guests under the age of 18 with certain height and weight limitations.

PIU has developed (and continues to modify) a unique system for the operation of Pump It Up Businesses (“**System**”). The distinguishing characteristics of the System include, without limitation, our interior and exterior design; our online reservation and invitation systems; special décor elements; layout; furnishings; fixtures; color schemes; display units; graphics and designs; signs; quality and quantity of equipment; and inventory; procedures for operations; proprietary computer software; quality and uniformity of services and products offered; staff and customer recruitment and retention programs; local, regional and national events; procedures for management training and assistance; advertising and promotional programs; and business formats, methods, procedures, designs, layouts, standards, and specifications. In our sole discretion we may change, improve and further develop any element of the System from time to time.

We identify the System by means of the “Pump It Up” name and mark and certain other names, marks, logos, insignias, slogans, emblems, symbols and designs (collectively, “**Marks**”). Every detail of the System is important to you, us and our other franchisees. You must develop, maintain and operate your

Pump It Up Business at the high standards of quality, operations and service established by us for the System (“**System Standards**”). Our System Standards, including mandatory and suggested portions of the System, are set forth in confidential operations manuals (“**Manuals**”) that we loan to you and that may be revised by us to reflect changes to the System and System Standards.

## **The Agreements**

The Franchise Agreement grants you the right to develop and operate one Pump It Up Business (“**Franchised Business**”). For each Franchised Business, you must sign a Pump It Up Franchise Agreement (“**Franchise Agreement**”) (Exhibit C). We may grant you certain rights in a geographic area around the Franchised Business (“**Protected Area**”). Your rights and our rights relating to the Protected Area are explained in Item 12. If you have not identified and we have not approved a site for the Franchised Business (“**Premises**”) when you sign the Franchise Agreement, then you must, within 12 months after we sign the Franchise Agreement (“**Site Approval Period**”), select and receive our approval of the Premises and sign a lease or purchase agreement for the approved Premises with a term of no less than ten years from within a geographic area that we identify in the Franchise Agreement (“**Site Selection Area**”).

Before we will provide any confidential information to you regarding the System, you must sign a Confidentiality Agreement (Exhibit D). We retain the right, in our reasonable discretion, to award or not award a franchise to any prospective franchisee, regardless of the stage of the franchise award process or costs expended by the prospective franchisee.

If you are an Entity, your owners must sign the personal guaranty attached to the Franchise Agreement, agreeing to be personally bound by the provisions of such Franchise Agreement.

## **Market and Competition**

We are part of the children’s recreation, amusement, and entertainment industry. Our principal targeted customers are children under the age of 18. We also are an attractive venue for organizations including after-school programs, day care facilities, and youth sporting groups. We compete with businesses and opportunities within the inflatable or specialized children’s entertainment and amusement industry (including BOUNCEU facilities franchised by our affiliate as described above) such as gymnastics, trampoline facilities and other businesses that have the same target market. We also compete with other non-specialized party offerings including bowling alleys, movie theaters and pizza parlors. Sales from a Pump It Up Business are not seasonal in nature.

## **Industry Specific Regulations**

There may be regulations specific to the operation of a Pump It Up Business in your state that, among other things, require you to maintain a certain ratio between supervisory employees and the number of children on each ride or in the Arena or event room. You will as well be required to comply with all local, state, and federal health and sanitation laws and regulations. Many states now regulate the use of amusement rides, which include inflatable devices. You should consult with your attorney and local, state, and federal government agencies before investing in a franchise to determine all of the legal requirements that you must comply with, and consider their impact on you and the cost of compliance. It is your responsibility to investigate, satisfy, and stay current on all local, state, and federal laws and regulations since they vary from place to place and can change over time.

It is your responsibility to prepare, for our review, a site survey of the proposed Premises and all required construction plans and specifications to suit the Premises and to make sure that the plans and specifications comply with the Americans with Disabilities Act (“**ADA**”) and similar rules governing public

accommodations for persons with disabilities, and other applicable local ordinances, building codes and permit requirements.

You should consult with an attorney, risk management/insurance advisor and/or other business advisor to determine what laws, insurance requirements and other regulations may be applicable to your development and operation of a Pump It Up Business and your hiring of employees at the Pump It Up Business.

## **ITEM 2** **BUSINESS EXPERIENCE**

### **Chairman & Chief Executive Officer: David Tedesco**

Mr. Tedesco has served as our Chairman since May 2015, and our Chief Executive Officer since September 2015. Mr. Tedesco has served as BounceU Holdings' Chairman since May 2015, and its Chief Executive Officer since September 2015. Mr. Tedesco has served as Chairman of the Board of Directors of Passport Health, LLC since December 2010. Mr. Tedesco has served as Chairman of Realty Executives Intl. Svcs. LLC since April 2014, and as its Chief Executive Officer since December 2016. In October 2018, Mr. Tedesco established our ultimate parent, Outlier Holdings, LLC, which owns and operates businesses in different industries, and has been the Founder, Managing Partner, and Chief Executive Officer of Outlier Holdings, LLC since that time. Prior to founding Outlier, in January 2005 Mr. Tedesco established True North Companies, a Phoenix-based company that owned and operated businesses in different industries and served as its Founder, Managing Partner, and Chief Executive Officer.

### **President: Jason Spear**

Mr. Spear, a partner with Outlier, has been our President since September 2017. From September 2016 through September 2017, Mr. Spear led Strategy & Analytics for our parent FB Holdings.

### **Vice President of Operations: Lauren Tebbenhoff**

Ms. Tebbenhoff has served as our Vice President of Operations since February 2019. Ms. Tebbenhoff previously served as our Director of Store Operations from June 2017 to February 2019. From April 2016 through June 2017, Ms. Tebbenhoff was our Director of Training & Program Development. From October 2009 until October 2013, she was a Franchise Business Consultant with our predecessor PIU Management, LLC.

### **Director of Facilities Operations: Bryan Andrews**

Mr. Andrews has served as our Director of Facilities Operations since September 2017. From September 2016 through September 2017, Mr. Andrews was a Corporate Store Strategy Manager. From September 2015 through September 2016, Mr. Andrews was a Franchise Business Consultant for BounceU Holdings, LLC. From February 2011 to June 2015, Mr. Andrews was a Franchise Business Consultant for BU Holdings, LLC.

### **Director of Data Sciences & Marketing: Matt Moder**

Mr. Moder has served as our Director of Data Sciences since April 2017 and Director of Marketing since April 2019. From February 2016 to April 2017, Mr. Moder served as Senior Manager of Data Sciences at Zeta Global, a cloud-based marketing technology company headquartered in New York.

### **Senior Marketing Manager: Aracely Arevalo**

Ms. Arevalo has served as our Senior Marketing Manager since November 2021, and she was our Marketing Manager from May 2019 to November 2021. She served as our Store Operations Manager and Marketing Liaison from March 2018 to May 2019. From May 2017 to March 2018, Ms. Arevalo served as the Marketing Manager for Pump It Up Crystal Lake and Pump It Up Lisle, franchisee-owned locations. From October 2010 through May 2017, Ms. Arevalo was the Store Manager for the franchisee location Pump It Up Crystal Lake.

### **Mission Control and Training Manager: Denialle Shupe**

Ms. Shupe has served as our Mission Control and Training Manager since March 2021. Between September 2020 and February 2021, Ms. Shupe stayed at home to care for her family. From September 2017 to August 2020, Ms. Shupe was a Store Operations Manager for Corporate Stores in Illinois. From May 2010 to September 2017, Ms. Shupe served as the Manager of multiple Pump It Up franchise locations in Illinois. During this time, she served as the General Manager for Pump It Up Schaumburg, Illinois from September 2014 to September 2017.

## **ITEM 3** **LITIGATION**

We were previously a party to the following litigation matters:

### **Pending Matters:**

None.

### **Concluded Matters:**

*Pump It Up Holdings, LLC v. Robert Anderson, RJA, LLC, Nancy Catalano, Barbara Catalano, Fun Enterprises, Inc., Anthony C. Catalano and Anthony M. Catalano (US District Court Middle District of Florida, Orlando Division) 6:19-cv-01252.* Pump It Up Holdings, LLC filed this action on July 9, 2019 against Robert Anderson and RJA, LLC, a former franchisee who was party to a successor franchise agreement dated March 31, 2015. The former franchisee sold its business to defendants Nancy Catalano, Barbara Catalano, Fun Enterprises, Inc., Anthony C. Catalano and Anthony M. Catalano (the “**Catalano Defendants**”). The complaint alleged trademark infringement, trademark dilution, false advertising, breach of contract, tortious interference and unjust enrichment in connection with the sale of the business to the Catalano Defendants and their operation of the business after the sale. Pump It Up Holdings, LLC settled the portion of the lawsuit against Robert Anderson and his entity RJA, LLC on February 28, 2021, with Anderson paying an agreed upon amount to Pump It Up Holdings. On April 9, 2021, the court entered judgment in favor of Pump It Up Holdings, LLC against the Catalano Defendants and further granted permanent injunctive relief in favor of Pump It Up Holdings, LLC against the Catalano Defendants. In the resolution of this lawsuit, Pump It Up Holdings, LLC was not: (a) required to pay any money or other consideration, (b) required to reduce an indebtedness, (c) prevented from enforcing any rights, and (d) required to take any action adverse to its interests.

*Pump It Up Holdings, LLC v. Walter Haller, Michelle Haller and Project 212, LLC (Circuit Court of Cook County, Illinois) Case No. 19 L 6397.* Franchisor Pump It Up Holdings, LLC filed a lawsuit on June 10, 2019, against former franchisees Walter Haller, Michelle Haller and their entity Project 212, LLC. The lawsuit alleged that the Hallers breached their franchise agreement by improperly terminating the agreement prior to the end of its term and by using their entity, Project 212, to facilitate the operation of a

competing business at the same location as the Hallers' former franchise. Discovery is ongoing in this case and a trial date has not been set. The parties settled the case with Hallers paying Pump It Up Holdings and agreeing to other contingent obligations connected to a stipulated judgment in a six-figure amount. In the resolution of this case, Pump It Up Holdings, LLC was not: (a) required to pay any money or other consideration, (b) required to reduce an indebtedness, (c) prevented from enforcing any rights, and (d) required to take any action adverse to its interests.

*Pump It Up Holdings, LLC v. Amy Elizabeth Maguire and Kevin Charles Maguire and Morgan Hunter, Ltd.* (Superior Court of Arizona, County of Maricopa) Case No. CV2015-011242. Franchisor Pump It Up Holdings filed a lawsuit on September 21, 2015 against former franchisees Amy Elizabeth Maguire, Kevin Charles Maguire and their entity Morgan Hunter, Ltd. The lawsuit alleged that the Maguires breached their former franchise agreement by operating a competing business and by improperly using Pump It Up's intellectual property and proprietary materials. When the lawsuit settled, the Maguires closed their business and agreed to certain restrictive covenants related to the closure. The Maguires also made scheduled and contingent payment commitments to Pump It Up Holdings totaling a six-figure amount. In the resolution of this lawsuit, Pump It Up Holdings, LLC was not: (a) required to pay any money or other consideration, (b) required to reduce an indebtedness, (c) prevented from enforcing any rights, and (d) required to take any action adverse to its interests.

Other than the three matters identified above, no litigation is required to be disclosed in this Item.

#### **ITEM 4** **BANKRUPTCY**

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

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

##### **Initial Franchise Fee**

You must pay us an Initial Franchise Fee in the amount of \$30,000 no later than the date that you sign the Franchise Agreement. The Initial Franchise Fee offsets the expenses PIU incurs to market to, provide assistance to, research, award, and train franchisees. The Initial Franchise Fee PIU charges new franchisees is generally uniformly applied.

PIU will refund to you fifty percent (50%) of the Initial Franchise Fee you paid to PIU if: (1) after making a good faith effort as determined by us in our reasonable discretion, you: (i) are unable to sign a lease agreement or real estate purchase agreement for a Premises to operate your Pump It Up Franchised Business within one year from the Effective Date of the Franchise Agreement, or (ii) are unable to secure lender financing for the development and operation of your Pump It Up Franchised Business within one year of the Effective Date of the Franchise Agreement; and (2) you provide us with written notice of your request for a refund prior to the one year anniversary of the Franchise Agreement; and (3) you execute a voluntary termination agreement and general release (See Exhibit E) with us.

The Initial Franchise Fee and all other fees are uniform for all similarly situated franchisees. PIU may, however, where PIU believes an adjustment is warranted, waive, reduce or change the amount or the payment date for any fee or amount payable to us. Factors that may warrant an adjustment include, but are not limited to: larger or more experienced prospective franchisees; prospective franchisees with which PIU or our affiliates have had previous experience; prospective franchisees departing other franchise/licensed systems; and prospective franchisees in other unique circumstances. PIU may elect not to negotiate with a

prospective franchisee even if a franchisee possesses some or all of the same characteristics as another franchisee whose agreement was modified.

We reserve the right, on a case-by-case basis, to reduce or waive Initial Franchise Fees including but not limited to modifying or reducing the Initial Franchise Fee for experienced franchisees within the Pump It Up system.

**Preliminary Design Review**

Prior to opening your Franchised Business, you may be required to pay PIU a nonrefundable **Design Review Fee** in the amount of \$2,000 for our review of the preliminary design drawings for your Pump It Up Business. Once you receive our notice of non-objection, you will send your design drawings to your chosen architect of record to prepare the construction drawings. We reserve the right, in our sole discretion and on a case-by-case basis, to reduce or waive this fee.

**Discount for U.S. Military Veterans**

In 2023, PIU is offering a 25% discount on our first location Initial Franchise Fee to any honorably discharged United States military veteran.

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

Type of Fee	Amount	Due Date	Remarks
Royalty <sup>(1), (2), (3)</sup>	6% of Gross Revenues	On or before the 7 <sup>th</sup> day of each month based upon Gross Revenues in the preceding month. We have the right to modify when and how Royalties are due and payable.	The royalty is payable to us by an automatic, electronic debit from your business checking account.
Brand Fund Contribution <sup>(1), (3), (4)</sup>	Currently 2% of Gross Revenues per fiscal period. We may increase your periodic contribution to the Brand Fund to an amount up to 3% of Gross Revenues.	On or before the 7 <sup>th</sup> day of each month. We have the right to modify when and how the Brand Fund Contribution is due and payable.	Your contribution to the Brand Fund is in addition to your own expenditures for Local Store Marketing. The Brand Fund contribution is payable to us by an automatic, electronic debit from your business checking account.
Local Store Marketing <sup>(4), (5)</sup>	The greater of 2% of Gross Revenues or \$12,000.	Annually in accordance with your Marketing Plan.	Your Local Store Marketing is in addition to your contribution to the Brand Fund and any Regional Advertising Co-op. You must begin conducting Local Store Marketing the month after you open for business. See Item 11.

Type of Fee	Amount	Due Date	Remarks
Co-op Contribution	A flat fee or a percentage of Gross Revenues, that when combined with the Brand Fund Contribution and required Local Store Marketing Contribution, will not exceed 6% of Gross Revenues.	On or before the 1st day of each month based on Gross Revenues from the preceding month.	We currently do not have any Regional Co-op Funds, but we reserve the right to establish such Funds. If we establish a Regional Co-op Fund in the Designated Market Area where your Franchised Business is located, you must join the Co-op and make a monthly Co-op Contribution to the Co-op in the amount set by the Co-op. See Item 11 for additional information regarding Regional Co-op Funds.
Additional Ongoing Training <sup>(1)</sup>	Out-of-pocket expenses plus our then standard training fee.	Payable within 10 days of receipt of invoice	We may require you, or your Operating Principal, or your managerial personnel, to attend and satisfactorily complete various in-person and/or virtual training courses that we periodically choose to provide at the times and locations that we designate.
National Franchise Meetings <sup>(1), (3)</sup>	\$250 - \$400 plus travel and living expenses.	Upon Demand	At least one of your franchise owners must attend our National Franchise Meeting, which may be held in-person or virtually, in our sole discretion. In our sole discretion, we may allow managerial personnel to attend in lieu of the franchise owner(s).
Site Evaluation Fee <sup>(1)</sup>	Actual costs of the evaluation, including any travel, food, housing, and other expenses.	Upon Demand	You must pay our travel, living and other expenses for all site evaluations.
Support Fee <sup>(3)</sup>	Currently, we do not charge a Support Fee, but reserve the right to charge one in the future.	Upon Demand	If we charge a Support Fee, we will deduct the fee by an automatic, electronic debit directly from your business checking account. This support fee is for help desk support.



Type of Fee	Amount	Due Date	Remarks
Hardware and Software Upgrade <sup>(5)</sup>	\$100 - \$2000 depending on the type of upgrade.	Due upon receipt of notice from us	At our discretion, you must upgrade your hardware and/or software within 60 days following release by the respective manufacturer or vendor. You must reimburse us for the amount charged to us by the manufacturer or developer.
POpS Program License <sup>(3)</sup>	Currently we do not charge a license fee; however, we reserve the right to do so in the future.	Upon Demand	If we charge you a license fee, we will deduct the fee by an automatic, electronic debit directly from your business checking account.
ASP Hosting Fee <sup>(1)</sup>	Currently we do not charge an ASP Hosting Fee; however, we reserve the right to do so in the future.	Upon demand	If we perform repair services or retain a third-party application service provider to provide some or all of the service and support for your benefit or the benefit of all Pump It Up Businesses, we may deduct the ASP Hosting Fee by an automatic, electronic debit from your business checking account.
Music License and Cable/Satellite Television Fee <sup>(5)</sup>	\$480-\$2,000	Annually	Paid directly to the vendor.
Transfer Fee <sup>(1)</sup>	\$10,000-\$20,000  The fee amount will depend on level of initial training and support that the prospective transferee will require as part of the transfer.	\$3,000 Transfer Deposit payable when we receive notice that you have identified a potential buyer and signed a purchase agreement; balance is due when PIU issues its consent to the transfer	The Transfer Fee is not refundable. If the closing for the transfer does not occur and/or the prospective transferee has not fully completed our training program, we will not refund the Deposit. If during the 12-month period following your initial notice of the transfer, you identify another transferee, then we will apply the Deposit to the Transfer Fee for that transferee.
Relocation Costs <sup>(1)</sup>	\$4,000	Upon demand	If we approve your relocation request, you must reimburse us for the actual costs we incur in connection with consideration of your relocation request.

Type of Fee	Amount	Due Date	Remarks
Successor Term Fee <sup>(1)</sup>	Currently, we do not charge a Successor Term Fee. We reserve the right to charge as a Successor Term Fee 25% of the initial franchise fee then being charged to new franchisees in the future.	No less than 6 months prior to the end of the Term of your Franchise Agreement	If we charge a Successor Term Fee, it is payable with the delivery of notice that you intend to enter into a Successor Franchise Agreement with us.
Late Payment Fee <sup>(1)</sup>	\$65 for each day that any payment is late.	Due on demand	We will debit the Late Payment Fee from your business checking account.
Interest <sup>(1)</sup>	1.5% per month or the highest commercial contract interest rate the law allows, whichever is less.	Upon demand	We will debit interest from your business checking account on all past due amounts as of the original due date.
Interim Period Fee <sup>(1)</sup>	1% of Gross Revenues.	On or before the 7 <sup>th</sup> day after the end of each month based upon Gross Revenues from the preceding month in the same manner and at the same time as you pay your Royalties.	If you do not timely renew your Franchise Agreement but continue to operate your Pump It Up Franchised Business, in addition to other obligations under the Franchise Agreement, you will be obligated to pay us, in addition to the Royalties, an Interim Period Fee equal to 1% of your Gross Revenues.
Audit Costs <sup>(1)</sup>	Actual costs of the examination, including any travel, food, housing, and other expenses.	Upon demand	Payable only if we determine, in our sole discretion, that the audit is necessary due to your failure to furnish reports, supporting records, or other information as required, or to furnish these items on a timely basis, or if our examination reveals a Royalties and/or Brand Fund contribution understatement exceeding 2% of the amount that you actually reported to us for the period examined.
Costs and Attorneys' Fees <sup>(1)</sup>	Our costs and expenses	As incurred	If we prevail in any action seeking enforcement of any terms of any agreement with us, you must pay our attorney fees and costs.

Type of Fee	Amount	Due Date	Remarks
New Product and Supplier Review <sup>(1)</sup>	Actual cost of the inspection	As incurred	Incurred if you request to use a vendor or product not previously used by us, and we elect to investigate such vendor or product and incur costs in investigating the vendor and/or testing the product to confirm compliance with System Standards.
Insurance Costs <sup>(5)</sup>	Actual cost	Upon demand	If you fail to obtain the insurance we specify, we may obtain such insurance for you and you must reimburse us for all premiums, costs and expenses we incur, plus a reasonable fee for our time incurred in obtaining such insurance.
Indemnification <sup>(1)</sup>	Fines, losses, damages, costs and expenses we incur.	Upon Demand	Payable if we incur any losses due to your breach of the Franchise Agreement or any other action or inaction by you or any other person relating to your Franchise.
Reimbursement of Costs and Expenses <sup>(1)</sup>	Costs and expenses we incur in performing obligations you fail to perform, plus interest at the rate noted above in this Item 6.	Upon demand	If you fail to perform certain obligations and we then have the right to perform the obligations, you will reimburse us for all costs and expenses in connection with that performance.
Food Prep Training Fee <sup>(1)</sup>	\$4,500 plus our actual costs	Prior to the opening of your Food Prep Station	If you decide to utilize a food prep station at your Pump It Up Franchised Business, we may require you to complete a Food Prep Training course with Us or our affiliates and to pay a food prep training fee in conjunction with the course.

**NOTES:**

(1) Fees and costs payable to us or our affiliate. All of these fees and costs are non-refundable, and all are charged uniformly to franchisees currently acquiring a franchise. Generally, all fees are

uniformly imposed on our franchisees. In certain unique circumstances, we may defer, reduce or waive a fee for a particular franchisee for a limited period of time.

(2) “**Gross Revenues**” means all revenue that you derive from operating the Franchised Business, including, but not limited to, all services and products sold, all video game machine and vending machine proceeds, and all amounts that you receive at or away from the Premises, and whether from cash, check, credit and debit card, barter, exchange, trade credit, third-party coupon providers or other credit transactions. Gross Revenues excludes all federal, state, or municipal sales, use, or service taxes collected from customers and paid to the appropriate taxing authority and will be reduced by: (i) the amount of any documented refunds, credits, allowances, and charge-backs provided to customers in good faith; and (ii) any documented contributions (up to a maximum amount set by us) you make to an approved not-for-profit organization in conjunction with a PIU approved charitable event.

(3) You must sign any documents we require to authorize us to electronically debit your business checking account or Electronic Depository Transfer Account (“**EDTA**”) automatically for the Royalty, Brand Fund contributions, late fees, interest and any other amounts. Our current form of EDTA documents are attached as Exhibit 3 to the Franchise Agreement. We will debit the EDTA on the dates that payments are due. If you fail to report Gross Revenues of the Franchised Business, we may debit your EDTA for 120% of the highest monthly Royalty and Brand Fund contribution that we previously debited from your EDTA. If we have not previously debited your EDTA for Royalty and Brand Fund contributions, we will determine the amount to debit in our sole discretion based on Royalty and Brand Fund contributions made by other franchisees. Once we determine the amount you actually owe to us, we will debit the EDTA the difference, or we will apply a credit towards your next payment.

(4) This amount is not paid to us but must be spent by you. We have the right to establish a regional advertising association for an area that includes your Protected Area. In that situation, up to 1% of your Gross Revenue, the exact amount to be determined by the advertising association, must be paid by you to that advertising association. See Item 11.

(5) Fees and costs payable to third parties. All of these are non-refundable.

**ITEM 7**  
**ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

<b>Type of Expenditure</b>	<b>Amount</b>	<b>Method of Payment<sup>(1)</sup></b>	<b>When Due</b>	<b>To Whom Payment Is To Be Made</b>
Initial Franchise Fee <sup>(2)</sup>	\$0 - \$30,000	Lump Sum	See Item 5	Us
Real Property <sup>(3)</sup>	\$0- \$21,200	As specified in the lease or sale agreement	As specified in the lease or sale agreement	Third parties
Travel and Living Expenses While Training <sup>(4)</sup>	\$0 - \$2,700	As incurred	During training	Third parties
Leasehold Improvements <sup>(5)</sup>	\$0 - \$350,000	As incurred	When construction contract is executed	Third parties
Preliminary Design Review <sup>(6)</sup>	\$2,000	As incurred	During design phase (Prior to	Us or our affiliates

Type of Expenditure	Amount	Method of Payment <sup>(1)</sup>	When Due	To Whom Payment Is To Be Made
			construction)	
Architect/ Engineer/ Permits and Licenses <sup>(7)</sup>	\$0 - \$10,000	As incurred	During design phase (Prior to construction)	Third parties
Arena Equipment, Rides and Safety Mats <sup>(8)</sup>	\$30,000 - \$49,500	As incurred	When ordered	Designated Suppliers
Start Up Package <sup>(9)</sup>	\$29,000 - \$41,515	As incurred	Within 15 days of executing a lease (or otherwise securing the location for your Franchised Business)	Designated Suppliers and Third parties
Legal/ Professional Fees <sup>(10)</sup>	\$1,750 - \$15,000	As incurred	As incurred	Third parties
Prepaid Rent, Security and other Deposits <sup>(11)</sup>	\$11,000 - \$31,275	Lump sum	When you sign your lease or start up an account with utility company	Third parties
Initial Liability Insurance and Workers' Compensation Deposit <sup>(12)</sup>	\$4,500 - \$15,000	As incurred	Before opening	Third parties
Exterior Signage <sup>(13)</sup>	\$2,700 - \$8,000	As incurred	Prior to Construction	Third parties
Opening Inventory and Supplies not otherwise noted <sup>(14)</sup>	\$2,500 - \$5,000	Lump sum	When ordered	Third parties
Computer System, Phone System, and related equipment <sup>(15)</sup>	\$750 - \$2,500	As incurred	When ordered	Third parties
Additional funds for 3 months <sup>(16)</sup>	\$20,000 - \$75,000	As incurred	As incurred	Third parties
<b>Total<sup>(17)</sup></b>	<b>\$104,200 - \$658,690</b>			

**NOTES:**

(1) **General.** Fees paid to us are not refundable, except for the Initial Franchise Fee, which may be refundable in limited circumstances as described in Item 5. Whether any costs paid to third

parties are refundable is something we do not control, and will vary based on the vendor as well as customer practice in the area where your Franchised Business is located.

(2) **Initial Franchise Fee.** The Initial Franchise Fee, including the limited refundability of the Initial Franchise Fee, for one Franchised Business is \$30,000. PIU may, where PIU believes an adjustment is warranted, waive, reduce or change the amount or the payment date for any fee or amount payable to us. There is no formula for such adjustments and each situation is evaluated on a case-by-case basis. Factors may include, but are not limited to: larger or more experienced prospective franchisees; prospective franchisees with which PIU or our affiliates have had previous experience; prospective franchisees departing other franchise/licensed systems; and prospective franchisees in other unique circumstances. PIU may elect not to negotiate with a prospective franchisee even if a franchisee possesses some or all of the same characteristics as another franchisee whose agreement was modified. The range described in this section reflects the range of initial franchise fees that Franchisor may charge, including Franchisor's right, in its sole discretion, to waive the Initial Franchise Fee in its entirety.

(3) **Real Property.** A Franchised Business will have approximately 9,000 to 11,000 square feet of space to build out two Arenas and two-to-three party rooms. We expect that you will lease the location for the Franchised Business. The estimated initial investment of \$0.00 for real property assumes that you negotiate a period of free rent (or no rent) prior to the date you open your Franchised Business, although you may choose to purchase, or already own, the location. The lease that you sign for your Franchised Business must be for a term of no less than ten years. The lease payment you will make to third-party landlords will vary considerably depending upon the property size, location, and market conditions, however, we estimate that your payment will fall within the range provided in the chart above. Lease agreements may include the following expenses: taxes, insurance, maintenance, fixed rent (with escalations), common area charges, percentage rent, principal and interest on tenant improvement loans, and other charges related to the operation of the Franchised Business.

(4) **Training Expenses.** You must pay all travel and living expenses incurred by you and your employees while attending all training courses and programs. The amount of these expenses will depend on the distance you must travel, mode of transportation, type of accommodations, number of your employees attending training and their wages. The estimated initial investment of \$0.00 for travel and living expenses while training assumes that you are completing your training remotely and will not travel to training.

(5) **Leasehold Improvements.** The Site and building improvements estimate includes estimated expenditures for building permits, interior construction, HVAC, electrical, plumbing, and wall, window, and floor coverings and does not include exterior site improvements (parking, ingress, egress, etc.). Exterior site improvements are not customary and, if required, vary dramatically by location. The low and high estimates include an allowance that some landlords may provide in the amount of 0-100% of the total improvements. For example, if you negotiate a significant tenant finish allowance (or tenant improvement allowance) your estimated initial investment for leasehold improvements could be \$0.00. Your actual costs for tenant finish for the Site will depend in large part on the square footage, initial condition and location of your Site; the Site's prior use; whether your landlord gives you a tenant finish allowance; as well as the overall costs in the market in which you are developing the Site.

(6) **Preliminary Design Review.** Preliminary design drawings of your Pump It Up Business must be reviewed by our design team. The Design Review Fee is \$2,000. Once you have received our notice of non-objection to your design drawings, which you must receive in writing, the design

drawings will be sent by you to your chosen architect of record to prepare the construction drawings. We reserve the right, in our sole discretion and on a case-by-case basis, to reduce or waive this fee.

(7) **Architect; Engineer/Permits and Licenses; Construction Drawings.** Unless we choose to waive the requirement, you must retain an architect licensed in your state to develop construction drawings of your Pump It Up Business. Required stamped drawings include architectural, mechanical, plumbing and electrical plans. In addition, you must obtain structural and fire protection and any other plans as may be required by your state and local agencies. These costs may or may not be incorporated with your general contractor's expenses. You should obtain information from your local, county and state authorities about the required licenses and related types of expenses in your local area. The estimated initial investment of \$0.00 for architect/engineer/permits and licenses assumes that: (a) we have waived the requirement to retain an architect because of your level of experience and sophistication in other similar businesses, (b) we have waived the requirement because the renovations at the premises where your Franchised Business will be located does not require the services of an architect, or (c) the landlord will renovate the premises on your behalf.

(8) **Arena Equipment, Rides and Safety Mats.** You must purchase, finance or lease Arena equipment, rides, attractions, and safety mats only from the PIU Vendors. You may be responsible for the cost of the shipping and handling fees related to these items.

(9) **Start Up Package.** The Start Up Package includes furniture, fixtures, equipment, inventory, marketing materials, graphics package, Point of Sale System (“**POpS System**”) (See Item 11), supplies and certain intangible services including post-lease/pre-opening one-on-one consultation and opening training. If the Premises are larger than our specifications require, you may be required to purchase additional items, and/or furniture for use in the additional area(s) that are not part of our standard Start Up Package. This is an estimate based upon the current costs associated with purchasing the products and services in the Start Up Package. Over time, these costs are likely to increase. If you do not promptly open your Pump It Up Franchised Business, the costs may increase (perhaps dramatically in subsequent years). Because shipping and handling prices are location specific, shipping and handling is not included in the estimated cost of the Start Up Package. You must also pay any applicable state sales taxes on the products that are included in the Start Up Package.

(10) **Legal/Professional Fees.** These figures represent the estimated costs of engaging attorneys or other business professionals to review this disclosure document and the accompanying agreements, assist you in forming an Entity, assist you in obtaining a loan, assist you with the lease for the Premises for your Franchised Business, and to help you obtain required business licenses and permits.

(11) **Prepaid Rent, Security and Other Deposits.** Landlords may require you to pay the first and last months' rent and a security deposit equal to at least one to three months' rent. Utility companies also may require a deposit for all new commercial accounts. The amount of the utility deposit will vary depending upon your utility company and its standard credit practices.

(12) **Insurance.** This is an estimated down payment against your annual premiums to acquire the insurance required under the Franchise Agreement. The estimate is only for commercial general liability, property, business interruption, and workers' compensation insurance. We may, periodically, specify and change the types and amounts of coverage required, including an additional liability insurance umbrella policy. You must provide us with a copy of each insurance policy upon issuance and after each and every renewal. Each insurance policy must name us, our affiliates and our and their respective officers and owners, as we may require in our discretion from time to time, as

additional named insureds and must require 30 days' prior written notice to us before being modified, canceled or terminated and 30 days' prior written notice to us before the policy expires.

(13) **Exterior Signage.** The signage will be governed by the System Standards and any restrictions in your lease (if applicable) and local ordinances.

(14) **Opening Inventory and Supplies.** Includes miscellaneous office supplies, paper supplies (such as napkins, forks, cups, etc.), goodie bags, and janitorial supplies.

(15) **Computer System, Phone System, and Related Equipment.** You must own or lease a computer that is compatible with the POPS System and a business phone or VOIP line with a 24-hour phone navigation system. The low estimate assumes that you already have a computer and related hardware prior to operating as the Franchised Business. The high estimate includes the estimated costs to purchase a minimum of one computer, a telephone system, and a printer/copier/scanner.

(16) **Additional Funds.** This is an estimate of the funds needed to cover business (not personal or living) expenses during the initial period of operation of the Franchised Business. To the extent that operational revenues do not cover these expenses, you will need additional funds to support the operational costs of your business, including other expenses such as rent, leases, payroll, utilities, insurance, taxes, loan payments, advertising, supplies, inventory, and other expenses. You may need additional funds above this estimate and you should consult with your financial advisor to determine the amount of working capital that you should invest.

(17) **Estimates.** We have relied upon the experience of our franchisees in compiling these estimates. You should review these figures carefully with a business advisor before making any decision to purchase a Pump It Up franchise. These estimates do not include the cost of acquiring the existing franchised business from an existing Pump It Up franchisee or buying real property for the Franchised Business. We do not offer financing to you for any part of the initial investment.

## **ITEM 8** **RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

### **System Standards**

We own and control the distinctive plan for the establishment, operation and promotion of the Pump It Up Business and all related licensed methods of doing business, previously referred to as the “**System Standards.**” System Standards may regulate and/or provide suggested specifications, best practices, standards, operating procedures, general guidance, ongoing advice, and consultation to you on any one or more of the following with respect to the Pump It Up Business: franchised site, premises, leasehold improvements, interior finish, interior décor, furnishings, equipment, products, product formulas, supplies, materials, inventory type, technical equipment standards, client relations, marketing techniques, written promotional materials, waivers, advertising, accounting systems, and service delivery methods, all of which constitute our confidential trade secrets. You acknowledge that we have valuable rights in and to such trade secrets. You further acknowledge that you have not acquired any right, title or interest in the System Standards except for the right to use the System Standards in the operation of the Pump It Up Business as it is governed by your Franchise Agreement and that you are obligated to maintain the confidentiality of the System Standards.



We reserve the right to change the System Standards and inform you of any changes in the Manuals accessible to you online via computer systems or another electronic format (like internet, Intranet, websites or email). The Manuals may be modified, updated and revised from time to time to reflect changes in System Standards. You are expected to implement all relevant updates and amendments to the Manuals or System Standards as described in newsletters or any other notices we distribute, including via computer systems. We reserve the right to require the implementation of any System Standards. You must maintain the Manuals as confidential and maintain the information in the Manuals as secret and confidential. Any form of the Manuals we make accessible to you, regardless of how we provide them (e.g. online or via email) will be deemed our Confidential Information. We will notify you in our Manuals or other communications of System Standards and/or names of PIU Vendors.

We reserve the right to require you to implement any System Standards within the time period we identify, whether they involve refurbishing or remodeling the Premises or any aspect of the Franchised Business, buying new operating assets, adding new products or services, or otherwise modifying the nature of your operations.

### **PIU Vendors: Designated Vendors, Preferred National Vendors and Local Vendors**

You are required to purchase all products, equipment, materials, supplies and services for the operation of the Pump It Up Business from us, our affiliates, or from our Designated Vendors, Preferred National Vendors or Local Vendors of your choosing (collectively, the “**PIU Vendors**”). We reserve the right to require you to purchase specific products, equipment, material, supplies and/or services from specific PIU Vendors. As of the date of this Disclosure Document, we and our affiliates are not approved or designated suppliers of any items.

We may develop certain proprietary or branded products, including inflatable devices, hardware, or software programs that will be prepared by or for us according to our proprietary designs (collectively, “**Proprietary Products**”). We also have developed standards and specifications for other products, materials and supplies which are incorporated in or used in providing services or the packaging and delivery of products authorized for sale at Pump It Up Businesses.

If specified for your Franchised Business, you must purchase the Proprietary Products or any other specified fixture, equipment, inventory, marketing materials, or supplies, only from us or a third party designated and licensed by us to prepare and sell such products (“**Designated Vendors**”). From time to time, we may modify the list of PIU Vendors.

We may choose, in our sole discretion, to designate any vendor as a “**Preferred National Vendor**” for meeting certain criteria established by us. We reserve the right to require that you use a Preferred National Vendor for the purchase of specified fixtures, equipment, inventory, marketing materials, or supplies. We may work with these Preferred National Vendors to establish prices, products, shipping costs, contacts, and other agreements as at our discretion.

Dependent on restrictions for purchasing products and services from our Designated Vendors and/or Preferred National Vendors, you may also purchase products, equipment, materials, supplies and services from a vendor in the geographic area near your Premises (a “**Local Vendor**”). All such purchases from any such Local Vendors should be high quality and up to our System Standards. We reserve the right to override your decision to use a Local Vendor selected if we determine, in our sole discretion, that the Local Vendor does not meet the high expectations of the System Standards.

If you propose to purchase any products, equipment, materials, supplies or services (that you are not required to purchase from us, an affiliate of ours or a PIU Vendor), all such products, equipment,

supplies or services must be fully compliant with our System Standards. If such purchases will be from a vendor that we have not previously worked with, we reserve the right to require you or the vendor itself to submit to us a written request for our review of that vendor and its products, equipment, materials, or services to confirm whether such are compliant with our System Standards. We further reserve the right to require our representatives to be permitted to inspect the vendor's facilities and provide us with such information, specifications, and samples as we reasonably designate to be delivered to us and/or to an independent, certified laboratory designated by us for testing prior to your use of such products, equipment or materials in the Franchised Business. We further reserve the right to charge you an amount not to exceed actual cost of the inspection (including the actual cost of any test) for our review and confirmation that such products, equipment, materials, supplies or services comply with our System Standards. We will notify you within 60 days of any such request whether we intend on invoking any of the reserved rights set forth in this paragraph. We further reserve the right, at our option, to re-inspect the facilities, products and/or services of any vendor and to prohibit you, in our discretion, to purchase from any vendor upon that vendor's failure to continue to meet any of the foregoing criteria or to the extent we determine, in our sole discretion, whether that vendor or its products or services fail to comply with our System Standards.

We reserve the right to negotiate purchasing arrangements with Designated Vendors and/or Preferred National Vendors so that, whenever possible, you can take advantage of possible economies of scale offered by being a part of the System. Currently, there are no purchasing or distribution cooperatives. We do not currently receive discounts that are not available to franchisees on the purchase of certain products. We may, from time to time, receive rebates on products, supplies, and equipment that you purchase from some of our Designated Vendors and/or Preferred National Vendors. In 2022, we and our affiliates did not receive any rebates in connection with required purchases or leases by franchisees. We may credit future rebates we receive from our suppliers to the Brand Fund, although we reserve the right to change this policy in the future. (See Item 11)

We and our affiliates, from time to time, may receive payments from vendors (including PIU Vendors) on account of such vendor's dealings with you and other Pump It Up franchisees, and we may use any amounts received without restriction and for any purpose we and our affiliates deem appropriate. We may concentrate purchases with one or more vendors to obtain lower prices and/or the best advertising support and/or services for any group of Pump It Up Businesses or any other group of businesses franchised or operated by us or our affiliates.

Based upon our experience and the experience of our franchisees, we estimate that your purchases or leases from PIU Vendors will represent approximately 19% to 39% of your total purchases in the establishment of your Franchised Business and 12% to 14% of your total purchases in your continuing operation of your Franchised Business.

In the calendar year ending December 31, 2022, we and our affiliates did not derive any revenue from the sale of the Start Up Package, marketing materials, inventory, supplies or other required purchases or leases by franchisees. No franchisor officer owns an interest in any supplier.

We do not provide material benefits to franchisees based on their use of PIU Vendors.

### **Start Up Package**

Prior to opening your Franchised Business, we will provide a list of items used to open your Franchised Business that includes products and services that you must purchase and utilize from our PIU Vendors (our Start Up Package is described in Item 5 and Item 7). The Start Up Package may include proprietary elements, which are described in greater detail in Item 11. We may, from time to time, designate different PIU Vendors to supply all or certain components of the Start Up Package.

## Insurance

Before you commence activities under the Franchise Agreement, and before the Franchised Business opens, you must obtain at your sole expense, and continue to maintain at all times, in full force and effect, certain insurance for liabilities caused by or occurring in connection with the development or operation of the Franchised Business. This insurance coverage must include, at a minimum, insurance policies of the kinds, and in the amounts, required by the Manuals.

The current minimum requirements for insurance policies and coverage include: (1) comprehensive general liability insurance with limits of the greater of (i) \$1,000,000 per occurrence and \$2,000,000 aggregate; and (ii) those amounts required by the state or local government in which your Franchised Business is located; (2) worker's compensation and employer's liability insurance, as well as such other insurance as may be required by statute or rule of the state in which the Franchised Business is located and operated; (3) employment benefits liability coverage; (4) automobile liability insurance, and property damage liability, including owned, non-owned, and hired vehicle coverage, with at least \$1,000,000 combined single limit, and \$2,000,000 general aggregate limit; (5) guaranteed or extended cost replacement property insurance (and contingent liability and building ordinance coverage if you or an entity controlled by you own the building in which the Franchised Business is operated) on building and business personal property including personal property of others; and (6) business interruption insurance adequate for a six month period including the payments to us of our continuing royalty based on the average of your past three operating months. We also recommend that you obtain sexual and physical abuse coverage with limits no less than \$50,000 per occurrence. You should verify with your own risk management advisor whether you should purchase any additional insurance coverage above and beyond the six categories identified above.

All insurance policies must be written by an insurance company that is licensed in the state where you are doing business. All insurance policies must also meet our minimum standards and specifications as provided here in the FDD, in your Franchise Agreement, in the Manuals, or otherwise stated to you in writing. We may from time to time increase the minimum required coverage and/or modify or require different or additional insurance coverage (including an additional umbrella liability insurance policy) at any time to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. We will provide you with written notice of such modifications and you must take prompt action to secure the additional coverage or higher policy limits. All insurance policies must name us and any affiliates we designate as additional named insureds and provide for 30 days' prior written notice to us of a policy's material modification, cancellation or expiration.

Each insurance policy you obtain shall be specifically endorsed to provide that the coverage shall be primary and that any insurance carried by any additional insured shall be excess and non-contributory. At least 10 days prior to commencing construction of the Franchised Business or 3 days before taking ownership of an existing open Pump It Up Franchised Business, and annually thereafter, you must submit to us a copy of all your Certificates of Insurance or other evidence that you are maintaining this insurance coverage and paying premiums. If you obtain claims-made insurance policies, you must obtain tail coverage for at least four years after the end of any policy period in question or as otherwise set forth in your Franchise Agreement, the Manuals, or provided to you in writing. If you fail or refuse to obtain and maintain the insurance we specify, in addition to our other remedies, we may obtain such insurance for you and the Franchised Business, in which event you must cooperate with us and reimburse us for all premiums, costs and expenses we incur in obtaining and maintaining the insurance, plus a reasonable fee for our time incurred in obtaining such insurance.

## Business Telephone Numbers

You must maintain a business telephone line with a 24-hour phone navigation system (“**Phone System**”) that has voice messaging capabilities. We have the right to all passwords, PIN numbers, business telephone numbers, directory listings and customer information upon expiration and termination of the Franchise Agreement. When you sign the Franchise Agreement, you also will sign the Listing Assignment Agreement attached to the Franchise Agreement as Exhibit 6.

## Music and Television

You must have a music license to play music selections and/or broadcast any television shows, movies or other broadcast at your Franchised Business. You must comply with applicable laws for music, video and any other media being displayed at the Franchised Business. We reserve the right to change, add, or require specific music and other entertainment services at your Franchised Business.

## Reservation of Rights to Change the System

In our sole discretion, we may operate and change the System in any manner that is not expressly or specifically prohibited by the Franchise Agreement. Because complete and detailed uniformity under many varying conditions may not be possible or practical, we specifically reserve the right and privilege, in our sole discretion, to vary System Standards for any franchisee or any franchised Pump It Up Business based upon the peculiarities of any condition that we consider important to that franchisee’s or that Pump It Up Business’s operation. From time to time, we may modify System Standards for all franchisees, and these modifications may obligate you to invest additional capital in the Premises and/or incur higher operating costs. We reserve the right to require you to implement any changes in the System Standards within a time period we require, whether they involve refurbishing or remodeling the Premises or any aspect of the Franchised Business, buying new operating assets, adding new products or services, or otherwise modifying the nature of your operations.

## ITEM 9 FRANCHISEE’S OBLIGATIONS

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

Obligation	Section in Franchise Agreement (FA)	Disclosure Document Item
a. Site selection and acquisition/lease	FA: Section 5	Items 11 and 12
b. Pre-opening purchases/leases	FA: Sections 5.B, 6.B-C, 12.C, 12.J	Items 6, 7, 8 and 11
c. Site development and other pre-opening requirements	FA: Section 5	Items 6 and 7
d. Initial and ongoing training	FA: Section 11	Items 5, 6, 7 and 11
e. Opening	FA: Section 6.D	Item 11
f. Fees	FA: Sections 7, 9, Exhibit 1	Items 5, 6 and 7
g. Compliance with System Standards, Policies, Operating Manuals	FA: Sections 10, 12	Items 8, 9, 13, and 16

<b>Obligation</b>	<b>Section in Franchise Agreement (FA)</b>	<b>Disclosure Document Item</b>
h. Trademarks and proprietary information	FA: Section 13	Items 8, 13 and 14
i. Restrictions on products/services offered	FA: Section 12.B	Items 8 and 16
j. Warranty and customer service requirements	FA: Section 12.F	Item 8
k. Territorial development and sales quotas	FA: Section 3, Exhibit 1	Item 12
l. Ongoing product/service purchases	FA: Section 12.B	Item 8
m. Maintenance, appearance, and remodeling requirements	FA: Section 12.E	Item 8
n. Insurance	FA: Section 12.J	Items 6, 7, and 8
o. Advertising	FA: Sections 7, 9	Items 6 and 11
p. Indemnification	FA: Section 23	None
q. Owner's participation/management/staffing	FA: Sections 12.I, 14.D, 14.E	Items 11 and 15
r. Records/reports	FA: Section 8	Item 6
s. Inspections/audits	FA: Sections 8.D, 12.G	Item 6
t. Transfer	FA: Sections 15, 16	Items 6 and 17
u. Renewal	FA: Section 4	Items 6 and 17
v. Post-termination obligations	FA: Section 20	Item 17
w. Non-competition covenants	FA: Section 18	Item 17
x. Dispute resolution	FA: Section 27	Item 17
y. Personal Guaranty	FA: Section 14.C & Exhibit 5	Item 15

**ITEM 10**  
**FINANCING**

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

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

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

**Our Obligations Prior to Opening**

Before you open your Franchised Business, we will:

- (1) Provide our site selection guidelines and criteria (which may include population density and other demographic characteristics, visibility, traffic flow, competition, accessibility, parking, size and other physical and commercial characteristics), and identify sources to obtain demographic information on proposed sites. (Franchise Agreement, Section 5.A.(3))
- (2) Approve or disapprove proposed sites within 30 days after our receipt of your completed site evaluation package (if we do not conduct an on-site evaluation of the proposed site) or within 30 days after our on-site evaluation of a proposed site, if applicable. If we do not approve a proposed site in writing during this time period, we will be deemed to have rejected the site. (Franchise Agreement, Section 5.A.(7))
- (3) Provide to you mandatory and suggested specifications and layouts for a Pump It Up Business, including requirements for dimensions, design, image, interior layout, décor, fixtures, equipment, signs, furnishings, and color scheme. (Franchise Agreement, Section 6.A.(1))
- (4) Review, for our purposes only, design and construction plans and specifications or other plans before you begin constructing the Franchised Business. (Franchise Agreement, Section 6.A.(2))
- (5) Provide you with a list of approved suppliers (the PIU Vendors) and the start-up items that includes products and services that must be purchased and utilized from the PIU Vendors such as furniture, fixtures, equipment, inventory, supplies, marketing materials and signage. (Franchise Agreement, Section 6.A(1) and 6.C)
- (6) Authorize you to open the Franchised Business. (Franchise Agreement, Section 6.D.)
- (7) Allow you access to the Manuals in an electronic format, which contains information and knowledge that is unique, necessary and material to the System, including the brand guidelines. (Franchise Agreement, Section 10). The Manuals consist of articles on topics relevant to the operation of your Pump It Up Franchised Business. A Table of Contents to the Manuals is attached to this Disclosure Document as Exhibit J. There are currently 600 pages in the Manuals.
- (8) Conduct our initial training program for you (or your Operating Principal), and the managerial personnel (the person who is managing the day-to-day operations) of the Franchised Business at our headquarters or another designated location. At our sole discretion, we may provide the initial training program to you via video conference or other online or virtual means. (Franchise Agreement, Section 11.1).
- (9) Provide opening assistance to you at the Franchised Business. This assistance may include up to three days of on-site training for you (or your Operating Principal) and the managerial personnel (the individuals managing the day-to-day operations) of the Franchised Business. We reserve the right to modify this opening assistance in any manner, including reducing or increasing the number of days and/or times of

training. In our sole discretion, this opening assistance may be provided via video conference or other online or virtual means. (Franchise Agreement, Section 11.C.)

### **Our Obligations After Opening**

After you open your Franchised Business, we will:

(1) Collect, administer and spend for advertising and promotional purposes monies paid by franchised and company-owned Pump It Up Businesses into the Brand Fund, while the Brand Fund is in existence. (Franchise Agreement, Section 9.B.)

(2) Provide marketing and promotional (brand) guidelines for local store marketing, and provide samples of advertising, marketing, and promotional formats and materials. (Franchise Agreement, Section 9.C.)

(3) We may change or modify the System, including modifications to the Manuals, the System and the System Standards. Changes to the System and/or System Standards may be communicated to you in conjunction with amendments to the Manuals or through regular, routine or specific communications delivered by us. Our System Standards may regulate (to the extent allowed by law) maximum, minimum and other pricing requirements for the services and products your Pump It Up Business sells. (Franchise Agreement, Sections 10.A and 12.A.)

(4) Provide additional training for you (or your Operating Principal), and your managerial personnel, which may be conducted in person or via virtual means. (Franchise Agreement, Section 11.C.)

(5) Provide ongoing recommendations and consultation to you regarding the operation of the Franchised Business through the Manuals, bulletins or other written materials, electronic media, meetings, seminars, conferences, and telephone or in person conversations at our office or the Franchised Business or another designated location we specify, including via virtual means. (Franchise Agreement, Section 11.F.)

(6) Provide you with a list of PIU Vendors. (Franchise Agreement, Section 12.D.)

(7) Conduct inspections of the Franchised Business as we deem appropriate and necessary. (Franchise Agreement, Section 12.F.)

## **ADVERTISING**

### **The Brand Fund**

Pump It Up Businesses have a distinct culture, and the image of the System and Pump It Up Businesses is an important element of the System. We have established an advertising and marketing fund (“**Brand Fund**”) for the enhancement and protection of the System and the Marks, and for the development of advertising, marketing, and public relations programs and materials as we deem appropriate.

Currently, you must make a monthly contribution to the Brand Fund in an amount equal to 2% of Gross Revenues from the Franchised Business. We may choose to increase this contribution to an amount not to exceed 3% of the Gross Revenues of the Franchised Business. Pump It Up Businesses operated by us and our affiliates also will contribute to the Brand Fund on the same basis as comparable franchisees. From time to time, we or our vendors may deposit into the Brand Fund any rebates or similar allowances paid to us by our vendors, although we have no obligation to do so.

During 2021, Brand Fund income was spent in the following approximate amounts: 34% on Multi-Channel Marketing Execution; 15% on POPS & Systems Development; 24% on Systems Hosting & Licensing; 19% on Marketing Data Analysis, Strategy & Consulting; 5% on Product Development; and 3% on Brand Fund Administration.

We have sole discretion to use the Brand Fund, and the monies in the Brand Fund, for any purpose that we believe will enhance and protect the System and Marks and will improve and increase public recognition and perception of the System and Marks. We will direct (or hire a third party to direct) all programs that the Brand Fund finances, with sole control over the creative concepts, materials, and endorsements used and their geographic, market, and media placement, allocation and coverage (which may be national, regional or local). Our in-house marketing department may prepare or work with advertising agencies to prepare the advertising materials for the Brand Fund.

You may be required to participate in advertising, marketing, social media, promotions, research and public relations programs and national cause marketing partner program events instituted by us or the Brand Fund. Among the programs, concepts, and expenditures for which we may utilize the Brand Fund monies are: (a) creative development and production of print ads, electronic media, commercials, point of purchase materials, direct mail pieces, door hangers, and other advertising and promotional materials; (b) creative development, preparation, production and placement of video, audio, and written materials and electronic media; (c) media placement and buying, including all associated expenses and fees; (d) administering regional and multi-regional marketing and advertising programs; (e) market research and customer satisfaction surveys, including the use of secret shoppers; (f) the development and production of premium items, giveaways, promotions, contests, public relations events, and charitable or nonprofit events; (g) creative development of new program offerings for Pump It Up Businesses; (h) creative development of signage, posters, and individual Pump It Up Business décor items including wall graphics; (i) recognition and awards events and programs; (j) system recognition events, including periodic national and regional conventions and meetings; (k) website, extranet and/or intranet development and maintenance; (l) development, implementation, and maintenance of an electronic commerce website and reservation system and/or related strategies; (m) retention and payment of advertising and promotional agencies and other outside advisors including retainer and management fees; (n) social media platform development and management; (o) public relations and community involvement activities and programs; (p) expenses of the Franchise Advisory Council (defined below) program; and (q) any other purposes deemed beneficial to the Pump It Up System by Us. All advertising and promotional materials developed by the Brand Fund will be made available to you. We will not use the Brand Fund for the direct solicitation of franchisees, however, advertising and promotional materials may state that information regarding owning a Franchise is available through our website or toll-free telephone number.

We will account for the Brand Fund separately from our other funds; however, we are not required to segregate any Brand Fund monies from our other monies. We will not use the Brand Fund monies for any of our general operating expenses. We and our affiliates may be reimbursed by the Brand Fund for administrative expenses directly related to the Brand Fund's marketing programs, including without limitation, conducting market research, preparing advertising and marketing materials, and collecting and accounting for contributions to the Brand Fund. We may use the Brand Fund to pay the administrative costs of the Brand Fund including managing the advertising, marketing, and promotional programs and payment of outside vendors utilized by the Brand Fund, and we may use the Brand Fund to pay the reasonable salaries and benefits of personnel (including our personnel and our affiliates' personnel) who manage and administer the Brand Fund. We may use the Brand Fund to pay for other administrative costs, travel expenses of personnel while they are on Brand Fund business, meeting costs, overhead relating to Brand Fund business, and other expenses that we incur in activities reasonably related to administering or directing the Brand Fund and its programs.



The Brand Fund will not be our asset. Although the Brand Fund is not a trust, we will hold all Brand Fund contributions for the benefit of the System and use contributions only for the purposes described in the Franchise Agreement. We do not have any fiduciary obligation to you for administering the Brand Fund or for any other reason. The Brand Fund may spend in any fiscal year more or less than the total Brand Fund contributions in that year, borrow from us or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. We will use all interest earned on Brand Fund contributions to pay for the administrative costs of the Brand Fund before using the Brand Fund's other assets.

We will prepare an annual, unaudited statement of the Brand Fund's collections and expenses within 90 days after our fiscal year end. The financial statement of the Brand Fund is available for your review upon written request. We may have the Brand Fund audited annually, at the Brand Fund's expense, by an independent certified public accountant. We may incorporate the Brand Fund or operate it through a separate entity whenever we deem appropriate.

We intend to use the Brand Fund to maximize and enhance public, franchisee, and employee recognition of the System and the Marks. Although we may use the Brand Fund, or portions of the monies in the Brand Fund, to create, develop, use and/or place advertising and promotional marketing materials and programs, and we may try to engage in brand enhancement activities that will benefit all Pump It Up Businesses, we cannot and do not ensure that Brand Fund expenditures will be made in or affecting any particular geographic area or Protected Area, or will be proportionate or equivalent to Brand Fund contributions by Pump It Up Businesses operating in that geographic area or Protected Area. We do not guarantee or assure that you, your Franchised Business, or any Pump It Up Business will benefit directly or in proportion to your Brand Fund contribution from the brand enhancement activities of the Brand Fund or the development of advertising and marketing materials or the placement of advertising and marketing.

We may use collection agents and institute legal proceedings to collect overdue or outstanding Brand Fund contributions at the Brand Fund's expense. We also may forgive, waive, settle, and compromise any claims by or against the Brand Fund. We assume no direct or indirect liability or obligation to you for collecting amounts due to the Brand Fund.

At any time, we may defer or reduce contributions of a franchisee to the Brand Fund and, upon 30 days' prior written notice to you, reduce or suspend Brand Fund contributions and operations for one or more periods of any length and terminate (and, if terminated, subsequently reinstate) the Brand Fund. If we terminate the Brand Fund, we will spend all monies in the fund for advertising and/or promotional purposes or distribute all unspent monies to our franchisees, and to us and our affiliates, in proportion to their, and our, respective Brand Fund contributions during the preceding 12-month period.

We reserve the right to have a Franchise Advisory Council ("FAC") consisting of any members of our internal staff and between three and five appointed franchisee members that advise us on advertising matters. The FAC has no operational or decision-making authority and serves only in an advisory capacity. We may dissolve or change the makeup of the FAC at any time.

### **Local Advertising and Promotion**

On an annual basis, you should develop a marketing plan for the Franchised Business and your Protected Area (as defined in Item 12). If you ever need assistance and guidance with marketing, upon your request, we will work with you to create a marketing plan. You should comply with all requirements regarding the marketing plan, including use of appropriate advertising and marketing materials, placement and purchase of advertising and marketing materials and media, participation in and use of approved online and social media networks and tools, and compliance with all recommended promotional recommendations and guidelines. After opening your Franchised Business, in addition to your Brand Fund contribution, you

are expected to spend for advertising and marketing in your market area (“**Local Store Marketing**”) the amount specified by us in your Franchise Agreement, which we may modify from time to time. Currently, for your Local Store Marketing you are expected to spend the greater of 2% of Gross Revenues or \$12,000 annually, in addition to your Brand Fund contribution obligations, and in accordance with your marketing plan. If there are other Pump It Up Businesses in your market area, we may require that you spend a portion of your Local Store Marketing expenditures cooperatively with us and/or other franchisees in your market area.

We have the right to review all documents applicable to the marketing of the Franchised Business. We reserve the right to audit your Franchised Business if we believe, in our sole discretion, that you have not expended an adequate amount of money on Local Store Marketing. If our audit reveals that you are not contributing the requisite amount, you may be required to pay us the costs and expenses we incurred in auditing your Franchised Business. In addition, if you fail to expend the identified annual amount on Local Store Marketing, then you may be required to contribute to the Brand Fund any amounts that you should have expended to reach the local advertising requirement. These amounts are due within 30 days after completion of our audit of your Franchised Business. If we determine, in our sole discretion, that your Local Store Marketing efforts do not adequately or properly promote the Franchised Business and the System as a whole, we reserve the right to either require you to undertake specific marketing initiatives or to undertake such initiatives (as we direct and paid for by you) on your behalf. If we undertake necessary marketing initiatives on your behalf, you must reimburse us for the costs and expenses related to such, including a reasonable fee for our time related to such efforts.

Your Local Store Marketing and promotional materials (which may include advertising materials you create) must follow our guidelines, which may include, among other things, requirements for the use of the Marks and notices of our website’s domain name in the manner we designate. We may specify third parties for you to use for the design and development of your local advertising and promotional materials, and you will be required to pay those third parties for their services without any offset to your required Local Store Marketing expenditures. We may require you to participate in company marketing initiatives including utilization of certain social media platforms (see Social Media below) including but not limited to Facebook, Twitter, Yelp, and Pinterest. Your use (as well as the use of your employees in conjunction with their employment or involving the marks or facilities) of any social media platforms should be consistent with our guidelines for use of social media that we will provide you in the Manuals and in other writing that we may amend from time to time. You may not develop, maintain, or authorize any website or other online presence that mentions or describes us, you or the Franchised Business or displays any of the Marks without our prior express written consent. Your advertising, promotion, and marketing must be completely clear, factual, not misleading, and conform to both the highest standards of ethical advertising and marketing and the advertising and marketing policies that we prescribe from time to time. You may not use direct advertising and marketing to customers located in the Protected Area of another Pump It Up Business franchisee. If you have a Protected Area, you may only use direct advertising and marketing or utilize applicable social media platforms directed at customers located within your Protected Area.

You may purchase local advertising and promotional materials from us or any source that is consistent with System Standards. Periodically, we may provide you with samples of advertising, marketing, and promotional formats and materials at no cost. If you purchase marketing materials from a source other than us or our affiliates, these materials must comply with federal and local laws and regulations and with the guidelines for advertising and promotion that may be promulgated from time to time by us and otherwise be compliant with System Standards. To the extent we learn of any materials that are not compliant with System Standards, we reserve the right to prohibit you from using such materials or language in any advertising and promotion.

## Social Media

We reserve the right to set up any social media accounts for you within 60 days prior to the opening of your Pump It Up Franchised Business. These social media accounts may include Facebook, Twitter, Yelp, Instagram, TikTok and/or Snapchat and are intended to assist in the initial promotion of your Pump It Up business. You must identify us as the primary administrator and provide us with primary administration rights for any social media or digital marketing accounts that you use in conjunction with your Franchised Business. Digital marketing accounts may include Groupon, Living Social, Amazon Local or other similar digital marketing platforms. We will grant you administrator rights to any social media accounts that we set up that are associated with your Pump It Up Franchised Business. It is expected that you will ensure that your employees are aware of our social media policies and comply with such policies, as outlined in the Manuals or otherwise in writing by us.

## Contests and Promotions

We reserve the right to organize and schedule national promotions that we will communicate to you prior to initiating (“**National Promotions**”). National Promotions may include, but are not limited to, charity events, price promotions (limited time deals and offers), and business segment drivers (Open Jump, Open Bounce, Camps, etc.). We further reserve the right to require you to participate in any National Promotions. To the extent so required, participation will require you, at a minimum, to display/utilize related marketing materials at your Pump It Up Franchised Business, to advertise the National Promotions through emails and other medium, and to promote all National Promotions on local website(s) and through social media platforms.

## Regional Co-Op Funds

We may, in our sole discretion, establish a regional advertising cooperative (“**Regional Co-op Fund**”) in any Designated Market Area (“**DMA**”). As of the date of this disclosure document, we do not have any Regional Co-op Funds. If established, the Regional Co-op Fund shall be organized and governed in a form and manner and shall commence operations on a specified date, approved in advance by us in writing. We may, if we so elect, prepare bylaws to be used by the Regional Co-op Fund and may require the Regional Co-op Fund to incorporate. Once a Regional Co-op Fund is established in a DMA in which the Franchised Business is located, you shall automatically become a member of such Regional Co-op Fund upon commencement of operation of the Franchised Business if the Regional Co-op Fund is in existence at that time, or no later than 30 days after the date on which the Regional Co-op Fund commences operation. In no event shall you be required to be a member of more than one Regional Co-op Fund with respect to the Franchised Business. If a Regional Co-op Fund has been established in your DMA, you shall contribute the amount established, from time to time, by the Regional Co-op Fund for its members (“**Co-op Contribution**”). You shall submit your Co-op Contribution to the Regional Co-op Fund monthly, together with such statements or reports as may be required by us (or by the Regional Co-op Fund with our prior written approval). Monies in the Regional Co-op Fund may be spent for the purposes determined by a majority vote of the Regional Co-op Fund. We shall be a member of any Regional Co-op Fund and be entitled to attend and fully participate in Regional Co-op Fund meetings; however, we shall not have a vote unless we or our affiliates operate a Pump It Up Business in the area covered by the Regional Co-op Fund. Pump It Up Businesses operated by us and our affiliates in the area covered by the Regional Co-op Fund also will contribute to the Regional Co-op Fund on the same basis as comparable franchisees.

We have the right to periodically re-allocate and/or increase the amount you contribute to the Brand Fund, any Regional Co-op Fund, and the amount you spend for Local Store Marketing, however, we will not increase your total marketing contributions including required Local Store Marketing expenditures above 6% of your Gross Revenues.

## COMPUTER SYSTEM

### Computer System, Point of Sale System (POpS System)

You must purchase a computer system and all necessary hardware, software, and internet access that meets the minimum requirements laid out by us (“**Computer System**”). The Computer System must be able to efficiently run our web-based scheduling, reservation, and point of sale system (the “**POpS System**”). The POpS System is a fully integrated, store operations system that allows for on-line scheduling, reservations, payment processing and marketing database storage. We estimate the cost of leasing or purchasing the Computer System to be \$750 to \$2,500.

You must maintain at all times, the ability to communicate with us over the internet via a broadband internet connection. You are required to provide us with independent access to the information and data in your POpS System and there are no contractual limits on our access to the data in your POpS System. We reserve the right to require that you, at your expense, install and maintain additional hardware and software upon 30 days’ notice.

We may, but are not obligated to, provide the required maintenance, repairs, upgrades and updates of the POpS System. If we do provide those services, the fees associated with such upgrades, updates, maintenance and repairs may be payable to us. We estimate the cost of ongoing maintenance, repairs, upgrades and updates of the POpS System to be between \$100 and \$2,000 per year.

### Local Network, Internet Communication, and Wireless Internet

You are solely responsible for maintaining a local area network (“**LAN**”) through which business operations will be performed. You must establish high speed internet access and wireless communications that comply with our System Standards. Your LAN must comply with our System Standards and Payment Card Industry (“**PCI**”) network security standards. At the time of publication of this FDD, these standards can be found at <https://www.pcisecuritystandards.org/merchants/>. You must have an understanding of these standards and how they pertain to the day-to-day operations of your business. Listed below are a brief overview of these standards.

You must implement and maintain a PCI compliant LAN for payment processing, reservation system access, sales reporting, and all other general office functions requiring internet access. You will be responsible to ensure that your LAN complies with our System Standards and all current PCI Compliance Standards including but not limited to: (1) purchase and maintenance of routing equipment capable of providing multiple VLAN’s (Virtual Networks) and a firewall to isolate the traffic on each VLAN as directed by PCI Standards; (2) installation and maintenance of network wiring and faceplates to all necessary areas of your building; (3) regular maintenance and testing of routing equipment for PCI security standards. We strongly recommend that you secure additional services through a third-party vendor to ensure that you meet PCI Compliance Standards and complete an annual PCI Self-Assessment Questionnaire. The estimated annual cost of required upgrades and maintenance for the POpS System and Computer System is between \$100 and \$2,000.

Although the minimum requirements of the POpS System are intended to meet PCI compliance regulations, it is your responsibility to assure that the store network also meets PCI compliance rules. You should obtain the services of a third-party company to routinely test and advise you regarding your compliance.

You are required to maintain high speed internet access during normal business hours for regular business use. The internet speed must be sufficient for normal business use. At a minimum, you should

have high speed internet service in your Franchised Business with a minimum speed of 30 MBPS download and 5 MBPS upload.

Wireless internet at your Franchised Business location is permitted for private use and/or for public guest internet access. If you will provide guest access to wireless internet, you should add a designated line, if feasible, to avoid impacting your business operations. If a dedicated guest line is not feasible, you should obtain internet service with a minimum speed of 50 MBPS download and 10 MBPS upload. All guest wireless lines must comply with our System Standards and all PCI Compliance Standards to provide safe, clean internet browsing. All wireless traffic should be firewalled from payment processing traffic using PCI compliant methods listed in the Local Network Section.

We may require that you purchase and/or install modifications and/or additions to any of the systems or programs described within Item 11.

### **SITE SELECTION**

We do not select the site for your Franchised Business. We do not generally own the Premises for your Franchised Business and lease the Premises to you. We will provide you with site location criteria and may provide additional site selection counseling and assistance. If no site has been designated by you at the time you sign the Franchise Agreement, we will identify your Site Selection Area in the Franchise Agreement. During the Site Approval Period (which is the 12-month period following the date that we sign the Franchise Agreement), you must obtain our approval of the site for the Franchised Business and execute a lease, purchase agreement, or other written document allowing you to conduct the Franchised Business at the approved site. If this does not occur during the Site Approval Period or, we, at our option, may terminate the Franchise Agreement. If we terminate the Franchise Agreement due to your failure or other inability to identify an approved site for the Franchised Business within the twelve-month period after executing the Franchise Agreement, you are not entitled to a refund of the Initial Franchise Fee. If we determine, in our sole and reasonable discretion, that you made a good faith effort but you: (a) (i) are unable to sign a lease agreement or real estate purchase agreement acceptable to us for a Premises to operate your Franchised Business, or (ii) are unable to secure lender financing for the development and operation of your Franchised Business within 12 months of the Effective Date of the Franchise Agreement; (b) you provide us with written notice of your request for a refund prior to the one year anniversary of the Franchise Agreement; and (c) you execute a voluntary termination agreement and general release with us (See Exhibit 5 to the Franchise Agreement), then we may choose to refund up to 50% of the Initial Franchise Fee you paid to us.

We have the right to move or modify the Site Selection Area during the Site Approval Period. You should not acquire any interest in a site for your Franchised Business until you have been approved as a franchisee and we have approved the site in writing. The factors we consider in approving sites include, but may not be limited to, location, size, layout, accessibility, tenant mix, location of competitors, population, demographics, parking, and other factors for the market where your Franchised Business will be located.

In order to obtain our approval for the location of your Franchised Business, you must submit to us, in the form that we specify, a completed site evaluation package containing a scalable “As-Built” floor plan copy of the existing site plan, photographs, demographic information, financial information, and such other information and materials as we may reasonably require. You must also provide us with an option contract, letter of intent, or other evidence satisfactory to us which confirms your favorable prospects for obtaining an ownership or leasehold interest in the site you have selected.

Within 30 days after we receive the detailed site evaluation package, we may, but are not obligated to, conduct an on-site evaluation of the proposed site. You must reimburse us for all travel, living and other

expenses we incur in conducting any on-site evaluations of your proposed site. We reserve the right to charge a site evaluation fee for the first on-site evaluation that we conduct for a particular Franchised Business and any additional on-site evaluations with respect to the same Franchised Business, in addition to our travel expenses.

We will use reasonable efforts to approve or disapprove the proposed site within 30 days after your submission of the site evaluation package. If we do not approve the proposed site in writing in this time period, we will be deemed to have rejected the site. Our approval or rejection of a site may be subject to reasonable conditions as we determine in our sole discretion.

The lease agreement for your Franchised Business must be for a term of no less than ten years. If you present a lease agreement to us with a term that is less than ten years, we may reject the site and/or the lease agreement.

Our approval of a site only indicates that we believe that the site meets our then-current site selection criteria. We consider sites on a site-by-site basis, and the site selection criteria that are relevant to a specific site are likely to differ from location to location. The uncertainty and instability of these criteria are beyond our control, and we are not responsible or otherwise liable if a site we approve fails to meet your expectations. You acknowledge and agree that: (1) your submission of a proposed site for our acceptance is based on your own independent investigation of the site's suitability for the Franchised Business; and (2) our site-selection assistance is primarily for our benefit to assure us that we will have a minimally acceptable site upon the expiration or termination of this Agreement.

It is your responsibility to prepare the plans and specifications for the construction of the improvements at the Premises and to conform the proposed Premises to comply with all applicable ordinances, laws, building codes, and permit requirements. You are solely responsible for obtaining all required permits, constructing the improvements at the Premises, and decorating the Premises in conformity with the System Standards (including the installation of all equipment, signs, and fixtures).

### **Time Between Agreement Signing and Opening**

The typical time from signing the Franchise Agreement to opening the Franchised Business is approximately 9 to 18 months. Factors affecting the length of time needed to open the Franchised Business usually include weather conditions, the ability to obtain a lease, financing or building permits, and zoning and local ordinances. We estimate that it will take approximately 3 to 5 months to complete construction and build-out of the site after you obtain possession of the Premises for the Franchised Business and obtain all required construction permits, approvals, and liens.

## **TRAINING**

### **Initial Training Program**

Before you open the Franchised Business, you (or your Operating Principal) must attend and complete our initial training program. The initial training program involves classroom instruction as well as hands-on instruction at a Pump It Up facility in Arizona and/or at any other location as we may specify in writing. We may, in our sole discretion, provide the initial training program entirely or in part via video conference or other online or virtual means at dates and times designated by us. If you obtain an operating Pump It Up Business by transfer from another Pump It Up franchisee, you must complete this initial training program within 60 days of operating that Pump It Up Business, unless otherwise specified by us. If you are opening a new location, the initial training program must be completed in advance of the opening of your Franchised Business. You must pay all travel, living and other expenses incurred by you and your

employees while attending or otherwise participating in the training. The Initial Training Program is offered periodically on an as-needed basis, as we determine such a need.

If any individual who is required to complete the initial training program fails to successfully complete the initial training program per our standards, then that individual may repeat the program, or you may send a substitute to complete the next available program. We may charge you a tuition fee for substitute or additional employees (including those repeating training) who attend the initial training program. We may require that any replacement managerial personnel satisfactorily complete our training programs within 90 days of being designated as managerial personnel. Replacement managerial personnel may: (1) attend the next training program offered by us; or (2) be trained by your training personnel. All persons attending initial training are required to sign our standard Liability Waiver and Release, a copy of which is attached to this disclosure document as Exhibit “H.”

Denialle Shupe conducts the initial training program along with other specific members of our corporate team. Ms. Shupe has served as our Mission Control and Training Manager since March 2021 (Ms. Shupe has over 13 years’ experience with the management and operation of Pump It Up Businesses). Lauren Tebbenhoff, our Vice President of Operations, has been with us April 2016 and provides business operations training (Ms. Tebbenhoff was also a franchise business consultant with our predecessor from October 2009 to October 2013). Bryan Andrews, our Director of Facilities Operations, has been with us since September 2016 and provides facilities operations training (Mr. Andrews also has over five years of experience as a franchise business consultant for BounceU). Matt Moder, our Director of Data Sciences and Marketing, has been with us since April 2019 and provides data and marketing training (Mr. Moder has over 12 years’ experience in data sciences). Aracely Arevalo, our Senior Marketing Manager, has been with us since March 2018 and provides marketing training (Ms. Arevalo has over 5 years of marketing experience).

The initial training program is mandatory for all franchisees. We will not authorize your Franchised Business to open (or, for transfers we reserve the right to halt the operations of the Franchised Business or impose other operational restrictions on the operating business) if you (or your Operating Principal) and your managerial personnel (the person who is managing the day-to-day operations of the Franchised Business), as determined by us in our sole discretion, have not attended and successfully completed our initial training program. Your initial training must be completed after you have signed a lease for the Premises of your Pump It Up Business and prior to the date you open your Franchised Business. You likely will sign a lease at least 3 to 5 months prior to the date you complete construction of your Pump It Up Business (but the timing may be longer if your landlord delays delivery of the Premises to you). If you operate multiple Pump It Up Businesses, you are not required to complete the initial training program more than once unless we, in our sole discretion, determine that it is necessary for you to do so.

## TRAINING PROGRAM

The following chart summarizes the subjects currently taught during the initial training program in the operation of a Pump It Up Business. The Initial Training Program may change from time to time.

Subject <sup>(1), (6)</sup>	Hours of Classroom Training	Hours of On-The-Job Training <sup>(4)</sup>	Location <sup>(2)</sup>
Brand and Brand Culture <sup>(3)</sup>	1.75	0	TC
Marketing Planning, Concepts, and Execution <sup>(3)</sup>	6	0	TC

<b>Subject</b> <sup>(1), (6)</sup>	<b>Hours of Classroom Training</b>	<b>Hours of On-The-Job Training</b> <sup>(4)</sup>	<b>Location</b> <sup>(2)</sup>
Customer Service <sup>(3)</sup>	3.5	4	TC
Operations Support Overview <sup>(3)</sup>	4	2	TC
Operations Support Tools <sup>(3)</sup>	7	0	TC
POpS System Overview <sup>(3)</sup>	6.5	4	TC
Analytics, Reporting, and Financials <sup>(3)</sup>	4	0	TC
Program and Facility Operations Overview <sup>(3)</sup>	5.5	11	TC
Safety Procedures Overview <sup>(3), (5)</sup>	2.5	3	TC
<b>Totals</b>	<b>40.75</b>	<b>24</b>	

**NOTES:**

(1) The primary instructional materials are the Manuals. The Manuals contain mandatory and suggested specifications, best practices, standards, operating procedures, general guidance, ongoing advice, and consultation, including our System Standards, that we prescribe or recommend from time to time for the operation of a Pump It Up Business, and information relating to your other obligations under your Franchise Agreement.

(2) “TC” means our training center located at our headquarters in Phoenix, Arizona. The training includes on-the-job training at a Pump It Up facility in Arizona and/or any other location we may specify, including virtual training as designated by us.

(3) This training is completed after you have executed a lease for the Premises or have obtained an operating Pump It Up Business by transfer from another Pump It Up franchisee.

(4) This applies to Franchisees opening a Pump It Up Business. In addition to the on-the-job Training, Opening Training is completed at your Franchised Business during the “**Soft Opening**,” which is the period up to three days prior to opening to the public and up to the first two days the Franchised Business is open to the public. During the Soft Opening, a training representative may visit the Franchised Business to review the day-to-day operations. We reserve the right to modify the training at any time. This opening assistance may be provided via video conference or other online or virtual means at our sole discretion. You will not be required to pay any additional travel or living expenses incurred by our representative during the Opening Training. However, if you reschedule the opening of the Franchised Business, you must reimburse us for any travel costs we incur in changing the travel schedules of our personnel. If you request, and we agree to provide, additional or special guidance, assistance, or training during this opening phase, you must pay our then applicable charges, including fees for our personnel and their travel and living expenses.

(5) The Safety Program includes information and training regarding insurance waivers, compliance with manufacturer guidelines for inflatable ridership, incident reports, and other elements of the Risk Mitigation Strategy as outlined in the Manuals.



**ADDITIONALLY, YOU MAY BE REQUIRED TO COMPLETE TRAINING WITH OUR TEAM VIA VIDEO CONFERENCE OR OTHER ONLINE OR VIRTUAL MEANS AT OUR SOLE DISCRETION, OR CONDUCT TRAINING THROUGH SELF-SERVICE MEANS AS WE DESIGNATE.**

### **Ongoing Training**

You must implement a training program for employees of the Franchised Business. You are responsible for hiring and the proper training of your employees consistent with the training we have provided you and that is outlined in the Manuals. You may not employ any person who fails or refuses to complete your training program or is unqualified to perform the duties at the Business in accordance with the requirements established for the operation of a Pump It Up Business.

We may require you (or your Operating Principal) to attend and satisfactorily complete various training courses that we periodically choose to provide at the times and locations that we designate. Training courses can include periodic conventions, regional meetings, and conferences that we specify, including our Annual Franchise Meeting. Any training courses may be held in person or virtually in our sole discretion. In our sole discretion, we may allow managerial personnel to attend in lieu of the Franchise Owner(s) or Operating Principal. The fee for one owner to attend the Annual Franchise Meeting will be withdrawn from your account no less than six weeks prior to the event. Payment for additional attendees will be due as invoiced or at the event. If you fail to attend any required training event, we can charge you reasonable registration or similar fees for these courses, including the fee for the Annual Franchise Meeting. You must pay all travel and living expenses you and your employees incur during all training courses and programs. We may also require you (or your Operating Principal) to utilize online training programs that we make available to you and your staff members, including through the Manuals and other online platforms.

## **ITEM 12** **TERRITORY**

If no site has been designated at the time you sign the Franchise Agreement, you will select the site from within your Site Selection Area. The Site Selection Area is defined in your Franchise Agreement. During the Site Approval Period (which is the 12-month period following the date that we sign the Franchise Agreement), you must obtain our approval of the site for the Franchised Business and execute a lease or purchase agreement for the approved site or, we, at our option, may terminate the Franchise Agreement. We have the right to move or modify the Site Selection Area during the Site Approval Period. The Site Selection Area will be determined on a case-by-case basis considering economic, demographic, and geographic information (such as population density). Provided that you are in full compliance with the Franchise Agreement, we and our affiliates will not operate, or license others to operate, Pump It Up Businesses in the Site Selection Area during the Site Approval Period.

Once we have approved your site and you have completed all other opening and operational obligations, you will have the right to operate a Pump It Up Business at a designated location. If you comply with the Franchise Agreement, we will not operate, or license others to operate, Pump It Up Businesses in an agreed upon geographic area (“**Protected Area**”) during the term of the Franchise Agreement. The Protected Area will be based upon zip codes or other geographic features around the Premises. In certain areas of the country, the Protected Area may be stated as metes and bounds around the Premises.

Notwithstanding the grant of a Protected Area, we and our affiliates reserve the right, without any compensation to you, to: (1) operate (and license others to operate) any type of business other than a Pump It Up Business at any location inside or outside the Protected Area; (2) provide, offer and sell (and license others to provide, offer and sell) products that are identical or similar to and/or competitive with those

provided at or from Pump It Up Businesses, whether identified by the Marks or other trademarks or service marks, through dissimilar distribution channels (including, without limitation, the internet or similar electronic media) both inside and outside the Protected Area; (3) operate (and license others to operate) Pump It Up Businesses located anywhere outside the Protected Area; (4) acquire the assets and/or ownership interests of one or more competing children's entertainment centers ("**Competing Businesses**") and franchising, licensing or creating similar arrangements with respect to these businesses once acquired wherever these businesses (or the franchisees or licensees of these businesses) are located or operating (including in the Protected Area); (5) be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction) by a competitor that operates Competing Businesses, or by another business, even if such business operates, franchises and/or licenses Competing Businesses in the Protected Area; and (6) create, place, and/or distribute or authorize others to create, place and/or distribute any advertising and promotional materials, which may appear in media, or be received by prospective customers located, within the Protected Area. The grant of a Protected Area to you does not restrict the future operation of Pump It Up Businesses that are under construction or the continued operation of Pump It Up Businesses in the Protected Area. We reserve all rights in the Site Selection Area with respect to the Protected Area.

You have no options, rights of first refusal, or similar rights to acquire additional franchises from us.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

You may not operate the Franchised Business at any location other than the Premises, and you may not relocate your Franchised Business without our prior written consent. Our consent to relocate may be conditioned upon, among other things: (a) your payment of the actual charges we incur in connection with consideration of the relocation request; (b) your payment of an agreed minimum royalty during the period when the Franchised Business is not in operation; and (c) your relocation of the Franchised Business within 6 months after we approve your relocation request.

We generally do not restrict the persons you solicit, or the methods by which you promote the Franchised Business. However, if you utilize any form of direct advertising or social media platforms directed at targeted customers, the advertising and social media efforts may be directed only to customers located within your Protected Area.

There are no minimum sales quotas or other conditions that must be met in order to maintain your Protected Area. We may not modify or terminate your rights in the Protected Area unless you are in default under the Franchise Agreement.

Disputes regarding Site Selection Areas and/or Protected Areas are resolved in a manner consistent with the Dispute Resolution provisions of the Franchise Agreement.

Except as described above, we and our affiliates may establish other franchised or company-owned outlets under the Marks and/or under other marks that may compete with your location. We and our affiliates may merchandise and distribute goods and services identified by the Marks through methods or channels of distribution other than outlets similar to your Franchised Business. We have no obligation to compensate you for any such sales in the Protected Area. We reserve all rights to use and license the System other than those we expressly grant you under the Franchise Agreement.



Our affiliate, BounceU Holdings, is the franchisor of a competing inflatable business that operates under the mark "BOUNCEU." BOUNCEU facilities may advertise and directly compete with Pump It Up

Businesses located within the same geographic area. Our management team also has management responsibility for the BOUNCEU franchise system, and we share office and training facilities with BOUNCEU.

**ITEM 13  
TRADEMARKS**

In the Franchise Agreement, we grant you the right to operate the Franchised Business under the name “Pump It Up” and to use our other current or future Marks that we designate in the operation of your Franchised Business. Under a Trademark License Agreement with our parent, FB Holdings, LLC, we have the exclusive right to use and permit our franchisees to use the name and mark “Pump It Up” in addition to certain related trademarks, service marks and other commercial symbols. The term of the License Agreement is perpetual in duration, however, FB Holdings, LLC has the right to terminate the License Agreement following a cure period if we commit a breach of the License Agreement by not policing the standards under which the Marks are used by our franchisees. In the event of a termination, our rights and obligations under all Franchise Agreements are deemed to be assigned to FB Holdings, LLC to provide continuity to franchisees.

In addition to other registered trademarks, our parent FB Holdings, LLC registered the following Marks with the United States Patent and Trademark Office (“PTO”) on the Principal Register, and all required affidavits of continued use have been filed, or will be filed when due, and accepted:

Mark	Registration No.	Registration Date
<b>Pump It Up</b>	4,504,830	April 1, 2014
COSMIC BOUNCE	4,144,896	May 22, 2012
Jump N Jam	4,698,063	March 10, 2015
	6935432	December 27, 2022
	6136999	August 25, 2020
PUMP IT UP	5,141,741	February 14, 2017
<b>PUMPiTUP</b>	5,615,501	November 27, 2018

SENSORY BOUNCE	5250377	July 25, 2017
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While no Marks are due for renewal, FB Holdings, LLC intends to renew some or all Marks if they remain important to the Pump It Up brand.

Except for the registrations identified above, there are no other effective determinations of the PTO, of the Trademark Trial and Appeal Board, or of the trademark administrator of any state or court. Neither are there any pending infringement, opposition, or cancellation proceedings or material litigation involving the Marks that are relevant to their use. Other than as described above, there are no agreements currently in effect that significantly limit our rights within the United States, to use, or license the use, of the above-mentioned Marks in any manner material to the franchise.

You will follow our rules when you use the Marks. You may not use any Mark as part of your corporate or legal business name or with modifying words, terms, designs, or symbols (except for those we license to you). You may not use any Mark in selling any unauthorized services or products or in any other way we have not expressly authorized in writing. You may not use the Marks in connection with any disparaging, offensive, or other negative act, content, product, or service offering.

You will notify us immediately of any apparent infringement or challenge to your use of any Mark, or any claim by any person of any rights in any Mark. In the event of an infringement, challenge, or claim, you may not communicate regarding the infringement, challenge or claim with any person other than our attorneys, your attorneys, and us. We may take the action we deem appropriate and control exclusively any litigation, PTO proceeding, or any other administrative proceeding from the infringement, challenge, or claim or otherwise concerning any Mark. You will sign any documents and take any action that, in our sole discretion, protects and maintains our interests in any litigation or PTO or other proceeding.

We will protect you against claims of infringement or unfair competition related to your use of the Marks, provided that you use the Marks in compliance with the terms of the Franchise Agreement and have timely notified us of such claim or proceeding. We will pay all costs, including attorneys' fees and court costs, associated with any litigation we commence or defend on your behalf to protect the Marks and your right to use them. You must cooperate with us in any litigation. You may not settle any claim relating to the Marks without our written consent. We have sole discretion to take any appropriate action.

In our sole discretion, we may determine at any time that it is advisable for us and/or you to modify or discontinue using any Mark and/or use one or more additional or substitute trade or service marks. If we decide to have you modify or discontinue using any Mark and/or use any additional marks, you will comply with our directions, at your own expense, within a reasonable time after receiving notice. At our option, we may assist you with certain reasonable, direct expenses of changing trademarked items, which assistance may take the form of Royalty credits, reimbursement, or assisting you with procuring replacement branded goods. However, we need not reimburse you for any loss of revenue due to any modified or discontinued Mark or for any expenditure you make to promote a modified or substitute trademark or service mark.

You may not use the Marks as part of any internet domain name, email address, social media account or other profile name, or in any way relating to the operation of any website without our prior written consent. We may grant or withhold our consent in our sole discretion, or we may condition our consent on such requirements as we deem appropriate, including, among other things, that you obtain our prior written approval of: (1) any and all internet domain names and URLs related to the Franchised

Business; (2) the proposed form and content (including any visible and non-visible content such as metatags) of any website related to the Franchised Business; (3) your use of any hyperlinks or other links; (4) your use of any materials (including text, video clips, photographs, images and sound bites) in which any third party has an ownership interest; and (5) any proposed modification of your website. We may designate the form and content of your website and/or require that any such website be hosted by us or a third party designated by us, using one or more websites that we own and/or control. In addition, we may require you to establish hyperlinks to our website or another website designated by us. We may charge you a fee for developing, reviewing, and approving your website and/or for hosting the website.

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

#### **ITEM 14** **PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION**

We do not own any patents that are material to your Franchised Business or the System. We claim trade secret and copyright protection for our Manuals, the trade dress, and certain business forms, architectural, engineering and construction plans, advertising materials, product specifications, computer programs, newsletters, training materials and operations and accounting materials. We have not registered those materials with the United States Copyright Office. You may use these items only in the way we specify and only while operating your Franchised Business.

The Manuals and these other materials contain the System Standards, which include mandatory and suggested specifications, best practices, standards, operating procedures, and rules that we periodically prescribe for operating a Pump It Up Business, as well as information on your other obligations under the Franchise Agreement. Our Manuals and other materials also contain Confidential Information (as defined below) consisting of the instructions, methods, and techniques used in the key management areas of Pump It Up Businesses including marketing and promotion, daily operations, personnel, and financial management. We may modify the Manuals periodically to reflect changes in System Standards. The contents of all versions of the Manuals are confidential, regardless of whether it is currently utilized by us, and constitute our trade secrets. You may not disclose the Manuals to any person other than employees or agents of the Franchised Business who need to know its contents. You may not at any time copy, duplicate, record, or otherwise reproduce any part of the Manuals without first obtaining our written consent to do so.

We possess certain confidential information, some of which constitutes trade secrets under applicable law (“**Confidential Information**”), relating to the development and operation of Pump It Up Businesses. The Confidential Information includes, among other things: site selection criteria, the Manuals, and marketing and advertising programs. You do not acquire any interest in the Confidential Information, other than the right to use the Confidential Information as we specify in operating the Franchised Business during the term of the Franchise Agreement. The Confidential Information is proprietary to us. You cannot use the Confidential Information in any unauthorized manner or disclose it to any third person, except as we may choose to permit, which permission must be in writing. If we permit you to disclose any Confidential Information to a third party, we can require that the third party sign a confidentiality and nondisclosure agreement in the form we specify.

There are no agreements currently in effect that significantly limit our right to use or allow others to use the copyrighted materials, trade dress, or Confidential Information. We do not have any copyright licenses that are material to the franchise. We do not actually know of any infringing uses that could materially affect your use of these materials in any state. We need not protect or defend copyrights, although we intend to do so when this action is in the best interest of the System.

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

Management structure is a crucial element in the operation of a Pump It Up Business. If you are an Entity, you must appoint an Operating Principal. You or your Operating Principal will be responsible for overseeing and supervising the operation of the Franchised Business. If you or your affiliates own or control 5 or more franchised Pump It Up Businesses, we reserve the right to require you to utilize a Multi-Unit Manager (which may be you or your Operating Principal), upon the opening of your fifth franchised Pump It Up Business. The Multi-Unit Manager will be responsible for the management and operation of all of your Pump It Up Businesses.

Your Operating Principal must have at least a 10% ownership interest in the Entity. The Operating Principal will be the person with whom we will communicate on all major policy, financial, management and operational matters. The Operating Principal is the only person that we will recognize as having authority to communicate on behalf of the Franchisee unless you formally notify us in writing of a different person with authority.

You (or your Operating Principal or Multi-Unit Manager) must remain active in overseeing the operations of the Franchised Business, including, without limitation, regular, periodic visits to the Franchised Business and sufficient communications with us. Your communications with us are intended to ensure that the operations of the Franchised Business comply with the System Standards promulgated by us from time to time in the Manuals or otherwise in written or oral communications to you. You (or your Operating Principal or Multi-Unit Manager) will not engage in any other business or activity that conflicts with your obligations to operate the Franchised Business. You have the sole responsibility for recruiting, hiring, and training employees for the Franchised Business. Before you hire any employee for the Franchised Business, you must require that employee to sign a non-disclosure and confidentiality agreement.

We require that any owner of a 5% or more interest in you or your franchised Pump It Up Business sign a personal guaranty undertaking to be bound by the financial provisions of the Franchise Agreement. The form of guaranty that your owners must sign is included in Exhibit 5 to the Franchise Agreement.

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

You must use the Franchised Business solely for the operation of a Pump It Up Business and must maintain sufficient inventories of goods, products and other items needed to service guests, adequately staff each shift with qualified employees, and continuously operate the Franchised Business at its maximum capacity and efficiency for the minimum number of days and hours as we specify in the Manuals or otherwise in writing.

We reserve the right to require you to offer and sell all of the products and services that we periodically require and only in the manner we have prescribed. You will discontinue selling and offering for sale any service or product that we disapprove in writing. You may only offer and sell all products which we have approved at retail (not wholesale) and only from the Premises. Our System Standards may regulate required or authorized products, services and service categories and supplies. There are no limits on our right to periodically change required and/or authorized products, services, and service categories, and we may do so at our discretion. Our System Standards may also regulate (to the extent allowed by law) maximum, minimum and other pricing requirements for the services and products your Pump It Up Business sells.

We do not limit the customers to whom you can offer services.

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

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

Provision	Section in Franchise Agreement	Summary
a. Length of the franchise term	Section 4.A	10 years from the date the Franchised Business opens.
b. Renewal or extension of the term	Section 4.B Section 4.C	One Successor Term of ten years. Upon renewal, you must sign our then-current form of Franchise Agreement, which may contain terms and conditions materially and substantially different from your original Franchise Agreement, including, without limitation, higher Royalties and/or Brand Fund contributions. Unless we provide notice of termination, if you do not renew for a Successor Term, the Franchise Agreement will automatically renew for successive one-year terms (each, an “ <b>Interim Period</b> ”). An Interim Period will incur an administrative fee of \$500 per each month that you remain in the Interim Period. To avoid automatic renewal for an Interim Period, you must provide us with notice of non-renewal at least nine months prior to the beginning of the next Interim Period.
c. Requirements for you to renew or extend	Section 4.B	Requirements include: provide us with twelve months’ notice of your intent to renew for a Successor Term; compliance with all relevant agreements; demonstrate right to remain in possession of the Premises; remodel; correct any deficiencies and satisfy then-current System Standards (including training requirements); pay the Successor Franchise Fee which may equal up to 25% of the initial franchise fee then being charged to new franchisees; and sign general releases (our current form of General Release is attached as Exhibit E). We also will require you to sign our then-current form of Franchise Agreement, which may contain terms and conditions materially and substantially different from your original Franchise Agreement, including, without limitation, higher Royalties and/or Brand Fund contributions.
d. Termination by you	Not Applicable	Franchisee may terminate the Agreement as permitted by law or if the Franchisor fails to perform its obligations under the Agreement.
e. Termination by us without cause	Section 4.C	Franchisor may terminate the Franchise Agreement for any or no reason during an Interim Period (the period after expiration of your Franchise Agreement); but we cannot terminate without cause during the Term of the Franchise Agreement.
f. Termination by us with cause	Section 19	We may terminate upon default.
g. “Cause” defined – curable defaults	Section 19.B	You have 5 days to cure monetary defaults. You have 30 days to cure defaults other than those discussed in Section h (below).
h. “Cause” defined – non-curable defaults	Section 19.A	Non-curable defaults include: failure to locate a site, sign lease or acquire Premises, or obtain site approval; failure to open Franchised Business within prescribed time period; abandonment

Provision	Section in Franchise Agreement	Summary
		or failure to actively operate; insolvency, assignment for benefit of creditors, appointment of receiver, Franchised Business is seized or subject to warrant; breach confidentiality or noncompetition covenants (i.e., operation of a Competing Business); unauthorized Transfer; material misrepresentation; knowing falsification of any report or fail to disclose a material fact; any incident involving an employee that occurs and we discover that you did not conduct adequate background checks on that employee; continued operation of Franchised Business would result in danger to health or safety; loss of right to possession of Premises; felony conviction; failure to complete initial training; material understatement of Gross Revenues; assets blocked under any law, ordinance, or regulation relating to terrorist activities; default beyond applicable cure period under any related agreement; interference with our relations with third parties; any activity by any Owner, employee or agent of the Franchised Business which we deem to be detrimental or otherwise harmful to the Marks or the System; or breach any representation or warranty.
i. Your obligations on termination/non-renewal	Section 20.A	Obligations include: limited exclusive rights terminate; pay all amounts due; discontinue use of Marks; cease using Confidential Information; cancel business filings that use Marks; return client lists, Manuals and all other Confidential Information; return branded items; cancel or transfer to us all telephone numbers, domain names and URLs; and de-identify the Franchised Business. See also Section r below.
j. Assignment of contract by us	Section 15	There is no restriction on our right to transfer.
k. "Transfer" by you - defined	Section 16.A	Sale, assignment, transfer, conveyance, gift, pledge, mortgage, or other encumbrance of any interest in you, the Franchise Agreement, the Franchise, the Franchised Business, the assets or the Franchised Business, the Premises, the Lease, or any other assets pertaining to your operations.
l. Approval of transfer by us	Section 16.A	We have the right to approve transfers.
m. Conditions for approval of transfer by us	Section 16.B	Conditions include: transferee qualified; all fees paid and all reports submitted; transferee does not own a Competing Business; transferee completes all training; transferee has possession of Premises; deficiencies are corrected and/or transferee will remodel and upgrade Premises to our then current standard; you sign general release (our current form of General Release is attached as Exhibit E); pay Transfer Fee; sign any agreements we require; you sign a written guaranty agreeing to remain liable for all obligations to us which were incurred prior to the date of the transfer.
n. Our right of first refusal to acquire your business	Section 16.G	We can match any bona fide offer.
o. Our option to purchase your business	Section 21	We can purchase some or all of your assets upon termination or expiration of the Franchise Agreement at a sales price agreed upon or set by appraisers.



<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
p. Your death or disability	Section 16.D	Transfer to heirs, beneficiaries or devisees permitted within a reasonable amount of time, but not to exceed 6 months, subject to the conditions set forth in Section m.
q. Non-competition covenants during the term of the franchise	Section 18.B.(2)	No involvement in Competing Business during the Term. Except as otherwise prohibited by law, there is no geographical limitation to this restriction.
r. Non-competition covenants after the franchise is terminated or expires	Section 18.B.(3)	Except as otherwise prohibited by law, no involvement in a Competing Business for 2 years at the Premises, within a 5-mile radius of any other Pump It Up Business, or within a 5-mile radius of the boundaries of the Protected Area.
s. Modification of Agreement	Section 26	No modifications except by written agreement signed by you and us; however, we may change the Manuals, the System and the System Standards at any time.
t. Integration/merger clause	Section 26	Only the terms of the Franchise Agreement and its attachments, the Manuals, and the documents referred to in the Franchise Agreements are binding. Nothing in the Franchise Agreement is intended to disclaim our representations in this disclosure document.
u. Dispute resolution by arbitration or mediation	Not Applicable	Not Applicable
v. Choice of forum	Section 27.C	Subject to state law, you can only file suit where our principal offices are located; we may file suit in the jurisdiction where our principal offices are located, where you reside or do business, where the Franchised Business is or was located, or where the claim arose.
w. Choice of law	Section 27.B	Subject to state law, Arizona law applies.
x. Security Interest	Section 18.C	You grant us a security interest in your business and its assets to secure your obligations under the Franchise Agreement and other agreements with us and our affiliates.

## **ITEM 18** **PUBLIC FIGURES**

We do not use any public figures to promote Pump It Up Businesses, although we reserve the right to do so in the future.

## **ITEM 19** **FINANCIAL PERFORMANCE REPRESENTATIONS**

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

**UNAUDITED STATEMENT OF AVERAGE GROSS REVENUE<sup>(1)</sup> FOR THE CALENDAR YEARS 2022, 2021, 2020 AND 2019 FOR REPORTING ROTATION OR DOUBLE UNIT PUMP IT UP LOCATIONS**

As of December 31, 2022, there were 48 franchised Pump It Up locations open. The information in this Item 19 is derived from the historical performance of Pump It Up locations. The following information in this Item 19 does not include Pump It Up locations that operate as “Single Units” because these locations do not operate on the same “Rotation Unit” or “Double Unit” model<sup>(2)</sup> as the other 45 franchised Pump It Up locations represented in this Item 19. The following are statements of the Unaudited Average Gross Revenues for: (a) 45 Pump It Up Rotation Units or Double Units<sup>(3)</sup> for calendar year 2022, (b) 51 Pump It Up Rotation Units or Double Units<sup>(3)</sup> for calendar year 2021, (c) 70 Pump It Up Rotation Units or Double Units<sup>(3)</sup> for calendar year 2020, and (d) 97 Pump It Up Rotation Units or Double Units<sup>(3)</sup> for calendar year 2019. In 2022, 6 franchised units closed. In 2021, 19 franchised units closed. In 2020, 27 franchised units and 9 company-owned units closed. In 2019, 8 franchised units and 1 company-owned unit closed.

Average Gross Revenue was compiled from information and reports submitted by franchisees for their revenue data for the periods from: January 1, 2022, through December 31, 2022; January 1, 2021, through December 31, 2021; January 1, 2020, through December 31, 2020; and January 1, 2019, through December 31, 2019.

We will, upon reasonable request, provide to prospective franchisees the written substantiation of data presented in the Financial Performance Representations illustrated below.

**Financial Performance**<sup>(4)(5)(6)(7)</sup>

Average Annual Gross Revenue (2022, 2021, 2020 & 2019)

<b>Year</b>	<b>Highest Gross Revenue</b>	<b>Lowest Gross Revenue</b>	<b>Median Gross Revenue</b>	<b>Average Gross Revenue</b>	<b>Stores Above Average Gross Revenue</b>	<b>% of Stores Above Average Gross Revenue</b>
<b>2022</b>	\$1,343,834	\$247,737	\$617,323	\$671,420	19	42%
<b>2021</b>	\$686,685	\$131,391	\$343,574	\$349,342	25	50%
<b>2020</b>	\$368,069	\$61,587	\$165,193	\$179,733	19	38%
<b>2019</b>	\$1,720,002	\$277,322	\$577,544	\$647,209	17	34%

Average Monthly Gross Revenue (2022, 2021, 2020 & 2019)

<u>Month</u>	<u>2022 Average Monthly Gross Revenue</u>	<u>2021 Average Monthly Gross Revenue</u>	<u>2020 Average Monthly Gross Revenue</u>	<u>2019 Average Monthly Gross Revenue</u>	<u>2022 Average Monthly Gross Revenue Lift Over Same Month in 2021<sup>(8)</sup></u>	<u>2022 Average Monthly Gross Revenue Lift Over Same Month in 2020<sup>(9)</sup></u>	<u>2022 Average Monthly Gross Revenue Lift Over Same Month in 2019<sup>(10)</sup></u>
<b><u>Jan</u></b>	\$37,078	\$11,931	\$51,281	\$57,023	211%	-28%	-35%
<b><u>Feb</u></b>	\$44,480	\$13,787	\$57,326	\$55,976	223%	-22%	-21%
<b><u>Mar</u></b>	\$53,862	\$22,233	\$22,667	\$69,587	142%	138%	-23%
<b><u>Apr</u></b>	\$58,231	\$23,772	\$687	\$50,755	145%	8378%	15%
<b><u>May</u></b>	\$58,510	\$28,637	\$523	\$50,377	104%	11082%	16%
<b><u>Jun</u></b>	\$54,572	\$28,779	\$4,209	\$55,195	90%	1196%	-1%
<b><u>Jul</u></b>	\$49,178	\$31,674	\$4,441	\$40,195	55%	1007%	22%
<b><u>Aug</u></b>	\$47,002	\$29,481	\$6,381	\$43,108	59%	637%	9%
<b><u>Sep</u></b>	\$52,930	\$27,363	\$7,524	\$46,451	93%	603%	14%
<b><u>Oct</u></b>	\$72,866	\$40,609	\$12,947	\$48,013	79%	463%	52%
<b><u>Nov</u></b>	\$62,239	\$43,589	\$12,681	\$58,240	43%	391%	7%
<b><u>Dec</u></b>	\$64,126	\$46,177	\$8,847	\$49,246	39%	625%	30%

Highest, Lowest and Median Monthly Gross Revenue (2022, 2021, 2020 & 2019)

<u>Month</u>	<u>2022 Highest Gross Revenue</u>	<u>2022 Lowest Gross Revenue</u>	<u>2022 Median Gross Revenue</u>	<u>2021 Highest Gross Revenue</u>	<u>2021 Lowest Gross Revenue</u>	<u>2021 Median Gross Revenue</u>	<u>2020 Highest Gross Revenue</u>	<u>2020 Lowest Gross Revenue</u>	<u>2020 Median Gross Revenue</u>	<u>2019 Highest Gross Revenue</u>	<u>2019 Lowest Gross Revenue</u>	<u>2019 Median Gross Revenue</u>
<b>Jan</b>	\$68,815	\$14,047	\$39,999	\$30,956	\$0	\$10,018	\$144,022	\$20,507	\$45,221	\$157,835	\$20,491	\$50,906
<b>Feb</b>	\$100,544	\$18,603	\$43,652	\$31,123	\$0	\$13,431	\$157,759	\$22,961	\$54,591	\$146,342	\$18,713	\$53,369
<b>Mar</b>	\$111,810	\$21,536	\$50,573	\$51,922	\$0	\$21,002	\$54,744	\$6,624	\$21,019	\$182,571	\$26,754	\$63,701
<b>Apr</b>	\$129,503	\$26,072	\$56,180	\$56,964	\$0	\$22,410	\$3,500	\$0	\$0	\$133,348	\$19,373	\$44,975
<b>May</b>	\$127,404	\$21,104	\$59,775	\$67,467	\$0	\$29,221	\$2,548	-\$579	\$0	\$149,123	\$17,644	\$45,760
<b>Jun</b>	\$127,992	\$21,140	\$50,555	\$62,220	\$100	\$29,093	\$20,577	\$0	\$1,562	\$163,002	\$22,694	\$48,134
<b>Jul</b>	\$128,408	\$18,335	\$50,169	\$65,144	\$13,553	\$34,616	\$23,484	-\$100	\$2,387	\$106,363	\$14,456	\$37,171
<b>Aug</b>	\$95,044	\$15,437	\$43,369	\$57,181	\$10,509	\$30,767	\$23,428	\$0	\$3,257	\$118,900	\$10,530	\$39,222
<b>Sep</b>	\$118,762	\$20,063	\$46,666	\$51,543	\$12,711	\$27,930	\$17,055	-\$97	\$5,377	\$135,968	\$19,046	\$43,941
<b>Oct</b>	\$177,709	\$29,080	\$60,250	\$93,733	\$16,012	\$41,076	\$29,107	\$0	\$9,816	\$138,469	\$18,923	\$40,453
<b>Nov</b>	\$143,932	\$17,686	\$56,661	\$102,313	\$21,036	\$43,256	\$29,597	\$0	\$11,670	\$159,568	\$19,477	\$51,626
<b>Dec</b>	\$135,130	\$29,848	\$58,898	\$84,238	\$22,441	\$44,319	\$20,988	\$0	\$7,432	\$128,512	\$21,411	\$45,551

**NOTES:**

(1) The Average Gross Revenue reflects all revenue derived from operating the Pump It Up business, including, but not limited to, all services and products sold, all video game machine and vending machine proceeds, and all amounts that are received at or away from the Premises, whether from cash, check, credit and debit card, barter, exchange, trade credit, or other credit transactions. The Average Gross Revenue excludes all federal, state, or municipal sales, use, or service taxes collected from customers and paid to the appropriate taxing authority and will be reduced by the amount of any documented refunds, credits, allowances, and charge-backs provided to customers in good faith.

(2) A “Rotation Unit” or “Double Unit” is a Pump It Up Unit that includes at least two Arenas and two party rooms and is operated in a rotational format where the event and party guests rotate through the Arenas and finally into a party room. All current Pump It Up franchise sales are Rotation Units.

(3) The Pump It Up Units included in this Financial Performance Representation were selected because they are either “Rotation Units” or “Double Units.” In 2022, 3 outlets were excluded because they

were not Rotation Units or Double Units. In 2021, \_\_\_ outlets were excluded because they were not Rotation Units or Double Units. In 2020, \_\_\_ outlets were excluded because they were not Rotation Units or Double Units. In 2019, \_\_\_ outlets were excluded because they were not Rotation Units or Double Units. All current Pump It Up franchise sales are for Rotation Units.

(4) Between January 1, 2019, and December 31, 2022, no new Pump It Up Rotation Units or Double Units opened to the public.

(5) Some outlets have sold this amount. Your individual results may differ. There is no assurance that you will sell as much.

(6) The World Health Organization declared COVID-19 a global pandemic on March 11, 2020. Following this declaration, governmental authorities issued orders in the states where Pump It Up units operate, which resulted in temporary closures and other restrictions on operations. In March 2020, all Pump It Up units were temporarily closed. As noted in Note 3 of our financial statement, we determined to cease operating all of the remaining company-owned outlets in 2020 in response to the COVID-19 global pandemic. In the majority of states, Pump It Up units did not begin reopening until September 2020. The few states where Pump It Up units were permitted to open earlier were Texas, where units began opening in June 2020 (with significant local government restrictions on capacity), and Virginia, where units began opening in July 2020 (with significant local government restrictions on capacity). In California, New York and Washington, Pump It Up units faced additional and extended temporary closures for the majority of 2020 with 14 units unable to reopen until 2021, some as late as June 2021. During this time, many local governments applied significant restrictions on store capacity. A total of 6 Pump It Up units permanently closed during 2022 and a total of 19 Pump It Up units permanently closed during 2021 (see Item 20 for the states where Pump It Up units permanently closed). Although the COVID-19 pandemic and resulting government orders impacted the operation of all Pump It Up units in 2020 and 2021, we have not made and have no current intention to make changes to the Pump It Up business model.

(7) Franchisor does not dictate that franchisees utilize one method of accounting in reporting the Gross Revenues used in the preparation of this report, but we believe that all figures included in this report are based upon cash accounting.

(8) This percentage is calculated by dividing the 2022 Average Monthly Gross Revenue by the 2021 Average Monthly Gross Revenue, subtracting 1 and converting the result to a percentage.

(9) This percentage is calculated by dividing the 2022 Average Monthly Gross Revenue by the 2020 Average Monthly Gross Revenue, subtracting 1 and converting the result to a percentage.

(10) This percentage is calculated by dividing the 2022 Average Monthly Gross Revenue by the 2019 Average Monthly Gross Revenue, subtracting 1 and converting the result to a percentage.

Other than the preceding financial performance representations, 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 about a franchisee's past financial performance or the past performance of company-owned or franchised outlets, or projections of your future income, you should report it to management by contacting, 4343 E. Outlier Blvd., Suite 220, Phoenix, AZ 85008, (480) 371-1200, [franchising@fun-brands.com](mailto:franchising@fun-brands.com), the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20**  
**OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1**  
**Systemwide Pump It Up Business Summary**

For Years 2020 to 2022<sup>(1)</sup>

<b>Business Type</b>	<b>Year</b>	<b>Businesses at Start of the Year</b>	<b>Businesses at End of the Year</b>	<b>Net Change</b>
Franchised Pump It Up Businesses	2020	100	73	-27
	2021	73	54	-19
	2022	54	48	-6
Company Owned Pump It Up Businesses	2020	9	0	-9
	2021	0	0	0
	2022	0	0	0
<b>Total Outlets</b>	<b>2020</b>	<b>109</b>	<b>73</b>	<b>-36</b>
	<b>2021</b>	<b>73</b>	<b>54</b>	<b>-19</b>
	<b>2022</b>	<b>54</b>	<b>48</b>	<b>-6</b>

**Table No. 2**  
**Transfers of Pump It Up Businesses from Franchisees to New Owners**  
**(Other than Franchisor or its Affiliates)**

For Years 2020 to 2022<sup>(1)</sup>

<b>State</b>	<b>Year</b>	<b>Number of Transfers<sup>(2)</sup></b>
Florida	2020	1
	2021	0
	2022	1
Texas	2020	0
	2021	1
	2022	1
<b>Total</b>	<b>2020</b>	<b>1</b>
	<b>2021</b>	<b>1</b>
	<b>2022</b>	<b>2</b>

**Table No. 3**  
**Status of Franchised Pump It Up Businesses**  
**For Years 2020 to 2022 <sup>(1)</sup>**

State	Year	Businesses at Start of Year <sup>(3)</sup>	Businesses Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons <sup>(4)</sup>	Businesses at End of Year
AL	2020	4	0	0	0	0	1	3
	2021	3	0	0	0	0	1	2
	2022	2	0	0	0	0	0	2
AZ	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
CA	2020	24	0	0	0	0	7	18
	2021	18	0	0	0	0	4	14
	2022	14	0	0	0	0	2	12
FL	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	1	2
	2022	2	0	0	0	0	0	2
GA	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	1	0
	2022	0	0	0	0	0	0	0
IL	2020	3	0	0	0	0	1	2
	2021	2	0	1	0	0	1	0
	2022	0	0	0	0	0	0	0
IA	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
KS	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
MD	2020	5	0	0	0	0	3	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
MI	2020	5	0	0	0	0	2	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3

State	Year	Businesses at Start of Year <sup>(3)</sup>	Businesses Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons <sup>(4)</sup>	Businesses at End of Year
MN	2020	2	0	0	0	0	1	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
MS	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
MO	2020	1	0	0	0	0	1	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
NE	2020	1	0	0	0	0	1	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
NJ	2020	8	0	0	0	0	0	8
	2021	8	0	0	0	0	0	8
	2022	8	0	0	0	0	4	4
NY	2020	2	0	0	0	0	1	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
NC	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
OH	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
OR	2020	2	0	0	0	0	2	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
PA	2020	1	0	0	0	0	1	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
SC	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
TN	2020	2	0	0	0	0	1	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1



State	Year	Businesses at Start of Year <sup>(3)</sup>	Businesses Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons <sup>(4)</sup>	Businesses at End of Year
TX	2020	18	0	0	0	0	4	14
	2021	14	0	0	0	0	4	10
	2022	10	0	0	0	0	2	8
VA	2020	4	0	0	0	0	1	3
	2021	3	0	1	0	0	0	2
	2022	2	0	0	0	0	0	2
WA	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
WI	2020	2	0	0	0	0	1	1
	2021	1	0	0	0	0	1	0
	2022	0	0	0	0	0	0	0
<b>Totals</b>	<b>2020</b>	<b>100</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>27</b>	<b>73</b>
	<b>2021</b>	<b>73</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>17</b>	<b>54</b>
	<b>2022</b>	<b>54</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>48</b>

**Table No. 4**  
**Status of Company-Owned Pump It Up Businesses**  
**For Years 2020 to 2022 <sup>(1)</sup>**

State	Year	Businesses at Start of Year	Businesses Opened	Businesses Reacquired from Franchisees	Businesses Closed	Businesses Sold to Franchisees	Businesses at End of Year
AZ	2020	3	0	0	3	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
CT	2020	2	0	0	2	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
IL	2020	3	0	0	3	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
TN	2020	1	0	0	1	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0

State	Year	Businesses at Start of Year	Businesses Opened	Businesses Reacquired from Franchisees	Businesses Closed	Businesses Sold to Franchisees	Businesses at End of Year
Totals	2020	9	0	0	9	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0

**NOTES FOR TABLE NOS. 1 - 4:**

- (1) The numbers for 2020-2022 are as of December 31 of each year.
- (2) The franchisees that transferred Pump It Up Businesses are identified in Exhibit I.
- (3) Exhibit I includes a list of all franchisees who have signed a Franchise Agreement, but who have not yet opened a Franchised Business.
- (4) Exhibit I includes a list of the name, address and telephone number of the franchisees who had a Franchise Agreement terminated, canceled or not renewed or who otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement (including any transfer) during our last fiscal year or who have not communicated with us within 10 weeks of the issuance date of this disclosure document.

**TABLE NO. 5  
PROJECTED OPENINGS AS OF DECEMBER 31, 2022**

State	Franchise Agreements Signed but Business Not Opened	Projected New Franchised Businesses in Fiscal Year 2023	Projected Company-Owned Businesses in Fiscal Year 2023
Totals	0	0	0

**NOTES:**

Exhibit I identifies the name of our franchisees, their locations and telephone numbers as of December 31, 2022. If you buy a Pump It Up franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

In some instances, franchisees may sign provisions restricting their ability to speak openly about their experience with Pump It Up Holdings. 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.

In the last three fiscal years, two franchisees signed an agreement that included a confidentiality clause. That agreement related to the resolution of litigation and/or disputes between the franchisee and us.

**ITEM 21**  
**FINANCIAL STATEMENTS**

Attached hereto as Exhibit G are audited consolidated financial statements for our parent company FB Holdings, LLC for the year ended December 31, 2022, for the year ended December 31, 2021, and for the year ended December 31, 2020. Also included in Exhibit G are unaudited consolidated financial statements for our parent company FB Holdings, LLC for the period ended March 31, 2023.

You have not been provided with financial statements of the Franchisor, Pump It Up Holdings, LLC. Therefore, you do not have knowledge of how this specific company has performed. However, FB Holdings, LLC has agreed absolutely and unconditionally to guarantee to assume the duties and obligations of Franchisor under the franchise agreements entered into by Franchisor should Franchisor become unable to perform its duties and obligations. A copy of FB Holdings, LLC's guaranty is included with Exhibit G.

**ITEM 22**  
**CONTRACTS**

The following contracts are exhibits within this disclosure document:

- Exhibit C      Franchise Agreement (and Exhibits thereto)
  - Exhibit 1-Franchise Information
  - Exhibit 2-Collateral Assignment of Lease
  - Exhibit 3-EDTA Form
  - Exhibit 4-Listing of Ownership Interests
  - Exhibit 5-Guaranty and Assumption of Obligations
  - Exhibit 6-Listing Assignment Agreement
- Exhibit D      Confidentiality Agreement
- Exhibit E      General Release
- Exhibit F      Software License Agreement
- Exhibit H      Addenda Required by Certain States

**ITEM 23**  
**RECEIPTS**

The final two pages of this disclosure document are documents acknowledging your receipt of the disclosure document. If those pages, or any other pages or exhibits are missing from your disclosure document, please notify us immediately.

**Exhibit A - List of State Administrators  
Pump It Up Franchise Disclosure Document**

## LIST OF STATE AGENCIES

### California

Department of Financial Protection and Innovation  
320 West 4<sup>th</sup> Street, Suite 750  
Los Angeles, CA 90013-2344  
(213) 576-7505  
(866) 275-2677

2101 Arena Blvd.  
Sacramento, CA 95834  
(916) 445-7205  
(866) 275-2677

1455 Frazee Road, Suite 315  
San Diego, CA 92108  
(619) 610-2093  
(866) 275-2677

One Sansome Street, Suite 600  
San Francisco, CA 94104  
(415) 972-8559  
(866) 275-2677

### Florida

Department of Agriculture and Consumer Services  
Division of Consumer Services  
Terry Lee Rhodes Building  
2005 Apalachee Parkway  
Tallahassee, FL 32399-6500  
(850) 488-2221

### Hawaii

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

### Illinois

Office of Attorney General  
Franchise Division  
500 South Second Street  
Springfield, IL 62706  
(217) 782-4465

### Indiana

Indiana Secretary of State  
Securities Division  
302 West Washington Street  
Room E-111  
Indianapolis, IN 46204  
(317) 232-6681

### Maryland

Office of Attorney General  
Maryland Division of Securities  
200 St. Paul Place  
Baltimore, MD 21202-2020  
(410) 576-6360

### Michigan

State of Michigan  
Consumer Protection Division  
Attention: Franchise  
P.O. Box 30213  
Lansing, MI 48909  
(517) 373-7117

### Minnesota

Minnesota Department of Commerce  
Securities Unit  
85 7<sup>th</sup> Place East, Suite 280  
St. Paul, MN 55101  
(651) 539-1600

### Nebraska

Department of Banking and Finance  
1200 N Street, Suite 311  
P.O. Box 95006  
Lincoln, NE 68509  
(402) 471-3445

### New York

New York State  
Department of Law  
Investor Protection Bureau  
Franchise Section  
28 Liberty Street, 21<sup>st</sup> Floor  
New York, NY 10005  
(212) 416-8222

### North Dakota

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

### Oregon

Department of Insurance and Finance  
Corporate Securities Section  
Labor and Industries Building  
Salem, OR 97310  
(503) 378-4387

### Rhode Island

Department of Business Regulation  
Division of Securities  
1511 Pontiac Avenue  
John O. Pastore Complex – Building 69-1  
Cranston, RI 02920  
(401) 462-9527

### South Dakota

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

### Texas

Secretary of State  
Statutory Document Section  
P.O. Box 13563  
Austin, TX 78711  
(512) 475-1769

### Virginia

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

### Washington

Securities Administrator  
Department of Financial Institutions  
Securities Division  
150 Israel Road S.W.  
Tumwater, WA 98501  
(360) 902-8760

### Wisconsin

Department of Financial Institutions  
Division of Securities  
345 W. Washington Avenue, 4<sup>th</sup> Floor  
Madison, WI 53703  
(608) 261-9555

**Exhibit B - List of Agents for Service of Process  
Pump It Up Franchise Disclosure Document**

## LIST OF AGENTS FOR SERVICE OF PROCESS

### **California**

Commissioner of Financial Protection and Innovation  
California Department of Financial Protection and Innovation  
320 West 4<sup>th</sup> Street, Suite 750  
Los Angeles, CA 90013-2344  
(213) 576-7500  
(866) 275-2677

### **Hawaii**

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

### **Illinois**

Illinois Attorney General  
500 South Second Street  
Springfield, IL 62706  
(217) 782-1090

### **Indiana**

Indiana Secretary of State  
201 State House  
200 West Washington Street  
Indianapolis, IN 46204  
(317) 232-6531

### **Maryland**

Maryland Securities Commissioner  
200 St. Paul Place  
Baltimore, MD 21202-2020  
(410) 576-6360

### **Michigan**

Michigan Department of Commerce  
Corporations and Securities Bureau  
6546 Mercantile Way  
Lansing, MI 48910  
(517) 334-6212

### **Minnesota**

Minnesota Commissioner of Commerce  
Department of Commerce  
85 7<sup>th</sup> Place East, Suite 280  
St. Paul, MN 55101  
(651) 539-1600

### **New York**

New York Secretary of State  
99 Washington Avenue  
Albany, NY 12231  
(518) 473-2492

### **North Dakota**

North Dakota Securities Commissioner  
600 E. Boulevard Avenue  
State Capitol, 5<sup>th</sup> Floor  
Bismarck, ND 58505-0510  
(701) 328-2910

### **Oregon**

Director of Oregon Department of Insurance and Finance  
700 Summer Street, N.E.  
Suite 120  
Salem, OR 97310  
(503) 378-4387

### **Rhode Island**

Director of Rhode Island  
Department of Business Regulation  
1511 Pontiac Avenue  
John O. Pastore Complex – Building 69-1  
Cranston, RI 02920  
(401) 462-9527

### **South Dakota**

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

### **Virginia**

Clerk of the State Corporation Commission  
1300 East Main Street, 1<sup>st</sup> Floor  
Richmond, VA 23219  
(804) 371-9733

### **Washington**

Securities Administrator  
Washington State Department of Financial Institutions  
150 Israel Road S.W.  
Tumwater, WA 98501  
(360) 902-8760

### **Wisconsin**

Wisconsin Commissioner of Securities  
345 W. Washington Ave., 4<sup>th</sup> Floor  
Box 1768  
Madison, WI 53703  
(608) 261-9555

**Exhibit C – Franchise Agreement  
Pump It Up Franchise Disclosure Document**



**PUMP IT UP**  
**FRANCHISE AGREEMENT**

FRANCHISEE: \_\_\_\_\_  
DATE OF AGREEMENT: \_\_\_\_\_  
BUSINESS ADDRESS: \_\_\_\_\_

## TABLE OF CONTENTS

	Page
1. PREAMBLES	1
2. GRANT OF FRANCHISE	1
3. LIMITED EXCLUSIVE RIGHTS	2
4. TERM	3
5. DEVELOPMENT PROCEDURES	4
6. CONSTRUCTION OF THE FRANCHISED BUSINESS	7
7. FEES	9
8. RECORDKEEPING AND REPORTS	11
9. MARKETING	13
10. MANUALS	17
11. TRAINING AND ASSISTANCE	18
12. SYSTEM STANDARDS	20
13. MARKS	18
14. YOUR ORGANIZATIONAL STRUCTURE	30
15. TRANSFER BY US	31
16. TRANSFER BY YOU	32
17. GENERAL RELEASE	35
18. RESTRICTIVE COVENANTS; SECURITY INTERESTS	36
19. DEFAULT AND TERMINATION	38
20. OBLIGATIONS UPON TERMINATION OR EXPIRATION	41
21. OUR OPTION TO PURCHASE CERTAIN ASSETS OF THE FRANCHISED BUSINESS	42
22. RELATIONSHIP OF THE PARTIES	43
23. INDEMNIFICATION	44
24. SEVERABILITY AND CONSTRUCTION	45
25. CONSENTS, APPROVALS AND WAIVERS	45
26. ENTIRE AGREEMENT	46
27. ENFORCEMENT	47
28. MISCELLANEOUS	48
29. NOTICES AND PAYMENTS	48

## **EXHIBITS**

EXHIBIT 1	FRANCHISE INFORMATION
EXHIBIT 2	COLLATERAL ASSIGNMENT OF LEASE
EXHIBIT 3	EDTA FORM
EXHIBIT 4	LISTING OF OWNERSHIP INTERESTS
EXHIBIT 5	GUARANTY AND ASSUMPTION OF OBLIGATIONS
EXHIBIT 6	LISTING ASSIGNMENT AGREEMENT

## PUMP IT UP FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (“Agreement”) is made and entered into as of \_\_\_\_\_ (“Effective Date”) by and between PUMP IT UP HOLDINGS, LLC, an Arizona limited liability company (“PIU,” “we,” “us,” or “our”), and \_\_\_\_\_, a [STATE] [ENTITY] (“you” or “your”).

### 1. PREAMBLES

A. Our officers, directors, employees, and agents act only in a representative, and not in an individual, capacity, and business dealings between you and them as a result of this Agreement are deemed to be only between you and us.

B. We and our affiliates have invested considerable time, effort, and money to develop a unique system (“System”) for the operation of an entertainment business for children, tweens, teenagers, businesses, and other groups that features various branded super-sized inflatable equipment and other active and creative games, merchandise, food and services (“Pump It Up Business”).

C. The distinguishing characteristics of the System include, without limitation, our interior and exterior design, special décor elements, layout, furnishings, fixtures, color schemes, display units, graphics and designs, signs, quality and quantity of equipment, inventory; procedures for operations; a reservation system and other proprietary computer software; quality and uniformity of services and products offered; staff and customer recruitment and retention programs; local, regional and national events; procedures for management; training and assistance; advertising and promotional programs; business formats, methods, procedures, designs, layouts, standards, and specifications; all of which we may change, improve and further develop from time to time.

D. We identify the System through the “Pump It Up” name and mark and certain other names, marks, logos, insignias, slogans, emblems, symbols and designs (collectively, “Marks”), which we have designated, or may in the future designate, for use with the System. The Marks are owned by our parent company, FB Holdings, LLC, and are licensed to us for use in the System.

E. You would like to obtain a license to use the System and the Marks and to operate a franchised Pump It Up Business (“Franchised Business”) at the location specified in Exhibit 1 (“Premises”), subject to the terms and conditions of this Agreement and in strict compliance with the high and uniform standards of quality, operations and service established by us for the System (“System Standards”).

F. You acknowledge the importance of the System Standards and the necessity of developing and operating the Franchised Business in strict conformity with this Agreement, the System Standards, and the Pump It Up operations manuals (“Manuals”).

G. You have investigated the Pump It Up franchise opportunity, had the opportunity to ask any questions of us and review any materials you may have requested, and recognize that, like any other business, the nature of the business of Pump It Up Businesses may, and probably will, evolve and change over time.

H. We are willing to grant to you the opportunity to develop and operate a Franchised Business at the Premises, subject to the terms and conditions of this Agreement.

## 2. GRANT OF FRANCHISE

A. Grant. Subject to the terms of this Agreement, we grant to you a license (“**Franchise**”) to operate the Franchised Business at the Premises and to use the System and Marks in the operation of the Franchised Business. If you have not identified and received our approval of the Premises before you sign this Agreement, the Premises will be identified and included on Exhibit 1 as described in Section 5.A.

B. Relocation. You may not operate the Franchised Business at any site other than the Premises. You may not relocate the Franchised Business without our prior written consent, which may be withheld by us at our sole discretion. We have the right to charge you for all reasonable expenses that we incur by considering your request to relocate.

C. Forms of Agreement. Over time, we have entered and will continue to enter into agreements with other franchisees that may contain provisions, conditions, and obligations that differ from those contained in this Agreement. We may modify the offer of our franchise opportunity to other franchisees in any manner and at any time, and these offers and agreements have or may have terms, conditions, and obligations that may differ from the terms, conditions, and obligations in this Agreement. The existence of different forms of agreement and the fact that we and other franchisees may have different rights and obligations does not affect or alter the duties of the parties to this Agreement to comply with the terms of this Agreement.

D. Best Efforts. At all times, you agree to perform your obligations under this Agreement faithfully, honestly, and diligently, to use your best efforts to promote the Franchised Business and the System, and to operate the Franchised Business in accordance with our System Standards.

## 3. LIMITED EXCLUSIVE RIGHTS

A. Your Protected Area. Except as limited by Section 3.B. below, and provided that you are in full compliance with this Agreement, we and our affiliates will not operate, nor license others to operate, Pump It Up Businesses in the geographic area as identified and described in Exhibit 1 (“**Protected Area**”), during the term of this Agreement. The limited exclusivity and restrictions contained in this Section 3 do not apply to Pump It Up Businesses already under construction or in operation in the Protected Area as of the date of this Agreement. If the Premises have not been approved in writing by us as of the Effective Date, your Protected Area will be determined by us after you execute a lease for the Franchised Business, or otherwise secure the Premises in a manner approved by us, and at such time the Protected Area will be attached to and incorporated into Exhibit 1. We reserve all rights in the Site Selection Area that we reserve with respect to the Protected Area.

B. Rights We Reserve. Except as expressly granted to you in Section 3.A., we and our affiliates retain all rights with respect to Pump It Up Businesses, the Marks, the sale of similar or dissimilar products and services, and any other activities we deem appropriate whenever and wherever we desire, including, but not limited to the right to: (1) operate (and license others to operate) any type of business other than a Pump It Up Business at any location inside or outside the Protected Area; (2) provide, offer and sell (and license others to provide, offer and sell) products that are identical or similar to and/or competitive with those provided at or from Pump It Up Businesses, whether identified by the Marks or other trademarks or service marks, through dissimilar distribution channels (including, without limitation, the Internet or similar electronic media) both inside and outside the Protected Area; (3) operate (and license others to operate) Pump It Up Businesses located anywhere outside the Protected Area regardless of proximity to the Franchised Business; (4) acquire the assets and/or ownership interests of one or more competing children’s

entertainment centers (“**Competing Businesses**”) and franchising, licensing or creating similar arrangements with respect to these businesses once acquired wherever these businesses (or the franchisees or licensees of these businesses) are located or operating (including in the Protected Area); (5) be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by a competitor that operates Competing Businesses, or by another business, even if such business operates, franchises and/or licenses Competing Businesses in the Protected Area; and (6) create, place, and/or distribute or authorize others to create, place and/or distribute any advertising and promotional materials, which may appear in media, or be received by prospective customers located, within the Protected Area.

#### 4. TERM

A. Initial Term. The initial term of this Agreement (“**Initial Term**”) and the Franchise granted by this Agreement will begin on the Effective Date and expire at midnight on the day preceding the 10th anniversary of the date the Franchised Business first opens for business, unless this Agreement is terminated at an earlier date pursuant to Section 19. We will complete and forward to you a notice to memorialize the date the Franchised Business first opened for business.

B. Successor Franchise Agreement. When this Agreement expires, you will have the option to request the right to remain a franchisee at the Premises for one successor term of ten years. The qualifications and conditions for the successor term are described below:

- (1) You must give us written notice of your election to remain a franchisee at the Premises no less than 12 months (“**Renewal Notice Deadline**”), nor more than 18 months, before the end of the Initial Term;
- (2) You must pay to us, by cashier’s check, EFT, or wire transfer a successor term fee (“**Successor Term Fee**”) equal to 25% of the initial franchise fee then being charged to new franchisees;
- (3) Neither you nor any of your affiliates are in default under this Agreement or any other agreements with us or our affiliates;
- (4) You must have the right to remain in possession of the Premises (or another location acceptable to us) for the successor term;
- (5) You must renovate and update the Franchised Business to reflect the then-current image and standards of Pump It Up Businesses;
- (6) We reserve the right to require you to correct any existing deficiencies of the Franchised Business or in your operation of the Franchised Business and satisfy our then-current System Standards including adding any new products or services that are then being offered in the System, meet our qualifications for new franchisees, and complete any additional certification and training requirements that apply to you, your Operating Principal, and/or your managerial personnel (which may involve the payment of training fees);

(7) You must sign, and your owners and all guarantors of your obligations under this Agreement must personally guarantee, our standard form of Franchise Agreement that we are then offering to new franchisees (or the standard form that we most recently offered, if we are not then offering to new franchisees); and

(8) You, and your owners and guarantors of your obligations under this Agreement must sign a general release (substantially similar to the form attached hereto as Exhibit E to the FDD) releasing any and all claims against us, and our affiliates, owners, officers, directors, agents and employees.

C. Automatic Renewal. If you do not properly and/or timely notify us prior to the Renewal Notice Deadline of your intent to remain or not remain a franchisee, the Franchise Agreement shall automatically renew for successive one year terms, beginning on the day after the Franchise Agreement would have expired (the “**Interim Period**”). During the Interim Period, you are obligated to pay us, in addition to all other fees set forth in this Agreement, the Interim Period Fee described in Section 7.L below. During the Interim Period, we may, in our sole discretion, terminate the Franchise Agreement, for any reason or no reason, upon sixty days’ written notice to you. The Initial Term and all renewals, including the Interim Period, shall be referred to as the “**Term**.” Unless we provide you with notice of termination of the Interim Period, you must provide us with notice of non-renewal at least nine months prior to the beginning of the next Interim Period to avoid automatic renewal for another Interim Period.

## 5. DEVELOPMENT PROCEDURES

### A. Site Selection

(1) This Section 5.A. will not be applicable if the Premises have been approved in writing by us as of the Effective Date.

(2) If the Premises have not been designated as of the Effective Date, you will select a site from within an area that we identify in Exhibit 1 (“**Site Selection Area**”). Within 12 months after the Effective Date (“**Site Approval Period**”), you must obtain our written approval of a site that is located in the Site Selection Area and execute a lease or purchase contract (or otherwise secure) for an approved site for the Franchised Business. We, in our sole discretion, reserve the right to change the Site Selection Area. Provided that you are in full compliance with this Agreement, we and our affiliates will not operate, or license others to operate, Pump It Up Businesses in the Site Selection Area during the Site Approval Period. We reserve all rights in the Site Selection Area that we reserve with respect to the Protected Area as described in Section 3.A. The limited exclusivity described in Section 3.A. and restrictions contained in this Section 5.A. shall not apply to Pump It Up Businesses already under construction or in operation in the Site Selection Area as of the date of this Agreement. When you sign a lease or purchase contract for (or otherwise secure) the approved site for the Franchised Business, any limited rights you had with respect to the Site Selection Area will be deemed extinguished.

(3) You assume all cost, liability and expense for locating, obtaining and developing a site for the Franchised Business, and for constructing and equipping the Franchised Business in accordance with our System Standards for an approved site. We will assist you in your site selection by providing you with our site selection guidelines and criteria (which may include population density and other demographic characteristics, visibility, traffic flow, competition, accessibility, parking, size, and other physical and commercial characteristics), and sources to obtain demographic information on proposed sites. You must

obtain our written approval of the site before you make any binding commitments related to the site. If you have not presented to us an approvable site during the Site Approval Period, we may, in our sole discretion, terminate this Agreement pursuant to Section 19.

(4) You are responsible for selecting the site for your Franchised Business. This may involve the hiring of and payment to a local real estate broker to assist you in your selection process. You acknowledge and agree that our approval of a site does not constitute a representation or warranty of any kind, express or implied, of the site's suitability for a Pump It Up Business or any other purpose. Our approval indicates only that we believe that the site meets our then-current site selection criteria. Applying criteria that have appeared effective with other sites might not accurately reflect the potential for all sites, and demographic and/or other factors included in or excluded from our criteria could change, altering the potential of a site. The uncertainty and instability of these criteria are beyond our control, and we are not responsible if a site we approve fails to meet your expectations. You acknowledge and agree that: (a) your submission of a proposed site for our acceptance is based on your own independent investigation of the site's suitability for the Franchised Business; and (b) our site-selection assistance is primarily for our benefit to assure us that we will have a minimally acceptable site upon the expiration or termination of this Agreement.

(5) We anticipate that in the event you are leasing the Premises, the real estate brokerage commissions will be paid by your landlord. If your landlord will not or does not pay the applicable commission due to your real estate broker, you may be obligated to pay the brokers the entire commission.

(6) You must submit to us, in the form that we specify, a completed site evaluation package containing a scalable "As-Built" floor plan copy of the existing site plan, photographs, demographic information, financial information, and such other information and materials as we may reasonably require, together with an option contract, letter of intent, or other evidence satisfactory to us which confirms your favorable prospects for obtaining an ownership or leasehold interest in the site.

(7) Within 30 days after we receive the detailed site evaluation package, we may, but are not obligated to, conduct an on-site evaluation of the proposed site. You must reimburse us for all travel, living and other expenses we incur in conducting any on-site evaluations of your proposed site. We reserve the right to charge a fee for the first on-site evaluation that we conduct for a particular Franchised Business. For any additional on-site evaluations with respect to the same Franchised Business, we reserve the right to charge, in addition to our travel expenses, our then-current site evaluation fee.

(8) We will use reasonable efforts to approve or disapprove the proposed site within 30 days after your submission of the complete site evaluation package. If we do not approve the proposed site in writing in this time period, we will be deemed to have rejected the site. Our approval or rejection of a site may be subject to reasonable conditions as we determine in our sole discretion. Upon our approval of a site, and after you secure the site, we will insert its address into Exhibit 1, and it will be the Premises.

(9) You must complete construction or build out of the Franchised Business, including all exterior and interior carpentry, electrical, painting and finishing work and installation of all the fixtures, equipment and signs, and open for business to the general public by the earlier of: (i) six months after the date of that you execute a lease agreement or otherwise secure a Premises for the Franchised Business; and (ii) 18 months from the Effective Date of this Agreement. We and our agents shall have the right to inspect the construction at all reasonable times. The construction or build out of the Franchised Business must be



done at your own expense, in accordance with the site layout and plans and specifications, and in accordance with the terms of your lease for the location.

B. Lease of Premises

(1) If you propose to lease or sublease the Premises for the Franchised Business, you must provide us with a copy of the fully-executed lease or sublease (“**Lease**”) for the Premises within 10 days after you execute a lease for the site of the Franchised Business. The Lease must not contain any covenants or other obligations that would prevent you from performing your obligations under this Agreement. Unless waived in writing by us, any Lease must contain provisions that satisfy the following requirements during the entire term of the Lease, including any renewal terms:

(a) The initial term of the Lease must be no less than ten years. If you present a lease to us and the term of that lease agreement is less than ten years, we may reject the site and/or the lease agreement.

(b) The landlord consents to your use of the proprietary signs and the Marks prescribed by us, and upon the expiration or earlier termination of the Lease, consents to permit you, at your expense, to remove all such items, so long as you make repairs to the Premises caused by such removal.

(c) The landlord agrees to provide us (at the same time sent to you) a copy of all amendments, assignments and notices of default pertaining to the Lease and the Premises.

(d) We reserve the right to enter the Premises to make any modifications or alterations necessary to protect the System and the Marks, to cure, within the time periods provided by the Lease, any default under the Lease, all without being guilty of trespass or other tort, and to charge you for any related costs.

(e) The landlord agrees that you will be solely responsible for all obligations, debts and payments under the Lease.

(f) The landlord agrees that, following the expiration or earlier termination of this Agreement, you will have the right to make those alterations and modifications to the Premises as may be necessary to clearly distinguish to the public the Premises from a Pump It Up Business and also make those specific additional changes as we reasonably may request for that purpose. The landlord also agrees that, if you fail to make these alterations and modifications within 10 days after the expiration or earlier termination of this Agreement, we will have the right to do so without being guilty of trespass or other tort so long as we make repairs to the Premises caused by such removal.

(g) The landlord agrees not to amend or otherwise modify the Lease in any manner that would affect any of the foregoing requirements without our prior written consent, which consent will not be unreasonably withheld.

(h) You may assign the lease to us or our designee with the landlord's consent (which consent will not be unreasonably withheld) and without payment of any assignment fee or similar charge or increase in any rentals payable to the landlord.

(i) The landlord agrees to consent to your collaterally assigning the lease to us or our designee, granting us the option, but not the obligation, to assume the lease from the date we take possession of the Premises, without payment of any assignment fee or similar charge or increase in any rentals payable to the landlord. Our current form of Collateral Assignment of Lease is attached to this Agreement as Exhibit 2.

(2) You acknowledge that our review of the Lease is not a guarantee or warranty, express or implied, of the success or profitability of a Pump It Up Business operated at the Premises. Our review will indicate only whether we believe that the terms of the Lease meet our then-acceptable criteria.

## 6. CONSTRUCTION OF THE FRANCHISED BUSINESS

### A. Construction Plans

(1) You are responsible for developing the Franchised Business. We will provide to you mandatory and suggested specifications and layouts for a Pump It Up Business, including requirements for dimensions, design, image, interior layout, décor, fixtures, equipment, signs, furnishings, and color scheme. We may also provide you with suggested architectural drawings. You acknowledge that the layouts and drawings are proprietary to us. These specifications and layouts might not reflect the requirements of any federal, state, or local law, code, or regulation, including those arising under the Americans with Disabilities Act ("ADA") or similar rules governing public accommodations for persons with disabilities. It is your responsibility to prepare a site survey and all required construction plans and specifications to suit the Premises and to make sure that these plans and specifications comply with the ADA and similar rules governing public accommodations for persons with disabilities, other applicable ordinances, building codes, permit requirements, and Lease requirements and restrictions.

(2) You must retain an architect licensed in your state to develop construction drawings of your Pump It Up Business. Required stamped drawings include architectural, mechanical, plumbing and electrical plans. In addition, you must obtain structural and fire protection and any other plans as may be required by your state and local agencies.

(3) You agree to send to us, upon our request, construction plans, specifications and/or other plans for our review before you begin constructing the Franchised Business, and all revised or "as built" plans and specifications during construction. We reserve the right to visit and inspect the Premises during construction to confirm your compliance with your obligations described in this section.

B. Development of the Franchised Business. You agree to do the following, at your own expense, to develop the Franchised Business at the Premises:

- (1) secure all financing and/or funding required to develop and operate the Franchised Business;
- (2) procure insurance coverage for your activities under this Agreement as required by Section 12.L. and the Manuals;

- (3) obtain all required building, utility, sign, health, sanitation, occupancy, business, and other permits and licenses;
- (4) construct all required improvements to the Premises and furnish and decorate the Franchised Business according to our approved plans and specifications;
- (5) obtain all customary contractors' sworn statements and partial and final waivers of lien for construction, remodeling, decorating, and installation services;
- (6) purchase or lease from PIU Vendors all required fixtures, furniture, equipment and interior and exterior signs, and install the same; and
- (7) purchase from PIU Vendors an opening inventory of authorized and approved products, materials, and supplies necessary to commence operations at the Franchised Business.
- (8) If you build any portion of the Franchised Business outside of our specifications without receiving our prior written consent, we will have the right to delay the opening of the Franchised Business until you, at your sole expense, bring the Franchised Business into full compliance with our specifications.

C. Start Up Package. Prior to opening your Franchised Business, PIU will supply you a list of start up items that includes products and services that must be purchased from PIU Vendors (defined below in Section 12.B). These items make up the "**Start Up Package.**" The products, which account for the majority of the cost of the Start Up Package, include furniture, fixtures, equipment, inventory, marketing materials, graphics package, supplies, and certain intangible services which include, without limitation, consultation and training related to the opening of your Franchised Business. You must pay any applicable state sales taxes on the products included in the Start Up Package and all shipping costs, which may vary based on your location. You will purchase a Start Up Package for each Pump It Up Business that you open. PIU may change any item or the quantity of any item in the Start Up Package from time to time. You must pay the invoiced amount of the Start Up Package to us or the PIU Vendors along with any applicable taxes no later than 15 days after the signing of your lease and prior to attending our initial training program as described in Section 11. You may be required to purchase additional items and/or furniture that are not part of our standard Start Up Package.

**D. Opening the Franchised Business.**

- (1) No later than 12 months from the Effective Date of this Agreement, you shall execute a lease agreement or otherwise secure the Premises for your Franchised Business.
- (2) Subject to your compliance with the conditions set forth in this Section 6 and the rights granted to you pursuant to Section 7.A(2), or as we may otherwise approve, you agree to open the Franchised Business by the earlier of: (i) six months from the date of that you execute a lease agreement or otherwise secures a Premises for the Franchised Business; and (ii) 18 months from the Effective Date of this Agreement.

(3) We will not authorize the opening of the Franchised Business unless all of the following conditions have been met:

(a) We are satisfied that the Franchised Business was constructed and/or renovated and equipped substantially in accordance with our standards and specifications;

(b) You have hired and trained staff as required by Section 11;

(c) You have received a certificate of occupancy and all required state and local certifications, permits, and licenses necessary for the operation of a Pump It Up Business, including licenses and certifications for your staff and other personnel;

(d) You (or your Operating Principal as defined in Section 14.D.) and your management personnel have satisfactorily completed our initial training program;

(e) You have paid the Initial Franchise Fee (as defined in Section 7.A.) and any other amounts then due to us;

(f) You have signed all agreements required prior to opening, including, but not limited to, the Lease, the electronic funds transfer documents described in Section 7.M.(2), and any software license agreement(s);

(g) Neither you nor any of your affiliates are in default under or in violation of any agreements with us, any of our affiliates or any PIU Vendors; and

(h) You have provided to us copies of certificates for all insurance policies required by Section 12.L. or such other evidence of insurance coverage and payment of premiums as we reasonably may request.

## 7. FEES

### A. Initial Franchise Fee.

(1) At the same time that you sign this Agreement, you must pay us an initial franchise fee, in the amount set forth in Exhibit 1 (“**Initial Franchise Fee**”). This fee is due, and fully earned by us, when you sign this Agreement.

(2) We may refund up to 50% of the Initial Franchise Fee you actually paid to us if, after making a good faith effort as determined by us in our reasonable discretion, you:

(a) within one year of the Effective Date of the Franchise Agreement: (i) are unable to sign a lease agreement or real estate purchase agreement for a Premises to operate your Franchised Business; or (ii) to secure lender financing for the development and operation of your Franchised Business; and

- (b) you provide us with written notice of your request for a refund prior to the one year anniversary of the Franchise Agreement; and
- (c) you execute a voluntary termination agreement and general release with us (See Exhibit E to the Franchise Disclosure Document).

(3) If you are an honorably discharged United States military veteran, we will discount the Initial Franchise Fee for your first Franchised Business by 25%.

B. Ongoing Royalty Fee. You agree to pay us a nonrefundable and continuing royalty fee for the right to use the System and the Marks (“**Royalty**”) in the amount of 6% of the Gross Revenues of the Franchised Business. You must transmit the Royalty to us in the manner we specify in the Manuals (which may include, as provided for in Section 7.B. an automatic, electronic debit of funds).

C. Definition of “Gross Revenues”. As used in this Agreement, the term “**Gross Revenues**” means all revenue that you derive from operating the Franchised Business, including, but not limited to, all services and products sold, all video game machine and vending machine proceeds and all amounts that you receive at or away from the Premises, and whether from cash, check, credit and debit card, barter, exchange, trade credit, third-party coupon partners, or other credit transactions. Gross Revenues will exclude: (i) all federal, state, or municipal sales, use, or service taxes collected from customers and paid to the appropriate taxing authority and will be reduced by the amount of any documented refunds, credits, allowances, and charge-backs provided to customers in good faith; and (ii) any documented contributions (up to a maximum amount set by us) you make to an approved not-for-profit organization in conjunction with a PIU-approved charitable event.

D. Advertising Contributions and Expenses. You will spend and/or contribute for advertising the amount we specify. The exact amount of the advertising dollars you must spend and contributions you must make to our Brand Fund (as defined in Section 9.B.) are set forth in Section 9.

E. Late Payment Fee. We may charge a late report fee in the amount of \$65 for each day that any payment required by Section 7 is late. We will electronically debit your business checking account automatically for any late payment fee.

F. Help Desk Support Fee. We may impose a Help Desk Support Fee upon you in exchange for telephone, web-based, or other support services that we provide. The Help Desk Support Fee, if any, will be detailed in the Manuals.

G. Application Service Provider (ASP) Fee. If we perform repair services or retain a third- party application service provider to provide some or all of the service and support for your benefit or for the benefit of all Pump It Up Franchised Businesses, you will pay a service or ASP hosting fee to us or to our third-party provider. The ASP Fees, if any, will be detailed in the Manuals.

H. Site Evaluation Fee. If we evaluate the proposed location for your Franchised Business on-site, you will pay us a Site Evaluation Fee equal to \$500 per person per day. In addition to the Site Evaluation Fee, you must also pay our travel, living and other expenses for all site evaluations. The Site Evaluation Fee and all related expenses must be paid to us within five days of your receipt of an invoice reflecting our work in performing such services for you.

I. New Product and Supplier Evaluation Fee. If you propose to utilize a new product or new supplier of products that we have not previously used in the System, we may charge you an amount not to exceed the reasonable cost of the inspection (including the actual cost of any test performed) for our review and confirmation that the new product, equipment, materials, supplies or services comply with our System Standards. You must pay us the New Product and Supplier Evaluation Fee even if we prohibit your use of the proposed new product or supplier.

J. Interest. All amounts which you owe us for any reason will bear interest accruing as of their original due date at 1.5% per month or the highest commercial contract interest rate the law allows, whichever is less. We may electronically debit your business checking account automatically for any past- due amounts and interest. You acknowledge that this Section 7 is not an agreement to accept any payments after they are due or a commitment to extend credit to, or otherwise finance your operation of, the Franchised Business.

K. Partial Payments. No payment by you or acceptance by us of any monies under this Agreement for an amount less than what is due will be treated as anything other than a partial payment on account. Notwithstanding any designation by you, we have the sole discretion to apply any payments by you to any of your past-due indebtedness to us.

L. Interim Period Fee. If your Franchise Agreement has expired and (1) you have not timely executed a Successor Franchise Agreement; and (2) you continue to operate your Franchised Business after the expiration date, you will pay us, in addition to the Royalty and other fees detailed in Section 7, an Interim Period Fee equal to 1% of Gross Revenues. You must pay the Interim Period Fee in the same manner and at the same time as your Royalty payment. Your payment of the Interim Period Fee is not our exclusive remedy and shall not preclude any and all available legal remedies available to us pursuant to this Agreement.

M. Method of Payment.

(1) You must comply with all of our payment policies, procedures, and requirements, as described in the Manuals. Within 7 days after the end of each calendar month, you can view a report in our proprietary POPS System detailing the amount of Gross Revenues from the Franchised Business during the prior month, and you must pay the Royalty and Brand Fund contributions required by Sections 7.B. and 9.C. applicable to Gross Revenues for the prior month.

(2) You must sign and deliver to us all documents we require to authorize us to electronically debit your business checking account automatically for the Royalty, Brand Fund contributions and other amounts due under this Agreement and for your purchases from us and/or our affiliates (“**Electronic Depository Transfer Account**” or “**EDTA**”). Our current form of EDTA documents are attached as Exhibit 3. We will debit the EDTA for the amounts due under the Agreement on their due dates. You agree to ensure that funds are available in the EDTA to cover our withdrawals. We may require you to pay any amounts due under this Agreement or otherwise by means other than automatic, electronic debit (e.g., by check) whenever we deem appropriate, and you agree to comply with our payment instructions. If we supply products to you, we may require pre-payment or COD depending on our then-current policies and your payment history with us.

(3) If we determine that you have failed to correctly report the Gross Revenues of the Franchised Business via the POPS System, we may debit your EDTA for 120% of the highest monthly Royalty and Brand Fund contribution that we previously debited from your EDTA. Once we determine the amount you actually owe to us, we will debit the EDTA the difference, or we will apply a credit towards your next month’s Royalty.

(4) All other fees payable to us pursuant to this Agreement shall be paid by electronic debit from your EDTA as due.

## 8. RECORDKEEPING AND REPORTS

A. Recordkeeping. You must create, keep and maintain, in accordance with any procedures that we prescribe in the Manuals or otherwise, complete and accurate books and records pertaining to the Franchised Business which contain sufficient information to fully report to us. We reserve the right to require that you maintain a fiscal year different from the calendar year and that is consistent with our fiscal year. You agree to use computerized cash and data capture and retrieval systems that meet our specifications and to record electronically all sales at or from the Franchised Business. You must use our then-current franchise management software system for maintaining customer records for the Franchised Business

B. Reports and Financial Statements. You must submit to us, in the form prescribed by us, financial and operational reports and records at the times and in the manner specified in the Manuals. You also must submit to us, in the form prescribed by us, a profit and loss statement and balance sheet for the Franchised Business within 60 days after the end of each fiscal year (as defined by us from time to time). You must sign each report attesting that it is true, correct and complete and, with respect to the profit and loss statement, uses accounting principles applied on a consistent basis which accurately and completely reflect your financial condition. All reports and financial statements must be done at your own expense. We may disclose data derived from your reports. If you send us a written request or if required by law, we will not disclose your identity in any materials that we circulate publicly. If, in our reasonable judgment, your reports are deficient in substance or presentation, we may require that you submit to us year-end financial statements prepared by an independent accountant and/or copies of your federal, state and local income tax returns.

C. Public Filings. If you are or become a publicly-held entity in accordance with other provisions of this Agreement, you must, at your own expense, submit to us copies of all reports (including responses to comment letters) or schedules that you may file with the U.S. Securities and Exchange Commission (certified by your chief executive officer to be true, correct, complete and accurate) and copies of any press releases you may issue, within 3 days of the filing of those reports or schedules or the issuance of those releases.

D. Our Right to Audit.

(1) We have the right at all reasonable times, both during and after the term of this Agreement, to inspect, copy and audit your books, records, sales and income tax records and returns, and such other forms, reports, records, information and data as we reasonably may designate, applicable to the operation of the Franchised Business. If any inspection or audit discloses an understatement of Gross Revenues of the Franchised Business, you agree to pay to us, within 10 days after receiving the inspection or audit report, the Royalty and Brand Fund contributions due on the amount of the understatement, plus any interest on the understated amounts from the date originally due until the date of payment. If any inspection or audit discloses that you have not expended 2% or more of your Gross Revenues or \$12,000 annually, whichever is greater, on Local Store Marketing in the past calendar year, we may require you to contribute to the Brand Fund any amounts that you would have expended to reach the local advertising expectation within 30 days after completion of our audit of your Franchised Business. If an examination is necessary due to your failure to furnish reports, supporting records, or other information as required, or to furnish these items on a timely basis, or if our examination reveals an understatement of your Royalty or Brand Fund contribution (when a percentage of Gross Revenues is required) that exceeds 2% of the amount that you actually reported to us for the period examined, then: (a) you must reimburse us for the costs of the

examination, including, without limitation, the charges of attorneys and independent accountants and the travel expenses, room and board, and compensation of our employees; and (b) we may require you to provide us with periodic audited statements on a going-forward basis. If our examination reveals an understatement of the Gross Revenues of the Franchised Business for any period by 2% or more on three or more occasions during any 3-year period, or by more than 5% on any one occasion, then in addition to or in the place of your obligations in subsection (a) above, we may immediately terminate this Agreement. These remedies are in addition to our other remedies and rights under this Agreement and applicable law.

(2) If you fail to timely give us the records, reports and other information required by this Agreement or, upon our request, copies of the same, we or our designee will have access at all reasonable times (and as often as necessary) to your books and for the purpose, among other things, of preparing the required records, reports and other information. You promptly will reimburse us or our designee for all costs and expenses associated with our obtaining and/or preparing such records, reports or other information.

## 9. **MARKETING**

A. Marketing Contributions and Expenditures. During the Term, you must: (1) contribute to the Brand Fund pursuant Section 9.B.; (2) make required Local Store Marketing expenditures pursuant to Section 9.C; and (3) contribute to the Regional Co-op Fund if a Regional Co-op Fund has been established in the Designated Market Area (“DMA”) in which your Franchised Business is located, pursuant to Section 9.D. We have the right to periodically re-allocate and/or increase the amount you must contribute to the Brand Fund and the amount you are expected to spend for Local Store Marketing (and the Regional Co-op Fund, if applicable), however, we will not increase your total marketing contributions, inclusive of expected local store marketing expenditures, above 6% of Gross Revenues. These marketing contributions are in addition to the Royalties due under this Agreement.

### B. Brand Fund.

(1) We have established an advertising and marketing fund (“**Brand Fund**”) for the enhancement and protection of the System and the Marks, and for the development of advertising, marketing, and public relations programs and materials as we deem appropriate. As of the Effective Date, you must contribute 2% of the Gross Revenues of the Franchised Business per month to the Brand Fund. We may increase your monthly contribution to the Brand Fund to an amount not to exceed 3% of the Gross Revenues of the Franchised Business, and you must pay the Brand Fund contribution in the same manner as the Royalty. Pump It Up Businesses operated by us and our affiliates also will contribute to the Brand Fund on the same basis as comparable franchisees. From time to time, we or our vendors may deposit into the Brand Fund any rebates or similar allowances paid to us by our vendors although we have no obligation to do so.

(2) We have sole discretion to use the Brand Fund, and the monies in the Brand Fund, for any purpose that we believe will enhance and protect the System and Marks and/or that we believe will improve and increase public recognition and perception of the System and Marks. We will direct (or hire a third party to direct) all programs that the Brand Fund finances, and we will have sole control over the creative concepts, materials, and endorsements used and their geographic, market, and media placement, allocation and coverage (which may be national, regional or local). You may be required to participate in advertising, marketing, social media, promotions, research and public relations programs and national cause marketing partner program events instituted by us or the Brand Fund. Among the programs, concepts, and expenditures for which we may utilize the Brand Fund monies are: (a) creative development and production of print ads, electronic media, commercials, radio spots, point of purchase materials, direct mail pieces, door hangers, and



other advertising and promotional materials; (b) creative development, preparation, production and placement of video, audio, and written materials and electronic media; (c) media placement and buying, including all associated expenses and fees; (d) administering regional and multi-regional marketing and advertising programs; (e) market research and customer satisfaction surveys, including the use of secret shoppers; (f) the creative development of, and actual production associated with, premium items, giveaways, promotions, contests, public relation events, and charitable or nonprofit events; (g) creative development of new program offerings for Pump It Up Businesses; (h) creative development of signage, posters, and individual Pump It Up Business décor items including wall graphics; (i) recognition and awards events and programs; (j) system recognition events, including periodic national and regional conventions and meetings; (k) Website, extranet and/or intranet development and maintenance (in this Agreement, “**Website**” means an interactive electronic document contained in a network of computers linked by communications software, including, without limitation, the internet and World Wide Web home pages); (l) development, implementation, and maintenance of an electronic commerce Website and reservation system and/or related strategies; (m) retention and payment of advertising and promotional agencies and other outside advisors including retainer and management fees; (n) social media platform development and management; (o) public relations and community involvement activities and programs; (p) expenses of the Franchise Advisory Council; (q) search engine optimization and other similar online and/or social media engagement tools; and (r) any other purposes deemed beneficial to the Pump It Up System by us.

(3) We will account for the Brand Fund separately from our other funds, however, we are not required to segregate any Brand Fund monies from our other monies. We will not use the Brand Fund for any of our general operating expenses. We and our affiliates may be reimbursed by the Brand Fund for administrative expenses directly related to the Brand Fund’s marketing programs, including without limitation, conducting market research, preparing advertising and marketing materials, and collecting and accounting for contributions to the Brand Fund. We may use the Brand Fund to pay the administrative costs of the Brand Fund including managing the advertising, marketing, and promotional programs and payment of outside vendors utilized by the Brand Fund, and we may use the Brand Fund to pay the reasonable salaries and benefits of personnel (including our personnel and our affiliates’ personnel) who manage and administer the Brand Fund. We may use the Brand Fund to pay for other administrative costs, travel expenses of personnel while they are on Brand Fund business, meeting costs, overhead relating to Brand Fund business, and other expenses that we incur in activities reasonably related to administering or directing the Brand Fund and its programs.

(4) The Brand Fund is not our asset. Although the Brand Fund is not a trust, we will hold all Brand Fund contributions for the benefit of the System and use contributions only for the purposes described in this Section 9.B. We do not owe any fiduciary obligation to you for administering the Brand Fund or for any other reason. In any fiscal year, the Brand Fund may spend more or less than the total Brand Fund contributions in that year, borrow from us or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. We will use all interest earned on Brand Fund contributions to pay for the administrative costs of the Brand Fund before using the Brand Fund’s other assets.

(5) We will prepare an annual, unaudited statement of the Brand Fund’s collections and expenses within 90 days after our fiscal year end. The statement is available for your review upon written request. We may have the Brand Fund audited annually, at the Brand Fund’s expense, by an independent certified public accountant. We may incorporate the Brand Fund or operate it through a separate entity whenever we deem appropriate. The successor entity will have all of the rights and duties specified in this Section 9.B.

(6) We intend the Brand Fund to maximize and enhance public, franchisee, and employee recognition of the System and the Marks. Although we may use the Brand Fund, or portions of the monies in the Brand Fund, to create, develop, use and/or place advertising and promotional marketing materials and programs, and we may try to engage in brand enhancement activities that will benefit all Pump It Up Businesses, we cannot and do not ensure that Brand Fund expenditures will be made in or affecting any particular geographic area, or will be proportionate or equivalent to Brand Fund contributions by Pump It Up Businesses operating in that geographic area. We do not guarantee or assure that you, your Franchised Business or any Pump It Up Business will benefit directly or in proportion to your Brand Fund contribution from the brand enhancement activities of the Brand Fund or the development of advertising and marketing materials or the placement of advertising and marketing.

(7) We have the right, but not the obligation, to use collection agents and institute legal proceedings to collect overdue or outstanding Brand Fund contributions at the Brand Fund's expense. We also may forgive, waive, settle, and compromise all claims by or against the Brand Fund. We assume no direct or indirect liability or obligation to you for collecting amounts due to the Brand Fund. We have the sole right to enforce the obligations of franchisees who contribute to the Brand Fund, and neither you nor any other franchisees who contribute to the Brand Fund will be deemed a third-party beneficiary with respect to the Brand Fund obligations of other franchisees or have any right to enforce the obligation of any franchisee to contribute to the Brand Fund.

(8) We may at any time defer or reduce contributions of a Pump It Up Business franchisee to the Brand Fund and, upon 30 days prior written notice to you, reduce or suspend Brand Fund contributions and operations for one or more periods of any length and terminate (and, if terminated, subsequently reinstate) the Brand Fund. If we terminate the Brand Fund, we will spend all monies in the fund for advertising and/or promotional purposes or distribute all unspent monies to our franchisees, and to us and our affiliates, in proportion to their, and our, respective Brand Fund contributions during the preceding 12-month period.

### C. Local Store Marketing.

(1) Attracting customers for your Franchised Business will require you to make consistent marketing efforts in your community through various methods, including media advertising, electronic advertising, direct mail advertising, and display and use of in-store promotional materials. As a result, you should develop, on an annual basis, a marketing plan for the Franchised Business and your Protected Area ("**Marketing Plan**"). You should comply with all requirements regarding the Marketing Plan, including use of appropriate advertising and marketing materials, placement and purchase of advertising and marketing materials and media, participation in and use of approved online social media networks and tools, and compliance with all recommended promotional recommendations and guidelines. After opening your Franchised Business, in addition to your Brand Fund contribution, you are expected to spend for advertising and marketing in your Protected Area ("**Local Store Marketing**") the greater of \$12,000 or 2% of the Gross Revenues of the Franchised Business (which amount may be modified by us from time to time in accordance with Section 9.B.). You must begin conducting Local Store Marketing no later than when you open the Franchised Business. We have the right to review all documents applicable to the marketing of the Franchised Business. We reserve the right to audit your Franchised Business pursuant to Sections 8(d)(1) and 8(d)(2) above if we believe, in our sole discretion, that you have not expended an adequate amount of money on Local Store Marketing. If our audit reveals that you are not contributing, or have not contributed previously, the requisite amount, you may be required to repay us the costs and expenses incurred in auditing your Franchised Business. In addition, if you fail to expend the expected amount, then you may be required

to contribute to the Brand Fund any amounts that you should have expended to reach the local advertising requirement. If we determine, in our sole discretion, that your Local Store Marketing efforts do not adequately or properly promote the Franchised Business and the System as a whole, we reserve the right to either require you to undertake specific marketing initiatives or to undertake such initiatives (as we direct and paid for by you) on your behalf, and you must reimburse us for the costs and expenses related to such, including a reasonable fee for our time related to such efforts. All payments and/or actions due under this Section 9.C.(1) must be done within 30 days after completion of our audit of your Franchised Business.

(2) Your local marketing and promotion must follow our guidelines, which may include, among other things, requirements for, or restrictions regarding, the use of the Marks and notices of our Website's domain name in the manner we designate. We may specify third parties for you to use for the design and development of your local marketing and promotional materials, and you will be required to pay those third parties for their services without any offset to your required Local Store Marketing expenditures. We may require you to participate in company marketing initiatives including utilization of certain social media platforms (see Section 9.C.(5) below) including but not limited to Facebook, Twitter, Yelp, and Pinterest. Your use (as well as the use of your employees in conjunction with their employment or involving the marks or facilities) of any social media platforms should be consistent with our guidelines for use of social media that we will provide you in the Manuals and in other writing that we may amend from time to time. You may not develop, maintain, or authorize any Website that mentions or describes you or the Franchised Business or displays any of the Marks without our prior express written consent. Your advertising, promotion, and marketing must be completely clear, factual, and not misleading, and conform to both the highest standards of ethical advertising and marketing and the advertising and marketing policies that we prescribe from time to time. You may not use direct advertising and marketing to customers located in the protected area of another Pump It Up Business franchisee. If you have a Protected Area, you may only use direct advertising and marketing or utilize applicable social media platforms directed at customers located within your Protected Area.

(3) You may purchase local advertising and promotional materials from us or any source that is consistent with System Standards. Periodically, we may provide to you samples of advertising, marketing, and promotional formats and materials at no cost. If you purchase marketing materials from a source other than us or our affiliates, these materials must comply with federal and local laws and regulations and with the guidelines for advertising and promotion promulgated from time to time by us and otherwise be compliant with System Standards. To the extent that we learn of any materials that are not compliant with the obligations set forth herein, we reserve the right to prohibit you from using such materials or language in any advertising and promotion.

(4) Your advertising and promotional materials may not contain any statement or material which, in our sole discretion, may be considered: (a) in bad taste or offensive to the public or to any group of persons; (b) defamatory or an attack on any competitor; (c) to infringe upon the use, without permission, of any other trade name, trademark, service mark or identification; or (d) inconsistent with our public image or that of the System. You acknowledge and agree that any and all copyright in and to advertising and promotional materials developed by you or on your behalf will be our sole property, and you must execute such documents (and, if necessary, require your independent contractors to execute such documents) as may be deemed reasonably necessary by us to give effect to this provision.

(5) You must actively participate in all marketing and advertising programs designated by us or the Brand Fund including social media programs (e.g., Facebook, Twitter, Instagram, and any other platforms as they are developed from time to time) and comply with all guidelines set forth by us regarding the use of

these programs as set forth in the Manuals. We reserve the right to set up social media accounts and other similar accounts for you 60 days prior to the opening of your Pump It Up Franchised Business to assist in the initial promotion of your Pump It Up Business. You must identify us as the primary administrator and provide us with primary administration rights for any social media or digital marketing accounts (such as Groupon, Living Social, Amazon Local or other similar digital marketing platforms) that you create in conjunction with your Franchised Business. We will grant you administrator rights to social media accounts that we create which are associated with your Pump It Up Franchised Business. You must ensure that your employees are aware of our social media policies and comply with such policies, as outlined in the Manuals or otherwise in writing by us.

(6) We reserve the right to organize and schedule national promotions (“National Promotions”). We will communicate the National Promotions to you prior to initiating them. National Promotions may include, but are not limited to, charity events, price promotions (e.g., limited time deals and offers), and business segment drivers (Open Jump, Open Bounce, Camps, etc.). We reserve the right to require you to participate in all National Promotions. To the extent so required, such participation may require you, at a minimum, to display/utilize related marketing materials at your Pump It Up Franchised Business, to advertise the National Promotions with through email and other medium, and to promote all National Promotions on local website(s) and through social media platforms.

D. Regional Co-op Fund.

(1) We may, in our sole discretion, establish a regional advertising cooperative (“**Regional Co-op Fund**”) in any DMA. The Regional Co-op Fund shall be organized and governed in a form and manner and shall commence operations on a specified date, approved in advance by us in writing. If we choose to do so, we may prepare bylaws to be used by the Regional Co-op Fund and may require the Regional Co-op Fund to incorporate. Once a Regional Co-op Fund is established in a DMA in which the Franchised Business is located, you shall become a member of such Regional Co-op Fund and are required to contribute to the Regional Co-op Fund such amounts as determined by its members no later than 30 days after the date on which the Regional Co-op Fund commences operation. You will not be required to be a member of more than one Regional Co-op Fund with respect to the Franchised Business. You shall submit your Co-op contribution to the Regional Co-op Fund monthly, together with such statements or reports as may be required by us (or by the Regional Co-op Fund with our prior written approval). Monies in the Regional Co-op Fund may be spent for the purposes determined by a majority vote of the Regional Co-op Fund.

(2) Each Regional Co-op Fund shall be organized, if at all, for the exclusive purpose of administering regional marketing programs and developing, subject to our approval, standardized promotional materials for use by its members in local advertising. All advertising and marketing shall be submitted to us prior to first use as provided in Section 9.C.(3), and shall adhere to the standards set forth in Section 9.C.(4).

(3) We shall be a member of all Regional Co-op Funds and are entitled to attend and fully participate in Regional Co-op Fund meetings; however, we shall not have a vote unless we or our affiliates operate a Pump It Up Business in the area covered by the Regional Co-op Fund. If the members of the Regional Co-op are unable or fail to determine the manner in which Regional Co-op Fund monies should be spent, we may assume this decision-making authority following 10 days’ advance written notice to the members of the Regional Co-op Fund. We, or our designee, may grant to any franchisee an exemption for any length of time from the requirement of membership in any Regional Co-op Fund, upon written request of such a franchisee stating reasons supporting an exemption. Decisions regarding a request for exemption shall be final, and are made in our sole discretion. We or our designee shall have the right to terminate (and

subsequently restart) any Regional Co-op Fund. Upon termination, all monies in that Regional Co-op Fund shall be spent for advertising and/or promotional purposes.

## 10. MANUALS

A. During the Term, we e will allow you access to our Manuals in the medium we decide (the “**Manuals**”). The Manuals consist of such materials (including, as applicable, audiotapes, videotapes, magnetic media, computer software, written materials, online documentation, recorded virtual webinars, live webinars) that we generally furnish to franchisees from time to time for use in operating a Pump It Up Business. The Manuals contain mandatory and suggested specifications, best practices, standards, operating procedures, general guidance, ongoing advice, and consultation, including our System Standards, that we prescribe or recommend from time to time for the operation of a Pump It Up Business and information relating to your other obligations under this Agreement and related agreements. You agree to follow the standards, specifications and operating procedures we establish periodically for the Pump It Up System that are described in the Manuals and in any other written communications we provide to you. You understand that our System Standards may regulate (to the extent allowed by law) maximum, minimum and other pricing requirements for the services and products your Pump It Up Business sells. You further agree and understand that the System Standards, the standards described in this Agreement, and the other standards described in the Manuals exist to protect our interest in the Pump It Up franchise system and the Marks, and are not for the purpose of establishing control or any duty to take control over any matters that are reserved to you, such as the day-to-day operation of your Franchised Business and the management of your employees.

B. We reserve the right to make the Manuals accessible to you solely electronically via computer systems or in any other electronic format. The Manuals may be modified, updated and revised from time to time to reflect changes in System Standards. You shall implement all relevant updates and amendments to the Manuals or System Standards as described in newsletters or notices we distribute, including via computer systems. You must maintain the Manuals as secret and confidential and maintain the information in the Manuals as secret and confidential. Any form of the Manuals we make accessible to you online will be deemed our Confidential Information (defined in Section 18.A. below).

C. Any password or other digital identification necessary to access the Manuals electronically are our Confidential Information. You agree to keep your access to the Manuals secured. In the event of a dispute relating to the contents of the Manuals, the master copy of the Manuals we maintain at our principal office will be controlling. This master copy of the Manuals may be maintained in electronic form. You may not at any time copy, duplicate, record or otherwise reproduce any part of the Manuals without our express written authorization.

## 11. TRAINING AND ASSISTANCE

### A. Initial Training Program.

(1) If you (or your Operating Principal) have not previously owned or currently own a Pump It Up franchise, then before you open the Franchised Business, you (or your Operating Principal) must attend and complete our initial training program. The initial training program involves classroom instruction and instruction at a Pump It Up facility in Arizona and/or at any other location as we may specify in writing. The initial training program may also include online or other virtual training at dates and times designated by us. If you obtain an operating Pump It Up Business by transfer from another Pump It Up franchisee, you must complete this initial training program within 60 days of beginning your operation of that business unless otherwise specified by us in writing. If you are opening a new location, the initial

training program must be completed in advance of the opening of your Franchised Business. You must pay all travel, living and any other expenses incurred by you (or your Operating Principal) and your employees while attending the training. At any time, we, in our sole discretion, may change, modify, amend or designate the content and process of initial training. Successful completion of the initial training program by you (or your Operating Principal) is a mandatory condition to allow you to open the Franchised Business to the public. If we determine that you (or your Operating Principal) failed to satisfactorily complete initial training, we have the right to terminate this Agreement.

(2) We do not charge a fee for providing the initial training program to either you, your Operating Principal, your Multi-Unit Manager (as defined in Section 14.E.), or one management-level employee who will be responsible for training your staff. If any individual who is required to receive our initial training fails to successfully complete the initial training program, then that individual may repeat the program, or you may send a different person to complete the next available program. We reserve the right to charge you a fee for providing any subsequent training program to any of these individuals or for training any of your other personnel, whether noted above or not. All persons attending initial training may be required to sign our standard Liability Waiver and Release.

B. Training by You. You must implement a training program (which includes continuing training programs) for employees of the Franchised Business, and you are responsible for the proper training of your employees consistent with the training we have provided you and that is outlined in the Manuals. You may not employ any person who fails or refuses to complete your training program or who is unqualified to perform their duties at the Business in accordance with the requirements established for the operation of a Pump It Up Business.

C. Opening Training. If this is your first Franchised Business, excluding any Franchise Business you acquire via transfer from a previous Pump It Up franchisee, a training representative will visit in-person and/or conduct virtual or other online training as we designate to assist with your opening of the Franchised Business (“**Opening Training**”). The Initial Franchise Fee includes the costs for the Opening Training. You are not required to pay any additional costs for any of the travel or living expenses incurred by our representative while providing the Opening Training to you. However, if you reschedule the opening of the Franchised Business and/or are unable to open during the training, you must reimburse us for any travel costs we incur in changing the travel schedules of our personnel for the postponed training. If you request, and we agree to provide, additional or special guidance, assistance, or training during this opening phase, you agree to pay our then applicable charges, including fees for our personnel and their travel and living expenses. You (or your Operating Principal) must be on-site at the Franchised Business at all times during Opening Training.

D. Ongoing Training: Training of Replacement Personnel.

(1) We may require you (or your Operating Principal) to attend and satisfactorily complete various training courses that we periodically choose to provide at the times and locations that we designate. Training courses include conventions, regional meetings, and conferences that we specify, including our Annual Franchise Meeting, which, in our sole discretion, we may choose to hold in person or virtually. In our sole discretion, we may allow managerial personnel to attend a training course in lieu of your owners or Operating Principal.

(2) We may, in our sole discretion, provide any training course via video conference or other online or virtual means at dates and times designated by us. All costs associated with the training courses (including, without limitation, travel and living expenses for trainees) are your responsibility. We reserve the right to charge you a reasonable registration and/or other fees for such additional or periodic

training and any training materials that we provide in connection with such training, even if you fail to attend. You agree that if we request it of you, that you will give us reasonable assistance in training other Pump It Up franchisees, and we will reimburse you for your reasonable out-of-pocket expenses in providing such assistance.

(3) We may charge you a fee for employees (including those repeating training) who attend the initial training program. We may require that any new managerial personnel satisfactorily complete our training programs within 90 days of being designated as managerial personnel. New managerial personnel may: (a) attend the next training program offered by us; or (b) be trained by your training personnel.

E. Franchise Advisory Council. We retain the right to create a Franchise Advisory Council (“FAC”), which may consist of any members of our internal staff and between three and five appointed franchisee members that advise us on advertising matters. The FAC has no operational or decision-making authority and serves only in an advisory capacity. We may dissolve or change the makeup of the FAC at any time.

F. General Guidance. We will provide ongoing advice and consultation to you from time to time regarding the operation of the Franchised Business. Such guidance will, at our discretion, be furnished in our Manuals, bulletins, emails, written materials, online sources, telephone conversations, virtual webinars, and consultations at our office or a Pump It Up business or any other location, including virtually.

## 12. SYSTEM STANDARDS

### A. Compliance with System Standards.

(1) We own and control the distinctive plan for the establishment, operation and promotion of the Pump It Up Business and all related licensed methods of doing business, previously defined as the “System Standards.” System Standards may regulate and/or provide suggested specifications, best practices, standards, operating procedures, general guidance, ongoing advice, and consultation to you on any one or more of the following with respect to the Pump It Up Business: franchised site, premises, leasehold improvements, interior finish, interior décor, furnishings, equipment, products, product formulas, supplies, materials, inventory type, technical equipment standards, client relations, marketing techniques, written promotional materials, advertising, accounting systems, and service delivery methods. All information identified in the preceding sentence constitute our confidential trade secrets. You understand that our System Standards may regulate (to the extent allowed by law) maximum, minimum and other pricing requirements for the services and products your Pump It Up Business sells. You acknowledge that we have valuable rights in and to such trade secrets. You further acknowledge that you have not acquired any right, title or interest in the System Standards except for the right to use the System Standards in the operation of the Pump It Up Business as it is governed by this Agreement and that it is obligated to maintain the confidentiality of the System Standards.

(2) You acknowledge that each and every detail of the appearance, layout, décor, cleanliness, safety standards, services and operation of the Franchised Business is essential to us and to other franchisees of Pump It Up Businesses to preserve the goodwill of the Marks and all Pump It Up Businesses. These details constitute our protected trade dress. You agree to cooperate with us by operating and maintaining the Franchised Business safely and securely and according to all of our System Standards (whether contained in the Manuals or another written communication to you), as we periodically modify and supplement them. You

agree that System Standards we prescribe in the Manuals, or otherwise communicate to you in writing or another form, are part of this Agreement as if fully set forth within its text.

(3) We may modify the System (including System Standards) from time to time and these modifications may obligate you to invest additional capital in the Franchised Business and/or incur higher operating costs. We may require you to integrate new or updated rides, inflatables, games, or concessions into your Franchised Business. You agree to accept, integrate and use or display in the Franchised Business any such changes or modifications to the System as if they were a part of the System at the time this Agreement was executed, and you agree to make such expenditures as the changes or modifications to the System may require. This includes, but is not limited to, refurbishing or remodeling the Premises or any other aspect of the Franchised Business, hiring additional personnel, buying new equipment, adding new services and products, or otherwise modifying the nature of your operations, as if those changes or modifications were part of the System as of the Effective Date.

(4) If you or your owners, employees, designees, or independent contractors develop any new concepts, processes or improvements relating to the System, you must promptly notify us and provide us with all information regarding the new concept, process or improvement, all of which shall become our property as a “work made for hire” and which may be incorporated into the System without any payment to you or your owners, employees, designees or independent contractors. If any designee or independent contractor working on your behalf develops any new concepts, processes or improvements relating to the System, you shall obtain covenants from that designee or contractor that you own (as a “work made for hire”) such concepts, processes or improvements (and all components thereof) and have the right to freely transfer to us such concepts, processes or improvements. You, at your own expense, must promptly take all actions deemed necessary or desirable by us to vest in us ownership of such concepts, processes or improvements. To the extent that any item does not qualify as a “work made for hire” for us, you will assign ownership of that item, and all related rights to that item, to us and agree to take whatever action (including signing an assignment or other documents) we request to evidence our ownership or to help us obtain intellectual property rights in the item. We will make no payment to you, your owners, employees, designees or independent contractors for any such item, or for our subsequent use (or our franchisees’ subsequent use) of such item.

B. Vendors, Products and Services.

(1) You must purchase all products, equipment, materials, supplies and services for the operation of the Pump It Up Business from us, our affiliates, or from our Designated Vendors, Preferred National Vendors or Local Vendors of your choosing (collectively, the “**PIU Vendors**”). We reserve the right to require you to purchase specific products, equipment, material, supplies and/or services from specific PIU Vendors.

(2) We may develop certain proprietary or branded products, including inflatable devices, hardware, or software programs that will be prepared by or for us according to our proprietary designs (collectively, “**Proprietary Products**”). We also have developed standards and specifications for other products, materials and supplies incorporated by or used in providing services or the packaging and delivery of products authorized for sale at Pump It Up Businesses.

(3) If specified for your Franchised Business, you must purchase the Proprietary Products or any other specified fixture, equipment, inventory, marketing materials, or supplies, only from us or a third party designated and licensed by us to prepare and sell such products (“**Designated Vendors**”). From time to time,



we may modify the list of PIU Vendors.

(4) We may choose, in our sole discretion, to designate any vendor as a “**Preferred National Vendor**”. We reserve the right to require that you use a Preferred National Vendor for the purchase of specified fixtures, equipment, inventory, marketing materials, or supplies. We may work with these Preferred National Vendors to establish prices, products, shipping costs, contacts, and other agreements as at our discretion.

(5) Dependent on restrictions we may identify for purchasing products and services from our Designated Vendors and/or Preferred National Vendors, you may also purchase products, equipment, materials, supplies and services from a vendor in the geographic area near your Premises (a “**Local Vendor**”). All such purchases from any such Local Vendors should be high quality and up to our System Standards. We reserve the right to override your decision to use a Local Vendor if we determine, in our sole discretion, that the Local Vendor does not meet the high expectations of the System Standards.

(6) If you propose to purchase any products, equipment, materials, supplies or services (that you are not required to purchase from us, an affiliate of ours or a PIU Vendor), all such products, equipment, supplies or services must be fully compliant with our System Standards. If such purchase will be from a vendor that you and/or we have not previously worked with, we reserve the right to require you or the vendor itself to submit to us a written request for our review of that vendor and its products, equipment, materials, or services to confirm whether such are compliant with our System Standards. We further reserve the right to require our representatives to be permitted to inspect the vendor’s facilities and provide us with such information, specifications, and samples as we reasonably designate to be delivered to us and/or to an independent, certified laboratory designated by us for testing prior to your use of such products, equipment or materials in the Franchised Business. We further reserve the right to charge you an amount not to exceed the reasonable cost of the inspection (including the actual cost of any test) for our review and confirmation that such products, equipment, materials, supplies or services comply with our System Standards. We will notify you within 60 days of any such request whether we intend on invoking any of these reserved rights set forth in this paragraph. We further reserve the right, at our option, to re-inspect the facilities and products of any vendor and to prohibit you, in our discretion, to purchase from any vendor upon that vendor’s failure to continue to meet any of the foregoing criteria or to the extent we determine, in our sole discretion, whether that vendor or its products or services fail to comply with our System Standards.

(7) At all times, you must maintain an inventory of approved goods and materials sufficient in quality and variety to realize the full potential of the Franchised Business. We may, from time to time, undertake certain activities to determine consumer trends and the salability of new products and services. You agree to cooperate in these efforts by participating in any customer surveys and other research programs if requested by us. All customer surveys and research programs will be at our sole cost and expense or charged to the Brand Fund, unless such survey or program has been approved by you and you have approved its proportionate cost.

(8) We and our affiliates disclaim all express or implied warranties concerning any approved goods, materials or services, including, without limitation, any warranties as to merchantability, fitness for a particular purpose, availability, quality, pricing or profitability. You acknowledge that we and our affiliates may, under appropriate circumstances, receive fees, commissions, rebates, royalties, or other consideration from vendors based on sales to you and we may use any amounts received without restriction and for any purpose we and our affiliates deem appropriate.

C. Computer and Point of Sale System.

(1) You must purchase or otherwise have to use computer hardware, a dedicated telephone and power line, 24-hour telephone navigation system with voice messaging capabilities, high speed internet and/or communications connections (at the speed of at least 30 Mbps download and 5 Mbps upload), modems, printers and other electronic accessories or peripheral equipment as we specify in the Manuals or otherwise (collectively, the “**Computer System**”). The Computer System must effectively run our fully integrated, web-based scheduling, reservation, and point of sale system (the “**POpS System**”). The POpS System is a store operations system that allows for on-line scheduling, reservations, payment processing and marketing database storage. You must be able to electronically provide all information obtained by or through the POpS System to us, in that format and medium as we may specify from time to time. You must provide all assistance required by us to bring the POpS System online. You agree that we have the free and unfettered right to retrieve any data and information from your POpS System as we, in our sole discretion, deem appropriate, including electronically polling the sales and other data of the Franchised Business. For all activities relating to the Franchised Business, you must maintain and use a Pump It Up Business email address that we will assign to you.

(2) We may, in our sole discretion, mandate that you (at your sole expense): (a) add memory, accessories or peripheral equipment and/or additional, new or substitute software to the original computer used by you; and (b) replace or upgrade the computer with a larger system capable of assuming and discharging the computer-related tasks and functions specified by us. You acknowledge that computer designs and functions change periodically and that we may desire to make substantial modifications to our computer specifications or require installation of entirely different systems at any time and at any frequency during the term of this Agreement. Within 30 days after you receive notice from us, you agree to obtain and install the new or updated computer or other electronic components that we designate. If we install these components for you, you must pay our then-current installation fees and any travel, living and other expenses incurred by our personnel.

(3) We provide a staffed help desk to assist with completing the initial setup for you (or to your Operating Principal) and/or your employees within the POpS System. While the help desk may provide troubleshooting tips for connectivity issues with the required hardware, it is your responsibility to engage with a third-party support company to help you support and/or repair any network or hardware/software issues with your Computer System. We reserve the right to charge a fee for our help desk support at our then-current hourly rates. You agree to incur the costs of maintaining the Computer System and any required service or support. We or our affiliates may perform repair services for the computer or retain a third-party provider, or an Applications Service Provider (“**ASP**”) to provide some or all of the service and support for the computer for your benefit or the benefit of all Pump It Up Businesses, and you may pay a service or ASP hosting fee. We have no obligation to reimburse you for any costs that you incur relating to your computer system or other electronics.

(4) We or our affiliates may condition any license of proprietary software to you, or your use of technology that we or our affiliates develop or maintain, on your signing a software license agreement or similar document that we or our affiliates prescribe to regulate your use of, and our and your respective rights and responsibilities with respect to, the software or technology. We or our affiliates may charge you a monthly or any other fee for any proprietary software or technology that we or our affiliates license to you and for other maintenance and support services that we or our affiliates provide during the term of this Agreement.

(5) You must use and maintain the Computer System according to our System Standards. You will have sole and complete responsibility for: (a) the acquisition, operation, maintenance, modification and upgrading of the Computer System; (b) the manner in which your Computer System interfaces with our and any third party's computer system; and (c) any and all consequences if the Computer System is not properly protected, operated, maintained, and/or upgraded. You are required to install and maintain protection of your software and hardware including, but not limited to, anti-virus, anti-malware and spam filters/firewalls. Furthermore, all operating system updates should be applied as they are published by the operating system's publisher, and user permissions should be restricted to help prevent infection or misuse. You shall, at your sole expense, keep your Computer System in good maintenance and repair and to make additions, changes, modifications, substitutions and replacements to your Computer System as directed by us, and on the dates and within the times specified by us in our sole discretion. You shall install any necessary software which will allow our support staff to remotely access your Computer System in order to support it.

(6) To ensure full operational efficiency and communication capability between our computers and your Computer System, you agree, at your expense, to keep your Computer System in good maintenance and repair and to make additions, changes, modifications, substitutions and replacements to your computer hardware, software, telephone and power lines and other computer and electronic-related facilities as directed by us, and on the dates and within the times specified by us in our sole discretion. Upon termination or expiration of this Agreement, all computer software, disks, tapes and other magnetic or electronic storage media containing any of our Confidential Information or the POpS System must be deleted and/or returned to us in good operating condition, excepting normal wear and tear.

D. Non-Cash Payment Systems. You must accept debit cards, credit cards, stored value gift cards or other non-cash payment systems through an approved Payment Card Industry compliant merchant service provider as specified by us or as set forth in our Manuals to enable customers to purchase authorized products and services. You also must obtain all necessary hardware and/or software to use in connection with these non-cash payment systems. No other payment processing providers or systems other than those outlined herein or otherwise compliant with System Standards or described in the Manuals may be used to take any payment for sales.

E. Condition and Appearance of the Franchised Business.

(1) You must routinely maintain and continuously operate the Franchised Business and all furniture, fixtures, equipment, furnishings, floor coverings, interior and exterior signage, building interior and exterior, interior and exterior lighting, landscaping and parking lot surfaces in good condition and repair in accordance with the requirements of the System, including all ongoing necessary remodeling, redecorating, refurbishing and repairs. In that regard, you agree to undertake, without limitation, all of the following actions during the term of this Agreement: (a) frequent safety inspection of the Premises including, but not limited to, all inflatable equipment and anchors; (b) thorough cleaning, repainting and redecorating of the interior and exterior of the Premises at intervals we prescribe including resurfacing of the parking lot, roof repairs, and replacement of obsolete or worn out signage, floor coverings, furnishings, equipment and décor; (c) interior and exterior repair of the Premises; and (d) repair or replacement of damaged, worn out, obsolete or unsafe equipment.

(2) You are expected to place or display at the Premises (interior and exterior) only those signs (including neon), emblems, photographs, designs, artwork, lettering, logos, and display and advertising

materials that meet our high System Standards. Among other things, you are expected to: (i) display prominent signage at or near the front of the location on any pylon sign, building directory or other area identifying the location as a Franchised Business; (ii) display all safety signage as directed by us or the manufacturer of attractions, rides or inflatables, which may not be removed without our express written consent; and (iii) erect, maintain, repair and replace such interior and exterior signs and graphics as PIU may require from time to time. If we require you to do so, you shall discontinue the use of and destroy and replace any signs and graphics we declare obsolete within the time period we specify.

(3) If, at any time in our reasonable judgment, the general state of repair, condition, appearance or cleanliness of the Premises of the Franchised Business or its fixtures, furnishings, equipment or signs does not meet our System Standards, we reserve the right to notify you and specify the action(s) you must take to correct the deficiency. You will have 30 days to make these corrections. If you do not initiate action to correct such deficiencies within this 30-day period, we reserve the right, in addition to all other remedies, to enter the Premises and do any required maintenance or refurbishing on your behalf, and you agree to reimburse us on demand for any expenses we incur for those corrective actions. If we make a reasonable determination that the continued operation of the Franchised Business by you will result in imminent danger to public health or safety, we may terminate this Agreement pursuant to Section 19.A.(10) or, in our sole discretion, we may require you to close the Franchised Business temporarily to make the necessary repairs or alterations.

(4) Upon receipt of notice from us, you agree to remodel, expand, redecorate, re-equip and/or refurbish the Premises and the Franchised Business to conform the Franchised Business to the image of the System for new Pump It Up Businesses. If any single modification, with the exception of new Arena equipment or new party equipment, exceeds \$10,000, then you will have 6 months to comply with such modifications. Except as described below, we will not require a major redesign of the Franchised Business that will cost more than \$10,000 more than twice during the Initial Term of this Agreement. In the event we determine, in our sole discretion, that you cannot amortize the cost of the major redesign over the remaining years of the Initial Term, we may agree to extend the Initial Term of this Agreement for the sole purpose of allowing such expenditure to occur. If a major redesign of the Premises is required by the Americans with Disabilities Act or any new safety standards that are enacted by PIU or any governmental or regulatory agency, you will be required to complete that redesign within a reasonable time period, regardless of the cost of compliance.

(5) If you are executing this Agreement in conjunction with your acquisition of an existing Franchised Business, prior to assuming operations of the Franchised Business, you may be required to update the Franchised Business to comply with our then-existing System Standards including brand attributes. The updates that you may be required to complete include, but are not limited to, a Brand Refresh Package, new external signage, the purchase of certain brand specific packages, the addition of parents' lounges and other changes then required of new Pump It Up franchises. Your payment of the expenses associated with the updates will be paid by you directly to the vendors providing such services and products.

F. Maximum Operation of the Franchised Business.

(1) During the term of this Agreement, you must use the Premises solely for the operation of the Franchised Business. During the term of this Agreement, you also must maintain sufficient inventories, adequately staff each shift with qualified employees and continuously operate the Franchised Business at its maximum capacity and efficiency for the minimum number of days and hours set forth in the Manuals.

(2) You must immediately resolve any customer complaints regarding the quality of service, products, cleanliness, and/or similar complaints of the Franchised Business . If any customer complaint cannot be immediately resolved, you must use best efforts to resolve the customer complaint as soon as practical and you must, whenever feasible, give the customer the benefit of the doubt. You must maintain a high level of customer service and adhere strictly to the System and our System Standards. You shall also be committed to maintaining System Standards. If we, in our sole discretion, determine that our intervention in a customer complaint is necessary or desirable to protect the System or the goodwill associated with the System, or if we, in our sole discretion, believe that you have failed adequately to address or resolve any customer complaint, we reserve the right, without your consent, to resolve any complaint and charge you an amount sufficient to cover our reasonable costs and expenses in resolving the customer complaint, which amount you must pay to us immediately on demand.

G. Our Right to Inspect the Franchised Business. To determine whether you and the Franchised Business are complying with this Agreement and/or to assess your operations and adherence to System Standards, we and our designated agents or representatives may at all times and without prior notice to you: (1) inspect the Franchised Business; (2) photograph the Franchised Business and observe and record the operation of the Franchised Business for consecutive or intermittent periods we deem necessary; (3) remove from the Franchised Business samples of any products and supplies; (4) interview the personnel and customers of the Franchised Business; and (5) inspect and copy any books, records, and documents relating to the operation of the Franchised Business. You agree to cooperate with us (or our designees) fully with any such inspection. If we exercise any of these rights, we will not interfere unreasonably with the operation of the Franchised Business.

H. Compliance with Laws and Good Business Practices. You must secure and maintain in force all required licenses, permits and certificates relating to the operation of the Franchised Business and any other licenses applicable to your management and personnel. You must operate the Franchised Business in full compliance with all applicable laws, ordinances and regulations, including, without limitation, government regulations relating to occupational hazards, health, worker's compensation and unemployment insurance and withholding and payment of federal and state income taxes, social security taxes and sales and service taxes. You must notify us in writing within 5 days of the commencement of any proceeding or the issuance of any decree of any court or government agency that may adversely affect the operation of the Franchised Business or your financial condition or give rise to liability or a claim against you or us. You must follow and abide by the crisis management information contained in the Manuals.

I. Management and Staffing of the Franchised Business.

(1) You (or your Operating Principal or Multi-Unit Manager) must remain active in overseeing the operations of the Franchised Business, including, without limitation, regular, periodic visits to the Franchised Business and sufficient communications with us to ensure that the operations of the Franchised Business comply with the System Standards promulgated by us from time to time in the Manuals or otherwise in written or oral communications to you. You (or your Operating Principal or Multi-Unit Manager) will not engage in any other business or activity that conflicts with your obligations to operate the Franchised Business. You have the sole responsibility for recruiting, hiring, and training employees for the Franchised Business. Before you hire any employee for the Franchised Business, you should require that employee to sign a non-disclosure and confidentiality agreement.

(2) You must conduct appropriate criminal background checks and due diligence on all employees of the Franchised Business to ensure that your employees meet the high ethical standards

necessary for working with children. You must comply with all state and local laws and regulations regarding the staffing and on-premises management of personnel including, but not limited to, any required licenses and any regulations dealing with the ratio of your staff or equipment to the children on the Premises. You must employ only suitable persons of good character and reputation who will at all times conduct themselves in a competent and courteous manner in accordance with the image and reputation of Pump It Up Businesses and the System and, while on duty, comply with the dress attire, personal appearance and hygiene standards set forth in the Manuals.

J. Insurance.

(1) You will be responsible for any and all loss or damage arising from or related to your development and operation of the Franchised Business, and for all demands or claims with respect to any loss, liability, personal injury, death, property damage, or expense whatsoever occurring upon the Premises, or in connection with the development and/or operation of the Franchised Business. Throughout the term of this Agreement, you must obtain and maintain in full force and effect that insurance which you determine is necessary or appropriate for liabilities caused by or occurring in connection with the development or operation of the Franchised Business, which shall include, at a minimum, insurance coverage in the amounts and covering the risks we periodically specify in the Manuals or otherwise in writing. Our minimum insurance requirements are not representations or warranties that such coverage is sufficient for the operation of your Franchised Business. Our requirements only represent the minimum coverage for your Franchised Business that we deem acceptable to protect our interests. Our current minimum insurance requirements are as follows:

(a) comprehensive general liability insurance with limits of the greater of (i) \$1,000,000 per occurrence and \$2,000,000 aggregate; and (ii) those amounts required by the state or local government in which your Franchised Business is located;

(b) worker's compensation and employer's liability insurance as well as such other insurance as may be required by statute or rule of the state in which the Franchised Business is located and operated;

(c) employment practices liability coverage;

(d) automobile liability insurance, and property damage liability, including owned, non-owned, and hired vehicle coverage, with at least \$1,000,000 combined single limit, and \$2,000,000 general aggregate limit;

(e) guaranteed or extended cost replacement property insurance (and contingent liability and building ordinance coverage if you or an entity controlled by you own the building in which the Franchised Business is operated) on building and business personal property including personal property of others; and

(f) business interruption insurance adequate for a six-month period including the payments to us of our continuing royalty based on the average of your past three operating months.

(2) In addition to the foregoing, we also recommend, but do not require, that you obtain sexual and physical abuse insurance coverage with limits of not less than \$50,000 per occurrence.

(3) All insurance policies must be written by an insurance company that is licensed in the state where the Franchised Business is located, and must meet our minimum standards and specifications as set forth in this Agreement, the Manuals or otherwise stated to you in writing. We may periodically increase the minimum required coverage and/or modify or require different or additional insurance coverage (including reasonable excess liability insurance) at any time to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. You will receive written notice of such modifications and shall take prompt action to secure the additional coverage or higher policy limits. These insurance policies must name us and any affiliates that we designate and our and their respective officers and owners as additional named insureds, and provide for 30 days' prior written notice to us of a policy's material modification, cancellation or expiration. Each insurance policy shall be specifically endorsed to provide that the coverage shall be primary and that any insurance carried by any additional insured shall be excess and non-contributory.

(4) At least 10 days prior to commencing construction of the Franchised Business (or, if you are acquiring an existing Pump It Up Business, 10 days prior to the transfer of ownership interests) and annually thereafter, you must submit to us a copy of your Certificates of Insurance or other evidence of you maintaining the required insurance coverage and paying premiums. If you obtain claims-made insurance policies, we require that you obtain tail coverage for at least four years after the end of any policy period in question or as otherwise set forth in the Manuals or provided to you in writing. If you fail or refuse to obtain and maintain the insurance we specify, in addition to our other remedies, we may (but need not) obtain such insurance for you and the Franchised Business on your behalf, in which event you must cooperate with us and reimburse us for all premiums, costs and expenses we incur in obtaining and maintaining the insurance, plus a reasonable fee for our time spent in obtaining such insurance.

K. Notification of Claims. You must notify us in writing within 5 days of receipt of notice of any health or safety violation, the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, or occurrence of any accident or injury which may adversely affect the operation of the Franchised Business or your financial condition or give rise to liability or a claim against you or us. This notification must include submitting all incident reports relating to the event that occurred giving rise to the possible claim, as well as all other documentation in your possession, custody or control, which may include, but not be limited to, any audio and/or video recordings of said event.

L. Right to Inspect the Franchised Business. You acknowledge and agree that we have the right, upon reasonable notice to you, to inspect the Franchised Business. Our right to inspect the Franchised Business shall include conducting reasonable inspections of your operations, marketing, safety systems and programs, financial systems, maintenance and necessary repairs of the Franchised Business. A report and score will be generated as part of the Inspection. A copy of the report and score will be provided to you as well as to the PIU corporate office. A failing score on an inspection conducted by PIU shall be a default of the Franchise Agreement and, subject to the terms of Section 19(c), grounds for termination of the Franchise Agreement.

M. Pricing. We reserve the right to impose a maximum price that you may charge for services or products, unless prohibited by applicable law. If we impose such a maximum price for any service or product, you may charge any price for the product or service up to and including the maximum price we impose.

### 13. MARKS

A. Ownership and Goodwill. Your right to use the Marks is derived only from this Agreement and is limited to your operation of the Franchised Business at the Premises in accordance with this Agreement and all System Standards we prescribe at any time during the term of this Agreement. You acknowledge and agree that your use of the Marks and any goodwill established by that use are exclusively for our benefit and that this Agreement does not confer any goodwill or other interests in the Marks upon you (other than the right to operate the Franchised Business under this Agreement). You may not at any time contest or assist any other person in contesting the validity, or our ownership, of the Marks.

B. Limitations on Your Use of Marks.

(1) You agree to use the Marks as the sole identification of the Franchised Business, except that you agree to identify yourself as an independent operator in the manner we prescribe. Unless you obtain our prior written consent, you may not use any Mark, any derivatives of the Marks or similar mark: (a) as part of any corporate or legal business name; (b) with any prefix, suffix, or other modifying words, terms, designs, or symbols (other than logos we have licensed to you); (c) in selling any unauthorized services or products; or (d) in any other manner that we have not expressly authorized in writing.

(2) You may not use any Mark in advertising the transfer, sale, or other disposition of the Franchised Business without our prior written consent, which we will not unreasonably withhold. You agree to display the Marks prominently as we prescribe at the Premises and on forms, advertising, supplies, and other materials we designate. You must ensure that when you display the Marks, that the Marks correctly bear the “®”, “™”, or “SM” symbol, as we prescribe from time to time.

C. Use of the Marks on the Internet. You may not use the Marks in connection with any domain name, URL, email address, website, or social media platform (including usernames) without our prior written consent. We may grant or withhold our consent in our sole discretion or may condition our consent on such requirements as we deem appropriate, including, among other things, that you obtain our prior written approval of: (1) any and all domain names and URLs related to the Franchised Business; (2) the proposed form and content (including any visible and non-visible content such as metatags) of any website or social media platform related to the Franchised Business; (3) your use of any hyperlinks or other links; (4) your use of any materials (including text, video clips, photographs, images and sound bites) in which any third party has an ownership interest; (5) we will be the primary administrator with primary administration rights for any social media platforms including but not limited to Facebook, Twitter, Yelp, Pinterest, Snapchat, TikTok, LinkedIn, and Instagram with respect to your Franchised Business; (6) to the extent required by a social media platform for us to have primary administration rights, you will identify us as the primary administrator with primary administration rights for any social media or digital marketing accounts that you use in conjunction with the Franchised Business; and (7) any proposed modification of your website or social media platforms. We may designate the form and content of your website and social media platforms and/or require that any such website or platform be hosted or maintained by us or a third party designated by us, using one or more websites that we own and/or control. In addition, we may require you to establish hyperlinks to our website or other website(s) designated by us. We may charge you a fee for developing, reviewing, administering, and approving your website and/or social media platforms and/or for hosting or maintaining your website or other social media platforms.



D. Notification of Infringements and Claims. You must notify us immediately of any apparent or possible infringement or challenge to your use of any Mark or of any person's claim of any rights in any Mark. You agree to not communicate with any person other than us, our attorneys, and your attorneys, regarding any infringement, challenge, or claim to the Marks. We may take any action or inaction we deem appropriate and may exclusively control any litigation, U.S. Patent and Trademark Office proceeding, or other administrative proceeding arising from any infringement, challenge, or claim or otherwise concerning any Mark. You agree to sign any documents and take any other reasonable action that we deem is necessary or advisable to protect and maintain our interests in any litigation or Patent and Trademark Office or other proceeding, or otherwise to protect and maintain our interests in the Marks. We will reimburse you for your costs of taking any action that we have asked you to take to protect the Marks, but you are solely responsible for the expense of any action taken outside of our express directives, including for the cost of consulting with your own attorneys.

E. Changes to Your Use of Marks. If it becomes advisable at any time for us and/or you to modify or discontinue using any Mark and/or to use one or more additional or substitute Marks, you agree to comply with our directions as to your use (or non-use) of the Marks, at your own expense, within a time period identified by us in written notice to you. We will not reimburse you for your direct expenses of changing the Franchised Business' signs or any printed, electronic or other media or collateral, for any loss of revenue due to any modified or discontinued Mark, or for your expenses of promoting a modified or substitute Mark.

F. Indemnification for Use of Marks. We agree to protect you against claims for trademark infringement or unfair competition arising from your use of the Marks, provided that you have timely notified us of, and comply with our directions in responding to, the proceeding or other action upon such a claim. This protection is also contingent upon whether you have used the Mark(s) in compliance with this Agreement, the Manuals, and any other directives from us. At our option, we may defend and control the defense of any proceeding arising from your use of any Mark under this Agreement. We will pay all costs, including attorneys' fees and court costs, associated with any litigation we commence or defend on your behalf to protect the Marks and your right to use them. You must cooperate with us in defending any litigation relating to the Marks, and you may not settle any claim without our written consent.

## 14. YOUR ORGANIZATIONAL STRUCTURE

### A. Representations.

(1) If you are a corporation, a limited liability company or a partnership (“**Entity**”), you make the following representations and warranties: (a) you are duly organized and validly existing under the laws of the state of formation; (b) you are qualified to do business in the state, county, and city in which the Franchised Business is located; (c) execution of this Agreement and the development and operation of the Franchised Business is permitted by your governing documents; (d) unless waived in writing by us, your Articles of Incorporation, Articles of Organization or written partnership agreement must at all times provide that your activities are limited exclusively to the development and operation of Pump It Up Businesses and other businesses operated by you that are franchised by us or our affiliates; (e) all interests in you are owned as set forth in attached Exhibit 4; and (f) each person owning 5% interest in you has executed a guaranty agreement, set forth in attached Exhibit 5, undertaking to be bound by the provisions of the Franchise Agreement.

(2) If you are an individual, a group of individuals, or a partnership comprised solely of individuals, you make the following representations and warranties: (a) each individual has signed this Agreement; (b) each individual will be jointly and severally bound by, and personally liable for, the timely

and complete performance and breach of, each and every provision of this Agreement; and (c) notwithstanding any transfer for convenience of ownership, each individual will continue to be jointly and severally bound by, and personally liable for, the timely and complete performance and breach of, each and every provision of this Agreement.

B. Governing Documents. If you are an Entity, you must provide us with true, correct, and fully executed copies of your organizational and governing documents (“**Governing Documents**”). These Governing Documents should be provided to us no later than your execution of this Agreement. If your Governing Documents are modified or changed, you must promptly provide copies of the modified and/or changed documents to us. You must maintain a current list of all of your owners, members or partners (and the percentage ownership of each owner, member or partner), and provide such a list to us upon our request of the same. You must comply with Section 16.B prior to any change in ownership interests, and sign and deliver to us a revised Exhibit 4 to reflect any permitted changes to those ownership interests. If you are an Entity, you must maintain stop-transfer instructions against the transfer on your records of any voting securities, membership interests or ownership interests. If you are a publicly held corporation, these requirements will apply only to the stock owned by your shareholders who have an ownership interest in you in excess of 10%.

C. Personal Guaranty. If you are an Entity, each of your owners who hold more than 5% of ownership in you at any point during the term of this Agreement must sign a guaranty in the form we prescribe undertaking personally to be bound, jointly and severally, by all provisions of this Agreement and any ancillary agreements between you and us. Our current form of guaranty is attached as Exhibit 5.

D. Operating Principal.

(1) If you are owned by more than one individual or you are an Entity, you must designate an individual (which may be one of your owners) to serve as your “**Operating Principal**.” The Operating Principal is identified by you in Exhibit 4 to this Agreement. At all times during the Term, the Operating Principal must have at least a 10% equity ownership interest in you (if you are an Entity) and must be responsible for overseeing and supervising the operation of the Franchised Business. The Operating Principal will be the person with whom we will communicate on all major policy, financial, management and operational matters, and the only person that we will recognize as having authority to communicate for and on your behalf, unless you formally notify us in writing of a different person with authority. You may not change the Operating Principal without our prior written consent.

(2) The Operating Principal must successfully complete our initial training program and any additional training that we require. The Operating Principal (and/or Multi-Unit Manager, if applicable) must remain active in overseeing the operations of the Franchised Business, including, without limitation, regular, periodic visits to the Franchised Business and sufficient communications with us to ensure that the operations of the Franchised Business comply with the System Standards. Those System Standards are promulgated by us from time to time in the Manuals or otherwise in written or oral communications to you. The Operating Principal (and/or Multi-Unit Manager, if applicable) may not engage in any other business or activity that conflicts with your obligations to operate the Franchised Business. You have the sole responsibility for recruiting, hiring, and training employees for the Franchised Business. Before you hire any employee for the Franchised Business, you should require that employee to sign a non-disclosure and confidentiality agreement.

(3) If the Operating Principal can no longer fulfill its obligations, you must designate another qualified person to act as Operating Principal within 30 days after the date the prior Operating Principal ceases to be qualified. Your designee to become the Operating Principal must successfully complete our initial training program and any additional training we require within 30 days after being designated as your Operating Principal.

D. Multi-Unit Manager. Upon the opening of your fifth franchised Pump It Up Business, we reserve the right to require you to utilize a “**Multi-Unit Manager**” (which may be you or your Operating Principal). The Multi-Unit Manager will be responsible for the management and supervision of the Franchised Business and your other franchised Pump It Up Businesses (also see Section 14.D above).

## 15. TRANSFER BY US.

We have the absolute, unrestricted right, exercisable at any time, to change our ownership or form and/or transfer and assign all or any part of our rights and obligations under this Agreement to any person or legal entity without your consent. After our transfer or assignment of this Agreement to a third party who expressly assumes the obligations under this Agreement, we no longer will have any performance or other obligations under this Agreement.

## 16. TRANSFER BY YOU

A. Transfer Generally. You understand and acknowledge that the rights and duties this Agreement creates are personal to you (or, if you are an Entity, to your owners) and that we have granted the Franchise to you in reliance upon our perceptions of your (or your owners’) individual or collective character, skill, aptitude, attitude, business ability, and financial capacity. Accordingly, neither you nor any immediate or remote successor to any part of your interest in this Agreement, nor any individual or Entity which directly or indirectly controls you, may sell, assign, transfer, convey, give away, pledge, mortgage, or otherwise encumber any interest in you, this Agreement, the Franchise, the Franchised Business, the assets of the Franchised Business, the Premises, any leases for the Premises, or any other assets pertaining to your operations under this Agreement (collectively “**Transfer**”) without our prior written consent. Except as otherwise provided in this Agreement, any purported Transfer, whether by operation of law or otherwise, done without our prior written consent will have no effect with regard to us and will constitute a material breach of this Agreement for which we may terminate this Agreement without providing you an opportunity to cure the breach.

### B. Conditions for Approval of Transfer.

(1) You must advise us in writing of any proposed Transfer, submit (or cause the proposed transferee to submit) a franchise application for the proposed transferee, a copy of all contracts and all other agreements or proposals, and all other information requested by us, relating to the proposed Transfer. Along with that required information, you must pay a transfer fee (the “**Transfer Fee**”). The Transfer Fee you will pay us is currently between \$10,000 and \$20,000 depending upon the amount of initial training and support that you require. With your written notice of your intent to transfer the Franchised Business, you will pay us a deposit towards the Transfer Fee in the amount of \$3,000 (“**Transfer Deposit**”). The Transfer Deposit must be paid before the proposed Transferee arrives for the Training Program to cover our costs to begin to review the transfer documentation. The Transfer Deposit is non-refundable. If the proposed transfer transaction does not close and the prospective transferee has not attended any portion of our Training Program, we shall apply the Transfer Deposit against the Transfer Fee for any subsequent transfer that you close within the 12-month period following your initial transfer application. If we do not exercise our right of first refusal (as set forth in Section 16.G.), the decision as to whether or not to approve a proposed Transfer will be made by us in our sole discretion and will include numerous factors deemed relevant by us. These factors may include, but need not be limited to, the following:

(a) the proposed transferee meets our then-current standards for new franchisees and has sufficient business experience, aptitude, and financial resources to operate the Franchised Business;

(b) you have paid all amounts owed to us, our affiliates, and third-party vendors, have submitted all required reports and statements to us, and are not in violation of this Agreement;

(c) neither the proposed transferee nor its owners or affiliates have an ownership interest (direct or indirect) in or perform services for a Competing Business (as defined in Section 18.B.(1)(c));

(d) the proposed transferee (or its Operating Principal) satisfactorily completes our initial training program (and any other required training programs we require) and pays any then-current training fees;

(e) the proposed transferee has demonstrated an ability to obtain possessory rights in the Premises;

(f) you have corrected any existing deficiencies of the Franchised Business of which we have notified you, and/or the proposed transferee agrees to upgrade, remodel, and refurbish the Franchised Business in accordance with our then-current requirements and specifications for Pump It Up Businesses within the time period we specify following the effective date of the Transfer (we will advise the proposed transferee before the effective date of the Transfer of the specific actions that are required and the time period within which such actions must be taken);

(g) if you or your owners finance or intend to finance any part of the sale to the proposed transferee, you and/or your owners agree that all of the transferee's obligations under any promissory notes, agreements, or security interests reserved in the Franchised Business are subordinate to the transferee's obligation to pay Royalties, Brand Fund contributions, and other amounts due to us, our affiliates, and third-party vendors and otherwise to comply with this Agreement;

(h) you (and your transferring owners) must sign a general release, in a form satisfactory to us, which releases any and all claims against us and our affiliates, officers, directors, employees, and agents; and

(i) you must modify and/or upgrade certain equipment, safety features, and computer hardware or software to our then-current standards prior to the closing of the proposed transfer.

(2) If we approve a proposed Transfer, prior to the Transfer becoming effective:

(a) you or the proposed transferee must pay to us the balance of the Transfer Fee to reimburse us for reasonable expenses associated with reviewing the Transfer. The Transfer Fee will be waived if the proposed transferee: (1) is an Entity formed by you for the convenience of ownership as set forth in Section 16.C.; or (2) has obtained the Franchised Business as a result of your death or permanent incapacity as provided in Section 16.D.;

(b) if the proposed transferee comes through an investigation process with a franchise sales broker that we have retained, then the transferee must pay our then-current Initial Franchise Fee. This enables us to pay the additional costs we incur with a franchise sales broker, including the payment of the broker's commission.

(c) you and the proposed transferee must sign either an assignment agreement and any amendments to this Agreement deemed necessary or desirable by us to reflect the Transfer, or our then-current standard form of franchise agreement for an initial term ending on the expiration date of the Initial

Term of this Agreement. We will choose which documents you and the proposed transferee are required to sign. In either event, if the proposed transferee is an Entity, the transferee must complete Exhibit 4 as required by Section 14.B. and all individuals identified in Section 14.C. must sign the guaranty attached as Exhibit 5;

(d) the proposed transferee must sign our then-current Software License Agreement; and

(e) you (and all of your owners) must, at our request, sign a written guaranty pursuant to which you will remain liable for all obligations to us incurred before the date of the Transfer.

(3) Following the effective date of the Transfer:

(a) you and your transferring owners agree not to engage in any of the activities proscribed Section 18.B. below, for a period of 2 years, beginning on the effective date of the Transfer; and

(b) you and your transferring owners will not use any Mark, any colorable imitation of a Mark, or other indicia of a Pump It Up 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 with us.

C. Transfer for Convenience of Ownership. If you are an individual or a partnership and you would like to Transfer this Agreement to a corporation or limited liability company formed exclusively for the convenience of ownership, the requirements of Section 16.B. will apply to such a Transfer. However, you will not be required to pay a Transfer Fee under a transfer for convenience. Our approval of such a transfer will be conditioned on the following: (1) the corporation or limited liability company must be newly organized; (2) prior to the Transfer, we must receive a copy of the documents specified in Section 14.B. and the transferee must comply with the remaining provisions of Section 14; (3) you must own all voting securities of the corporation or membership interests of the limited liability company or, if you are owned by more than one individual, each person must have the same proportionate ownership interest in the corporation or the limited liability company as prior to the Transfer; and (4) you and your owners must agree to remain personally liable under this Agreement as if the Transfer to the corporation or limited liability company did not occur.

D. Transfer Upon Your Death or Permanent Incapacity. If the Transfer is a transfer of ownership interests in you, if you are an Entity, following the death or permanent incapacity (as reasonably determined by us) of one of your owners, that person's executor, administrator or other personal representative must make a written request to us within 90 days after death or declaration of disability for consent to Transfer this person's interest to a third party. We must approve the proposed third-party transfer in writing. We do not charge a Transfer fee under this Section 16.D. Time is of the essence in the context of this Transfer, and the Transfer must be completed within a reasonable time, not to exceed 6 months from the date of death or disability. Such a Transfer is subject to all of the terms and conditions in this Section 16.

E. Security Interest. You may not grant any security interest in your business entity, the Franchised Business, the Premises or the assets used in the operation or development of the Franchised Business without our prior written approval. If we choose to, in our sole discretion, we may condition our approval on the written agreement by the secured party that, in the event of a default by you under any agreement related to the security interest, we will have the right and option (but not the obligation) to purchase the rights of the secured party upon payment of the fair market value of the secured assets.

F. Effect of Consent to Transfer. Our consent to any Transfer is not a representation of the fairness or legal viability of the terms of any contract between you and the transferee, a guarantee of the Franchised Business' or the transferee's prospects of success, a waiver of any claims we may have against you (or your owners), or a waiver of our right to demand your and your transferee's full compliance with this Agreement.

G. Our Right of First Refusal.

(1) We have the right, exercisable within 10 days after receipt of the notice specified in Section 16.B(1), to send written notice to you that we intend to purchase the interest proposed to be transferred. We may assign our right of first refusal to someone else either before or after we exercise. Our right of first refusal will not apply with regard to Transfers for Convenience of Ownership under Section 16.C. If the proposed Transfer is to be made pursuant to a sale, we or our designee may purchase the interest proposed to be transferred on the same economic terms and conditions offered by the third party. Closing on our purchase must occur within 60 days after the date of our notice to the seller electing to purchase the interest. If we cannot reasonably be expected to furnish the same consideration as the third party, then we may substitute the reasonable equivalent in cash. If, within 30 days, the parties cannot agree on the reasonable equivalent in cash, we will designate, at our expense, an independent appraiser, and the appraiser's determination will be final. Any material changes in the terms of the offer from a third party after we have elected not to purchase the seller's interest will constitute a new offer, subject to the same right of first refusal as the third party's initial offer.

(2) If the proposed Transfer is to be made by gift, and our right of first refusal applies to such a transfer, we will designate, at our expense, three independent appraisers to determine the fair market value of the interest proposed to be transferred. We may purchase the interest at the average of the fair market values determined by the appraisers. Closing on the purchase will occur within 30 days after our notice to the transferor of the appraisers' determination of fair market value.

(3) If we elect not to exercise our rights under this Section 16.G., the transferor may complete the Transfer after complying with this Section 16. Closing on the Transfer must occur within 60 days of our election (or such longer period as applicable law may require); otherwise, the third party's offer will be treated as a new offer subject to our right of first refusal. The Transfer is conditional upon our determination that the Transfer was completed on terms substantially the same as those offered to us. You must provide to us copies of all fully executed agreements relating to the Transfer, as well as any other information or documentation we request relating to the Transfer.

H. Public Offering. Securities or partnership interests in you may be sold, by private or public offering, only with our prior written consent (whether or not our consent is required under any other provision of this Section), which consent will not be unreasonably withheld. In addition to the requirements of Section 16.B., prior to the time that any public offering or private placement of securities or partnership interests in you is made available to potential investors, you, at your expense, must deliver to us a copy of the offering documents. You, at your expense, also must deliver to us an opinion of your legal counsel and an opinion of one other legal counsel selected by us (both of which shall be addressed to us and in a form acceptable to us) that the offering documents properly use the Marks and accurately describe your relationship with us and/or our affiliates. The indemnification provisions of Section 23 shall also include any losses or expenses incurred by us and/or our affiliates in connection with any statements made by or on behalf of you in any public offering or private placement of your securities.

**17. GENERAL RELEASE.** You (on behalf of yourself and your subsidiaries and affiliates), all individuals who execute this Agreement and all guarantors of your obligations under this Agreement (collectively “**Franchisee Releasors**”) freely and without any influence forever release and covenant not to file or bring any action of any kind, in any forum, against us, our parent, subsidiaries and affiliates and their respective past and present officers, directors, shareholders, agents, direct and indirect equity holders, and employees, in their corporate and individual capacities (collectively “**PIU Releasees**”), with respect to any and all claims, demands, liabilities and causes of action of whatever kind or nature, whether known or unknown, vested or contingent, suspected or unsuspected (collectively “**Claims**”), which you or any Franchisee Releasor now own or hold or may at any time have owned or held, including, without limitation, Claims arising under federal, state and local laws, rules and ordinances, and Claims arising out of, or relating to this Agreement and all other agreements between you or any Franchisee Releasor and any PIU Releasee, the sale of a franchise to you or any Franchisee Releasor, the development and operation of the Franchised Business and the development and operation of all other Pump It Up Businesses operated by you or any Franchisee Releasor that are franchised by any PIU Releasee. This General Release does not release any claims arising from representations made in our Franchise Disclosure Document or its exhibits or otherwise impair or affect any claims arising after the date of this Agreement. You (on behalf of the Franchisee Releasors) expressly agree that, with respect to this release, any and all rights granted under Section 1542 of the California Civil Code are expressly waived, to the extent applicable. That Section reads as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

**18. RESTRICTIVE COVENANTS; SECURITY INTERESTS**

A. Confidential Information. During and after the Term, you may not communicate, divulge or use for any purpose (other than the operation of the Franchised Business) any confidential information, knowledge, trade secrets or know-how which may be communicated to you or which you may learn by virtue of your relationship with us (“**Confidential Information**”). You may only divulge Confidential Information to your professional advisers and to your employees who must have access to the Confidential Information to operate the Franchised Business. All Confidential Information relating to us, our business plans, or the System are deemed confidential for purposes of this Agreement, except information that you can demonstrate came to your attention by lawful means prior to our disclosure; or which, at the time of our disclosure to you, had become a part of the public domain. You must require your Operating Principal and all employees and any other person or entity you wish to disclose any Confidential Information to sign agreements, in a form acceptable to us, that they will maintain the confidentiality of the disclosed information. The agreements must identify us as a third-party beneficiary with the independent right to enforce the agreements.

B. Restrictions.

(1) You acknowledge and agree that: (a) pursuant to this Agreement, you will have access to the Confidential Information; (b) the System and the opportunities, associations and experience established by us and acquired by you under this Agreement are of substantial and material value; (c) in developing the System, we and our affiliates have made and continue to make substantial investments of time, technical and commercial research, and money; (d) we would be unable to adequately protect the System and the Confidential Information against unauthorized use or disclosure and would be unable to

adequately encourage a free exchange of ideas and information among Pump It Up Businesses if our franchisees were permitted to hold interests in “**Competing Businesses**” (which are defined as (1) children’s entertainment centers, or (2) recreation or entertainment businesses whose method of operation or trade dress is similar to that employed in the System); and (e) restrictions on your right to hold interests in, or perform services for, Competing Businesses will not be a hindrance to you. You and your owners expressly acknowledge that you possess skills and abilities of a general nature and have other opportunities for exploiting these skills outside of a Competing Business. Consequently, our enforcement of the restrictions contained in this Section will not deprive you of your personal goodwill or ability to earn a living.

(2) You agree that, during the term of this Agreement and for the “Restrictive Period” (defined below) following the expiration or earlier termination of this Agreement, you and your owners, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with, any person, firm, partnership, corporation, limited liability company, or other entity, will not:

(a) own, maintain, operate, engage in, franchise or license, advise, help, make loans to, or have any direct or indirect controlling or non-controlling interest as an owner (whether of record, beneficially, or otherwise) or be or perform services as a partner, director, officer, manager, employee, consultant, representative, or agent in any Competing Business;

(b) knowingly employ or seek to employ any person then employed by us or employed by any Pump It Up franchisee as a manager or higher, or otherwise directly or indirectly induce such person to leave his or her employment without our prior written consent; or

(c) divert or attempt to divert, by direct or indirect inducement or otherwise, any actual or potential business or customer of any Pump It Up Business to a Competing Business.

(3) For purposes of this Agreement, the term “**Restrictive Period**” shall be two years from the date the Franchise Agreement expires or is terminated; provided however, that if a court determines that such period is unenforceable, the Restrictive Period shall end one year from the date the Franchise Agreement expires or is terminated; provided however, that if a court determines that such period is unenforceable, the Restrictive Period shall end six months from the date the Franchise Agreement expires or is terminated

(4) During the term of this Agreement, there is no geographical limitation on the restrictions contained in this Section 18.B. During the Restrictive Period, these restrictions will apply at the Premises; within a 5-mile radius of the outer boundaries of the Protected Area; and within 5 miles of any other Pump It Up Business in operation or under construction on the later of: (i) the date of the termination or expiration of this Agreement; or (ii) the date on which all persons restricted by Section 18.B. begin to comply with Section 18.B.

(5) If, at any time during the Restrictive Period, you or your owners fail to comply with your obligations contained in this Section 18.B., that period of noncompliance will not be credited toward the satisfaction of your obligations under this Section 18.B. These restrictions also apply after Transfers, as provided in Section 16.B.(3) above. Equity ownership of less than 2% of a Competing Business whose stock or other forms of ownership interest are publicly traded on a recognized United States stock exchange will not be deemed to violate this Section 18.B.

(6) If any restriction in this Section 18.B. is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited, and/or length of time, but would be enforceable if modified, you



and we agree that the covenant will be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction whose law determines the covenant's validity. Specifically, if any part of these restrictions is found to be unreasonable in time or distance, each month of time or mile of distance may be deemed a separate unit so that the time or distance may be reduced by appropriate order of the court to that deemed reasonable.

(7) You agree to obtain similar covenants from the personnel and persons we specify, including your officers, directors, managers and other employees who attend our training programs or have access to Confidential Information and your immediate family members (which include spouses and domestic partners and such other persons as we may specify following our review of your franchise application and proposed operations and ownership structure). We have the right to regulate the form of agreement that you use and to be a third-party beneficiary of that agreement with independent enforcement rights.

C. Security Interest. As security for the payment of all amounts from time to time owing by you to us and/or our affiliates under this Agreement and all other agreements between the parties, and performance of all obligations to be performed by you, you hereby grant to us a security interest in all of the assets of the Franchised Business, including, without limitation, all agreements (including this Agreement) equipment, inventory, accounts, furniture, fixtures, and signage as well as all proceeds of the foregoing (the "**Collateral**"). Such security interest shall be prior to all other security interests in the Collateral except for: (i) bona fide purchase money security interests, if any, and (ii) such other priority interests as are consented to by us in our sole discretion. You hereby irrevocably authorize us and our affiliates at any time and from time to time to file in any filing office in any Uniform Commercial Code jurisdiction any initial financing statements and amendments thereto and to furnish any information relating to such filings to us promptly upon our request. You further agree, at our request and option, to take any and all other actions we may determine to be necessary or useful for the attachment, perfection and first priority of, and the ability of us to enforce, our security interest in any and all of the Collateral. You shall not remove the Collateral, or any portion thereof, from the Premises without our prior written consent, other than in the ordinary course of business consistent with past practice and with advance notice to us in the event of the removal of a material portion of the Collateral for any reason.

## 19. **DEFAULT AND TERMINATION**

A. Events of Default. The occurrence of any of the following events shall be deemed a "Default" and shall entitle us to any or all the rights and remedies set forth below, in addition to any other rights and remedies available to us:

(1) You: (i) do not locate, and sign a Lease or acquisition document for, a site approved by us for the Premises; or (ii) comply with the terms of Section 7.A(2) within 12 months of the Effective Date of this Agreement;

(2) you do not open the Franchised Business within the time period prescribed in

Section 6.D.;

(3) you abandon or fail actively to operate the Franchised Business for a period of three or more consecutive days, unless you close the Franchised Business for a purpose we approve in writing or because of Force Majeure, as defined in Section 25.C.;

(4) you become insolvent; you make an assignment for the benefit of creditors or admit in writing your insolvency or inability to pay your debts generally as they become due; you consent to the appointment of a receiver, trustee, or liquidator of all or the substantial part of your property; the Franchised Business is attached, seized, subjected to a writ or distress warrant, or levied upon, unless the attachment, seizure, writ, warrant, or levy is vacated within 30 days; or any order appointing a receiver, trustee, or liquidator of you or the Franchised Business is not vacated within 30 days following the order's entry;

(5) there is a material breach by you of any covenant or obligation set forth in Section 18;

(6) any Transfer that requires our prior written approval occurs without your having obtained that prior written approval;

(7) we discover that you made a material misrepresentation or omitted a material fact in the information that you provided to us in connection with our decision to grant a Franchise to you;

(8) you knowingly falsify any report required to be furnished to us, make any material misrepresentation in any of your dealings with us, or fail to disclose any material facts to us;

(9) if an incident occurs at your Franchised Business that involves one of your employees and we discover that you did not conduct adequate due diligence and criminal background checks on that employee;

(10) we make a reasonable determination that continued operation of the Franchised Business by you will result in an imminent danger to public health or safety;

(11) you lose the right to occupy the Premises;

(12) you, the Operating Principal, your Multi-Unit Manager or any of your owners are convicted of, or plead no contest to, a felony charge, a crime involving moral turpitude, or any other crime or offense that is reasonably likely, in the our sole opinion, to adversely affect us, our affiliates, the goodwill associated with the Marks, or the System;

(13) you, or your Operating Principal, your Multi-Unit Manager and/or any management personnel of the Franchised Business do not satisfactorily complete the initial training program (after we provide a second opportunity as provided in Section 11.A.(2));

(14) you understate the Gross Revenues of the Franchised Business for any period by 2% or more three or more times during any 3-year period, or by more than 5% on any one occasion,

(15) your or any of your owners' assets, property, or interests are blocked under any law, ordinance, or regulation relating to terrorist activities, or you or any of your owners otherwise violate any such law, ordinance, or regulation;

(16) you or your owners: (a) remain in default beyond the applicable cure period under, or we terminate, any other agreement with us or our affiliates (provided that, if the default is not by you, we will provide to you written notice of the default and a 30-day period to cure the default); (b) remain in default beyond the applicable cure period under any real estate lease, equipment lease, or financing instrument relating to the Franchised Business; (c) remain in default beyond the applicable cure period under any contract with any vendor or supplier to the Franchised Business; or (d) fail to pay when due any taxes or assessments relating to the Franchised Business or its employees, unless you are actively prosecuting or defending the

claim or suit in a court of competent jurisdiction or by appropriate government administrative procedure or by arbitration or mediation conducted by a recognized alternative dispute resolution organization;

(17) you interfere with our relations with other franchisees, third parties and/or negatively impact our ability to operate and/or grant franchises under our System;

(18) you materially breach any representation or warranty set forth in Section 30;

(19) you fail to maintain all insurance policies required by Section 12.J of this Agreement and/or you allow or communicate your intent to allow any policy of insurance required by this Agreement to expire, lapse, cancel or terminate; or

(20) you fail to pay Royalties or make required or expected Marketing Contributions or Expenditures as set forth in Section 9.A.

**B. Remedies Following Default.**

(1) Termination Without Cure. Upon the occurrence of any of the events of Default set forth in section 19.A. above, and in addition to the grounds for termination that may be stated elsewhere in this Agreement, we may, in our sole discretion, terminate this Agreement and the rights granted by this Agreement, upon written notice to you without an opportunity to cure.

(2) Other Remedies. Upon the occurrence of any of the events of Default set forth in section 19.A. above, and in addition to the grounds for termination that may be stated elsewhere in this Agreement, we may also take the following actions, in our sole discretion, upon written notice to you, until you remedy the underlying event(s) of Default to our satisfaction: temporarily restrict your ability to access any systems in our control, including the website for the Franchised Business; restrict your ability to book events online; and restrict your ability to access the POPs System.

**C. Termination Following Expiration of Cure Period.**

(a) Except for those events listed in preceding Section 19.A., you will have 30 days after written receipt of notice of default from us within which to remedy any default and provide evidence of that remedy to us. If any default is not cured within that time, this Agreement will terminate without further notice to you effective immediately upon expiration of that time, unless we notify you otherwise in writing. Notwithstanding the foregoing, if the default cannot be corrected within 30 days, you will have such additional time to correct the default as reasonably required (not to exceed 90 days) provided that you promptly begin taking the actions necessary to correct the default during the 30-day cure period and diligently and in good faith pursue those actions to completion. You will be in default under this Section 19.C.(1) for any failure to materially comply with any of the requirements imposed by this Agreement, the Manuals or otherwise in writing, or to carry out the terms of this Agreement in good faith.

(b) Notwithstanding the provisions of preceding Section 19.B.(1), if you default in the payment of any monies owed to us or our affiliates when such monies become due and payable and you fail to pay such monies within 5 days after receiving written notice of default or immediately if payment has not been made within 30 days of its due date, then we may terminate this Agreement or pursue any of the other remedies available to us in accordance with Section 19.B.(2) upon written notice to you.

(c) If you have received 2 or more notices of default within the previous 12-month period, we may send you a notice of termination or pursue any of the other remedies available to us in accordance with Section 19.B.(2) upon your next default within that 12-month period without providing you an opportunity to remedy the default.

D. Termination Following Inspection. We (or our designee) may periodically conduct inspections of the Franchised Business to evaluate your compliance with the System and this Agreement. Following each inspection, we will provide to you an inspection report, which may include an inspection score on the inspection and those conditions at the Franchised Business that must be rectified. If you fail to achieve a passing score on an inspection, the inspection report will constitute a notice of default. If you fail to achieve a passing score on the subsequent inspection after failing to achieve a passing score (which we will conduct at least 30 days after your receipt of the inspection report for the prior inspection), we may terminate this Agreement without opportunity to cure, or pursue any of the other remedies available to us in accordance with Section 19.B.(2) in our sole discretion, by providing you written notice along with the inspection report.

## 20. OBLIGATIONS UPON TERMINATION OR EXPIRATION

### A. Your Obligations upon termination or expiration of this Agreement.

(1) The limited exclusive rights granted to you in the Protected Area immediately will terminate, and we will have the right to operate, or license others to operate, Pump It Up Businesses anywhere in the Protected Area;

(2) You and your owners must continue to abide by the covenants in Section 18;

(3) Within 15 days, you must pay to us and our affiliates all sums due and owing to us and our affiliates;

(4) You must immediately discontinue all use of the Marks in any manner, including in connection with the Franchised Business; remove the Marks from the Franchised Business, the inflatables and from clothing, signs, materials, motor vehicles and any other items owned or used by you in the operation of the Franchised Business; cancel all advertising for the Franchised Business that contains the Marks; and take such action as may be necessary to cancel any filings or registrations for the Franchised Business that contain any Mark, including any iteration of or reference to the Marks. You must comply with this Section 20.A. before any items previously bearing the Marks are offered for sale or auction by you or your lenders or lienholders, and you may not sell any items bearing the Marks;

(5) You must immediately cease using any of our Confidential Information (including the POPS System or similar technology and digital passwords and identifications that we have licensed or loaned to you or that otherwise are proprietary to us or the System), your client list, your telephone numbers, your email addresses, your social media pages, all copies of the Manuals, and any other confidential materials that we have loaned you;

(6) Within 30 days, you must deliver to us all signs, sign-faces, sign-cabinets, marketing materials, forms, and other materials containing any Mark, or otherwise identifying or relating to a Pump It Up Business that we request, and allow us, if we so choose and without liability to you or third parties for trespass or any other claim, to enter the Premises and remove these items from Franchised Business;

(7) You agree to promptly notify the telephone company, all telephone directory publishers, all social media companies and all domain name registries of the termination or expiration of your right to use any telephone numbers, facsimile numbers, social media handles, URLs and domain names, or other numbers, names and telephone directory listings associated with any Mark; to authorize the transfer of these numbers, names and directory listings to us or to a third party, at our direction; and/or to instruct the telephone company, domain name registries to forward all calls, e-mails and electronic communications made to your names, numbers or addresses to names, numbers or addresses we specify. If you fail to do so, we may take whatever action and sign whatever documents we deem appropriate on your behalf and consistent with the Listing Assignment Agreement attached to this Agreement as Exhibit 6 to effectuate these events; and

(8) If we do not have or do not exercise an option to purchase the assets of Franchised Business under Section 21 below, you agree promptly and at your own expense to make the alterations we specify in our Manuals (or otherwise) to distinguish your business clearly from its former appearance and from other Pump It Up Businesses in order to prevent public confusion. If you fail to promptly make these alterations and modifications, we will have the right (at your expense, to be paid upon your receipt of an invoice from us) to do so without being guilty of trespass or other tort.

B. Evidence of Compliance. You must furnish to us, within 30 days after the effective date of termination or expiration, evidence (certified to be true, complete, accurate and correct by you or by your chief executive officer if you are a corporation; by your manager, if you are a limited liability company; or by your general partner, if you are a partnership) satisfactory to us of your compliance with Sections 20.A.

C. Prohibition From Engaging In Future Conduct. Upon termination or expiration of this Agreement and your satisfaction of the covenants set forth in Section 18, you agree that you will not, except with respect to a business franchised by us or our affiliates which is then open and operating pursuant to a later effective franchise agreement: (1) operate or do business under any name or in any manner that might tend to give the public the impression that you are connected in any way with us or our affiliates or have any right to use the System or the Marks; (2) make, use or avail yourself of any of the materials or Confidential Information furnished or disclosed by us or our affiliates under this Agreement or disclose or reveal any such materials or Confidential Information or any portion of those materials or Confidential Information to anyone else; or (3) assist anyone not licensed by us or our affiliates to construct or equip a business substantially similar to a Pump It Up Business.

D. Continuing Obligations. All of our and your (and your owners') obligations which expressly or by their nature survive this Agreement's expiration or termination will continue in full force and effect subsequent to and notwithstanding the expiration or termination and until the obligations are satisfied in full or by their nature expire.

E. No Exclusive Remedy. No right or remedy conferred upon or reserved by us in this Section 20 is exclusive of any other right or remedy provided or permitted by law or equity.

## **21. OUR OPTION TO PURCHASE CERTAIN ASSETS OF THE FRANCHISED BUSINESS**

A. Scope. Upon the expiration or termination of this Agreement for any reason, we will provide written notice to you, within 30 days after the effective date of termination or expiration, if we intend to exercise our option to purchase from you some or all of the assets used in the Franchised Business ("Assets"). As used in this Section 21, the term "Assets" means and includes, without limitation, leasehold improvements, equipment, vehicles, furnishings, fixtures, signs and inventory (non-perishable products, materials and supplies) used in the Franchised Business, real estate interests (including the fee simple rights or the Lease), and any licenses necessary to operate the Franchised Business. We have the unrestricted right

to assign this option to purchase the Assets. We or our assignee will be entitled to all customary representations and warranties that the Assets are free and clear (or, if not, accurate and complete disclosure) as to: (1) ownership, condition and title; (2) liens and encumbrances; (3) environmental and hazardous substances; and (4) validity of contracts and liabilities inuring to us or affecting the Assets, whether contingent or otherwise.

B. Purchase Price. The purchase price for the Assets (“**Purchase Price**”) will be their fair market value (or, for leased assets, the fair market value of your Lease), determined as of the effective date of purchase in a manner that accounts for customary depreciation and condition of the Assets; provided, however, that the Purchase Price will take into account the termination of this Agreement. Further, the Purchase Price for the Assets will not contain any factor or increment for any trademark, service mark or other commercial symbol used in connection with the operation of the Franchised Business nor any goodwill or “going concern” value for the Franchised Business. We may exclude from the Assets purchased in accordance with this Section any equipment, vehicles, furnishings, fixtures, signs, and inventory that are not approved as meeting then-current standards for a Pump It Up Business or for which you cannot deliver a Bill of Sale in a form satisfactory to us.

C. Certified Appraisers. If we and you are unable to agree on the fair market value of the Assets within 30 days after your receipt of our notice of our intent to exercise our option to purchase the Assets, the fair market value will be determined by two professionally certified appraisers, one selected by you and one selected by us. If the valuations from the two appraisers differ by more than 10%, the two appraisers will together select a third professionally certified appraiser who also will appraise the fair market value of the Assets. The average value set by the appraisers (whether two or three appraisers as the case may be) will be conclusive and will be the Purchase Price. The appraisers will be given full access to the Franchised Business, the Premises and your books and records during customary business hours to conduct the appraisal and will value the Assets to be purchased in accordance with the standards of this Section 21. The appraisers’ fees and costs will be borne equally by you and us.

D. Exercise of Option. Within 10 days after the Purchase Price has been determined, we may exercise our option to purchase the Assets by notifying you in writing (“**Purchase Notice**”). The Purchase Price will be paid in cash or cash equivalents at the closing of the purchase (“**Closing**”), which will take place no later than 60 days after the date of the Purchase Notice. For a period of 30 days after the date of the Purchase Notice (“**Due Diligence Period**”), we have the right to conduct such investigations as we deem necessary and appropriate to determine: (1) the ownership, condition and title of the Assets; (2) liens and encumbrances on the Assets; (3) environmental and hazardous substances at or upon the Premises; and (4) the validity of contracts and liabilities inuring to us or affecting the Assets, whether contingent or otherwise. You will give us and our representatives access to the Franchised Business and the Premises at all reasonable times for the purpose of conducting inspections of the Assets; provided that such access does not unreasonably interfere with your operations of the Franchised Business. Prior to the end of the Due Diligence Period, we will notify you in writing of any objections that we have to any finding disclosed in any title search, lien search, survey, environmental assessment or inspection. If you cannot or choose not to correct any such title defect, environmental objection, defect in the working condition of the Assets or any other objection, we will have the option to either accept the condition of the Assets as it exists or rescind our Purchase Notice, on or before the Closing.

E. Premises Leased. If the Premises are leased, you agree to use reasonable efforts to effect a termination of the existing Lease for the Premises. If the Lease for the Premises is assigned to us or we sublease the Premises from you, we will indemnify and hold you harmless from any ongoing liability under the Lease from the date we assume possession of the Premises, and you will indemnify and hold us harmless from any liability under the Lease prior to and including that date.

F. Premises Owned By You. If you own the Premises, we, at our option, may purchase the fee simple interest or, upon purchase of the other Assets, enter into a standard lease with you on terms comparable to those for which similar commercial properties in the area are then being leased; or remove the Assets from the Premises. The initial term of the Lease between you and us under such circumstances must be at least 10 years with 2 options to renew of 5 years each, and the rent must be the fair market rental value of the Premises. If you and we cannot agree on the fair market rental value of the Premises, then local real estate appraisers (selected in the manner described in Section 21.C.) will determine the rental value.

## 22. RELATIONSHIP OF THE PARTIES

A. Independent Contractors. You and we understand and agree that this Agreement does not create a fiduciary relationship between you and us, that you and we are and will be independent contractors, and that nothing in this Agreement is intended to make either you or us a general or special agent, joint venturer, partner, or employee of the other for any purpose. You agree to identify yourself conspicuously in all dealings with customers, vendors, public officials, Pump It Up Business personnel, and others as the owner of the Franchised Business under a franchise we have granted and to place notices of independent ownership on the forms, business cards, stationery, advertising, and any other materials that we require from time to time.

B. No Liability for Acts of Other Party. We and you may not make any express or implied agreements, warranties, guarantees, or representations, or incur any debt, in the name or on behalf of the other or represent that our respective relationship is other than franchisor and franchisee. We will not be obligated for any damages to any person or property directly or indirectly arising out of your operation of the Franchised Business or the business you conduct under this Agreement.

C. Taxes. We will have no liability for any sales, use, service, occupation, excise, gross receipts, income, property, or other taxes, whether levied upon you or the Franchised Business, due to the business you conduct (except for our income taxes). You are responsible for paying these taxes and must reimburse us for any taxes that we must pay to any state taxing authority on account of either your operation or payments that you make to

## 23. INDEMNIFICATION

A. You agree to indemnify, defend, and hold us, our affiliates, and our and their respective shareholders, directors, officers, direct and indirect equity holders, employees, agents, successors, and assignees (“**Indemnified Parties**”) harmless from and against all actual or alleged claims, obligations, and damages directly or indirectly arising out of the operation of the Franchised Business, the business you conduct under this Agreement, or your breach of this Agreement, including, without limitation, those claims alleged to be or found to have been caused by the Indemnified Party’s negligence. Further you agree to reimburse any one or more of the Indemnified Parties for all actual or alleged claims, obligations, and damages directly or indirectly arising out of the operation of the Franchised Business, the business you conduct under this Agreement, or your breach of this Agreement, including, without limitation, those claims alleged to be or found to have been caused by the Indemnified Party’s negligence. Your obligations to indemnify, defend and hold harmless the Indemnified Parties is avoided only if, and then only to the extent that, the claims, obligations, or damages are determined to be caused solely by our gross negligence or willful misconduct in a final, unappealable ruling issued by a court with competent jurisdiction.

B. For purposes of this Section 23, “**claims**” include all actual or alleged obligations, damages (actual, consequential, or otherwise), and costs that any Indemnified Party reasonably incurs in

defending any claim against it, including, without limitation, reasonable accountants', attorneys', and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation or alternative dispute resolution, regardless of whether litigation or alternative dispute resolution is commenced. Each Indemnified Party may defend any claim against it at your expense and agree to settlements or take any other remedial, corrective, or other actions. We have the right to designate attorneys that you must retain to defend any claims subject to this Section 23.

C. This indemnity will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement. An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its losses and expenses, in order to maintain and recover fully a claim against you under this Section 23. You agree that a failure to pursue a recovery or mitigate a loss will not reduce or alter the amounts that an Indemnified Party may recover from you under this Section 23.

## 24. SEVERABILITY AND CONSTRUCTION

A. Severability. Except as expressly provided to the contrary in this Agreement, each section, paragraph, term, and provision of this Agreement is severable. If for any reason, any part is held to be invalid or contrary to or in conflict with any applicable present or future law or regulation in a final, unappealable ruling issued by any court, agency, or tribunal with competent jurisdiction, that ruling will not impair the operation of, or otherwise affect, any other portions of this Agreement, which will continue to have full force and effect and bind the parties.

B. Alteration to Agreement By Rule of Law. If any applicable and binding law or rule of any jurisdiction requires more notice than this Agreement requires for termination of the Agreement, or requires some other action that this Agreement does not require, or if, under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any System Standard is invalid, unenforceable, or unlawful, the notice and/or other action required by the law or rule will be substituted for the comparable provisions of this Agreement and we may modify the invalid or unenforceable provision or System Standard to the extent required to be valid and enforceable, or delete the unlawful provision in its entirety. You agree to be bound by any promise or covenant imposing the maximum duty the law permits which is subsumed within any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement.

C. No Third-Party Beneficiaries. Except as otherwise provided in Section 23, nothing in this Agreement is intended, nor shall be deemed, to confer any rights or remedies under or by reason of this Agreement to any person or legal entity other than us, our affiliates and such of our heirs, successors and assigns, and you, as the parties to this Agreement.

D. Interpretation. No Provision of this Agreement should be interpreted in favor of or against any party because of the party that drafted this Agreement.

E. Our Discretion. Whenever we have expressly reserved in this Agreement a right and/or discretion to take or withhold an action, or to grant or decline to grant you a right to take or withhold an action, except as otherwise expressly and specifically provided in this Agreement, we may make such decision or exercise our right and/or discretion on the basis of our sole judgment of what is in our best interests. Our judgment of what is in the best interests of the System, at the time our decision is made or its right or discretion is exercised, can be made without regard to whether: (1) other reasonable alternative decisions or actions, or even arguably preferable alternative decisions or actions, could have been made by us; (2) our decision or the action taken promotes our financial or other individual interest; (3) our decision



or the action taken applies differently to you and one or more other franchisees or our company-owned or affiliate-owned operations; or (4) our decision or the action taken is adverse to your interests. We will have no liability to you for any such decision or action. We and you intend that the exercise of our right or discretion will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, we and you agree that such covenant will not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants us the right to make decisions, take actions and/or refrain from taking actions not inconsistent with your rights and obligations under this Agreement.

## 25. CONSENTS, APPROVALS AND WAIVERS

A. Consents. Whenever this Agreement requires our prior approval or consent, you must make a timely written request to us for that approval or consent, and any approval or consent from us must be made in writing and be signed by one of our authorized officers.

B. Waivers. We and you may, by written instrument, unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement, effective upon delivery of written notice to the other or another effective date stated in the notice of waiver. Any waiver granted will be without prejudice to any other rights we or you have, will be subject to continuing review, and may be revoked at any time and for any reason effective upon delivery of 10 days' prior written notice. We and you will not waive or impair any right, power, or option this Agreement reserves (including, without limitation, our right to demand exact compliance with every term, condition, and covenant or to declare any breach to be a default and to terminate this Agreement before the expiration of its term) because of: any custom or practice at variance with this Agreement's terms; our or your failure, refusal, or neglect to exercise any right under this Agreement or to insist upon the other's compliance with this Agreement, including, without limitation, any System Standard; our waiver of or failure to exercise any right, power, or option, whether of the same, similar, or different nature, with other Pump It Up Businesses; the existence of agreements for other Pump It Up Businesses which contain provisions different from those contained in this Agreement; or our acceptance of any payments due from you after any breach of this Agreement. No special or restrictive legend or endorsement on any check or similar item given to us will be a waiver, compromise, settlement, or accord and satisfaction.

C. Force Majeure. If the performance of any obligation by any party under this Agreement is prevented, hindered or delayed by reason of Force Majeure, which cannot be overcome by reasonable commercial measures, the parties will be relieved of their respective obligations (to the extent that the parties, having exercised best efforts, are prevented, hindered or delayed in such performance) during the period of such Force Majeure. The party whose performance is affected by an event of Force Majeure must give prompt written notice of such Force Majeure event to the other party by setting forth the nature of the Force Majeure and an estimate as to its duration. As used in this Agreement, the term "**Force Majeure**" means any act of God, strike, lock-out or other industrial disturbance, war (declared or undeclared), riot, fire or other catastrophe, act of any government or other third party and any other cause no within the control of the party affected thereby. Your inability to obtain financing or make any payment when due (regardless of the reason) may not constitute Force Majeure.

**26. ENTIRE AGREEMENT.** We and you acknowledge that each element of this Agreement is essential and material and that, except as otherwise provided in this Agreement, you and we will deal with each other in good faith. This Agreement and its attachments, the Manuals, and the documents referred to in this Agreement constitute the entire, full and complete agreement between the parties concerning your rights, and supersede any and all prior or contemporaneous negotiations, discussions, understandings or agreements. There are no other representations, promises, agreements, arrangements, or undertakings, oral

or written, between the parties relating to the matters covered by this Agreement other than those set forth in this Agreement and its attachments, the Manuals, and the documents referred to in this Agreement (including our Franchise Disclosure Document). No obligations or duties that contradict or are inconsistent with the express terms of this Agreement may be implied into this Agreement. Except as expressly set forth in this Agreement, no amendment, change or variance from this Agreement will be binding on either party unless mutually agreed to by you and us and executed in writing. Nothing in this Agreement or in any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document.

## 27. ENFORCEMENT

A. Governing Law. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other federal law, this Agreement, the Franchise, and all claims arising from the relationship between you and us will be governed by the laws of the State of Arizona, without regard to its conflict of laws rules, provided, however, that: (1) the provisions of Section 18 shall be interpreted and construed under the laws of the jurisdiction in which the Franchised Business is located; and (2) any Arizona law regulating the sale of franchises or governing the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this Section 27.B.

B. Consent to Jurisdiction. You and we agree that, to the extent any disputes cannot be resolved directly between us, you will file any suit against us only in the federal or state court having jurisdiction where our principal offices are located at the time the suit is filed. As of the date of this Agreement, those courts are the Superior Court of Arizona, Maricopa County and the United States District Court for the District of Arizona in Phoenix, Arizona. We may file suit in the federal or state court located in the jurisdiction where our principal offices are located at the time suit is filed or in the jurisdiction where you reside or do business, where the Franchised Business is or was located, or where the claim arose. You consent to the personal jurisdiction of those courts over you and to venue in those courts.

C. Waiver of Certain Damages and Rights. You and we waive, to the fullest extent permitted by law, any right or claim of any punitive or exemplary damages against each other and agree that, in the event of a dispute between us, we each will be limited to the recovery of actual damages sustained. You and we waive, to the fullest extent permitted by law, the right to bring, or be a class member in, any class action suits. You and we waive, to the fullest extent permitted by law, the right to trial by Jury.

D. Reimbursement of Costs and Expenses. If either party brings an action to enforce this Agreement in a judicial proceeding, the party succeeding or prevailing in that proceeding will be entitled to reimbursement of costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants' and expert witness fees, the cost of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether incurred prior to, in preparation for, in contemplation of or subsequent to the filing of, the proceeding. If we utilize legal counsel (including in-house counsel employed by us) in connection with any failure by you to comply with this Agreement, you agree to reimburse us for any and all of the above-listed costs and expenses incurred by us. In any judicial proceeding, the amount of these costs and expenses will be determined by the court .

E. Rights and Remedies Cumulative. No right or remedy conferred upon or reserved to us or you by this Agreement is intended to be, nor shall it be deemed, exclusive of any other right or remedy in this Agreement or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy. The provisions of this Section 27 shall survive the expiration or earlier termination of this Agreement.

F. Limitations of Claims. Any and all claims and actions arising out of or relating to this Agreement, the relationship between you and us, or your operation of the Franchised Business, must be brought or asserted before the expiration of the earlier of: (1) the time period for bringing an action under any applicable state or federal statute of limitations; (2) one year after the date upon which a party discovered, or should have discovered, the facts giving rise to an alleged claim; or (3) two years after the first act or omission giving rise to an alleged claim; or it is expressly acknowledged and agreed by all parties that such claims or actions will be irrevocably barred. Our claims attributable to underreporting of sales, and claims of the parties for failure to pay monies owed and/or indemnification will be subject only to the applicable state or federal statute of limitations.

G. Injunctive Relief. You recognize that your failure to comply with the terms of this Agreement, including, but not limited to, the failure to fully comply with all post-termination obligations, is likely to cause irreparable harm to us, our affiliates and the System. Therefore, you agree that in the event of a breach or threatened breach of any of the terms of this Agreement by you, we are entitled to injunctive relief (both preliminary and permanent) restraining that breach and/or to specific performance without showing or proving actual damages and without posting any bond or security. Any equitable remedies sought by us will be in addition to, and not in lieu of, all remedies and rights that you otherwise may have arising under applicable law or by virtue of any breach of this Agreement.

## 28. MISCELLANEOUS

A. Gender. All references to gender will be construed to include such other gender as the context may require.

B. Captions. All captions in this Agreement are intended solely for the convenience of the parties and none will be deemed to affect the meaning or construction of any provision of this Agreement.

C. Counterparts. This Agreement may be executed in counterparts and by electronic signature such as DocuSign, and signed counterparts may be exchanged by facsimile or electronic transmission (including by PDF by email), each of which shall be deemed an original, but all of which together constitute one and the same agreement.

D. Time. Time is of the essence of this Agreement for each provision in which time is a factor. Whenever this Agreement refers to a period of days or months, the first day or month to be counted will be the day or month of the designated action, event or notice. Days will be measured by calendar days, except that if the last day of a period is a Saturday, Sunday or national holiday, the period automatically will be extended to the next day that is not a Saturday, Sunday or national holiday.

E. Delegation of Performance. You agree that we have the right to delegate the performance of any portion or all of our obligations under this Agreement to third-party designees, whether these designees are our agents or independent contractors with whom we have contracted to perform these obligations. If we do so, such third-party designees will be obligated to perform the delegated functions for you in compliance with this Agreement.

F. Compliance With Anti-Terrorism Laws. You and your owners agree to comply with, and to assist us to the fullest extent possible in our efforts to comply with, Anti-Terrorism Laws (defined below). In connection with that compliance, you and your owners certify, represent, and warrant that none of your property or interests is subject to being blocked under, and that you and your owners otherwise are not in violation of, any of the Anti-Terrorism Laws. The term “Anti-Terrorism Laws” means Executive Order

13224 issued by the President of the United States, the USA PATRIOT Act, and all other present and future federal, state, and local laws, ordinances, regulations, policies, lists, and other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war. Any violation of the Anti-Terrorism Laws by you or your owners, or any blocking of your or your owners' assets under the Anti-Terrorism Laws, will constitute good cause for immediate termination of this Agreement, as provided in Section 19.A.(15) above.

G. No Waiver; No Disclaimer of Reliance. 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.

**29. NOTICES AND PAYMENTS.** No notice, demand, request or other communication to the parties will be binding upon the parties unless the notice is in writing, refers specifically to this Agreement and: (A) if to us, is sent to 4343 E. Outlier Blvd., Suite 220, Phoenix, AZ 85008 (Attn: Legal Department); or (B) if to you, is sent to the address and to the individual specified on Exhibit 4 or is sent to the Premises of the Franchised Business. Any party may designate a new address for notices by giving written notice of the new address pursuant to this Section. Notices will be effective upon receipt (or first refusal of delivery) and may be: (1) delivered personally; (2) transmitted by facsimile or electronic mail to the email address(es) or number(s) set forth above (or in Exhibit 4); (3) mailed in the United States mail, postage prepaid, certified mail, return receipt requested; or (4) sent via overnight courier.

*SIGNATURES ON FOLLOWING PAGE*

**IN WITNESS WHEREOF**, the parties have executed and delivered this Agreement on the dates noted below, to be effective as of the Effective Date.

**PUMP IT UP HOLDINGS, LLC,  
an Arizona limited liability company.**

**FRANCHISEE**

\_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

\_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**EXHIBIT 1  
TO THE PUMP IT UP FRANCHISE AGREEMENT  
FRANCHISE INFORMATION**

1. **The Premises (Sections 1.D. and 2.A.)** The Premises will be located at: \_\_\_\_\_

If the Premises have not been approved in writing by us as of the Effective Date, we will insert the address of the Premises after you execute a lease, or otherwise secure the approved site for the Franchised Business.

2. **The Protected Area (Section 3.A.):** If you have not been granted a Protected Area by us as of the Effective Date, your Protected Area will be determined by us after you execute a lease, or otherwise secure the location for the Premises, and at such time will be attached to and incorporated into Exhibit 1. Your rights in the Protected Area are subject to the limitations described in Section 3. Any boundaries contained in the description of the Protected Area will be considered fixed as of the Effective Date and shall not change notwithstanding a change in those boundaries.

3. **The Site Selection Area (Section 5.A.(2)):** If the Premises has not been determined as of the Effective Date, we will identify the Site Selection Area on a map attached to this Exhibit 1. Your rights in the Site Selection Area are subject to the limitations described in Section 5. Any boundaries contained in the description of the Site Selection Area will be considered fixed as of the Effective Date and shall not change notwithstanding a change in those boundaries.

4. **The Initial Franchise Fee (Section 7.A.):** \$\_\_\_\_\_.

**FRANCHISEE**

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**PROTECTED AREA**

Your rights in the Protected Area are subject to the limitations described in Section 3 of the Franchise Agreement. Any boundaries contained in the description of the Protected Area will be considered fixed as of the Effective Date and shall not change notwithstanding a change in those boundaries.

**The Protected Area is depicted in the map above and includes the following zip codes within its boundaries:**

**Pump It Up Holdings, LLC**  
**Initials: \_\_\_\_\_**

**SITE SELECTION AREA**

Your rights in the Site Selection Area are subject to the limitations described in Section 5. Any boundaries contained in the description of the Site Selection Area will be considered fixed as of the Effective Date and shall not change notwithstanding a change in those boundaries.

**[TO BE LEFT BLANK IF THE PREMISES HAVE BEEN DETERMINED AS OF THE EFFECTIVE DATE]**

**The Site Selection Area is depicted in the map above and includes the following zip codes within its boundaries:**

**Pump It Up Holdings, LLC**

**Initials: \_\_\_\_\_**



**EXHIBIT 2**  
**TO THE PUMP IT UP FRANCHISE AGREEMENT**  
**FORM OF COLLATERAL ASSIGNMENT OF LEASE**

**THIS COLLATERAL ASSIGNMENT OF LEASE (“Assignment”)** is entered on \_\_\_\_\_, 202\_\_ between Pump It Up Holdings, LLC, (“**Franchisor**”), and \_\_\_\_\_ (“**Franchisee**”) located at \_\_\_\_\_, and \_\_\_\_\_ (“**Landlord**”), located at \_\_\_\_\_.

Subject to the provisions of this Assignment, Franchisee, to secure its obligations to Franchisor to affect various provisions of the Franchise Agreement between Franchisor and Franchisee (“**Franchise Agreement**”), and for other reasons, hereby assigns, transfers and sets over unto Franchisor and/or such person(s)/entity(ies) as Franchisor may from time to time designate, all of Franchisee’s right, title and interest, whether as tenant or otherwise, in, to, and under that certain lease dated \_\_\_\_\_, \_\_\_, (“**Lease**”), as attached to this Assignment for the Premises located at \_\_\_\_\_, between Franchisee and Landlord, respecting that property commonly known as the Pump It Up Business (“**Pump It Up Business**”). Franchisor shall have no liabilities or obligations of any kind arising from, or in connection with, this Assignment, the Lease, or otherwise (including, but not limited to, any obligation to pay rent and/or other amounts) until and unless Franchisor, in its reasonable discretion, takes possession of the Pump It Up Business pursuant to the terms hereof and expressly (and in writing) assumes the rights and obligations of Franchisee under the Lease, Franchisor only being responsible for those obligations accruing after the date of such assumption.

Franchisor will not take possession of the Pump It Up Business until and unless Franchisee defaults, and/or receives notice of default (and/or until there is a termination, cancellation or rescission of Franchisee’s rights) under the Lease, any sublease, any other document or instrument, or otherwise. In such event, Franchisor (or its designee) shall have the right (but not the obligation) to take possession of the Pump It Up Business, expel Franchisee from the Pump It Up Business, and, in such event, Franchisee shall have no further right, title or interest in or under the Lease or to the Pump It Up Business, all such rights thereby passing to Franchisor or its designee, in each case without Landlord’s further consent. Franchisee agrees to do all acts necessary or appropriate to accomplish such assignment on Franchisor’s request.

Franchisee agrees that it will not suffer or permit any surrender, termination, amendment or modification of the Lease without the prior written consent of Franchisor. Throughout the term of the Franchise Agreement, Franchisee agrees that it shall elect and exercise all options to extend the term of, or renew or assume in bankruptcy, the Lease not less than 30 days prior to the last day that any option must be exercised, unless Franchisor otherwise agrees in writing. If Franchisee fails to extend, renew, or assume the Lease, Franchisee hereby appoints Franchisor as its true and lawful attorney in fact to exercise such options for the sole purpose of effecting any extension, renewal or assumption, in each case for the account of Franchisee and without any liability or obligation of Franchisor.

Franchisor’s failure to exercise any remedy hereunder shall not be construed or deemed to be a waiver of any of its rights hereunder. The rights and remedies of Franchisor under this Assignment are cumulative and are not in lieu of, but are in addition to, any other rights and remedies which Franchisor shall have under or by virtue of the Franchise Agreement or otherwise. The terms, covenants, and conditions contained herein shall bind Franchisee, and inure to the benefit of Franchisor, and their respective successors and assigns. In the event of any dispute between the parties regarding this Assignment, or any matter related in any way to it, the dispute resolution provisions (including, but not limited to, waiver of jury trial and limitation of damages) of the Franchise Agreement between Franchisor

and Franchisee shall apply. If there is more than one Franchisee, their obligations hereunder will be joint and several.

This document may be recorded by, and at the expense of, Franchisor.

**Pump It Up Holdings, LLC:**

Signature: \_\_\_\_\_

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

Its: \_\_\_\_\_

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

**FRANCHISEE:** \_\_\_\_\_

Signature: \_\_\_\_\_

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

Its: \_\_\_\_\_

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

**LANDLORD:** \_\_\_\_\_

Signature: \_\_\_\_\_

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

Its: \_\_\_\_\_

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

[ATTACH COPY OF EXECUTED LEASE]

**EXHIBIT 3  
TO THE PUMP IT UP FRANCHISE AGREEMENT**

**EDTA FORM**

**AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENTS (DIRECT DEBITS)**

\_\_\_\_\_ (Name of Person or Legal Entity)

\_\_\_\_\_ (ID Number)

The undersigned depositor (“**Depositor**” or “**Franchisee**”) hereby authorizes PUMP IT UP HOLDINGS, LLC (“**Franchisor**”) to initiate debit entries and/or credit correction entries to the undersigned’s checking and/or savings account(s) indicated below and the depository designated below (“**Depository**” or “**Bank**”) to debit or credit such account(s) pursuant to Franchisor’s instructions. A voided check to the Depositor’s account must be included with this EDTA form.

Depository	Branch
City	State/Zip
Bank Transit/ABA Number	Account Number

\_\_\_\_\_

This authority is to remain in full and force and effect until 60 days after Franchisor has received written notification from Franchisee of its termination or expiration.

Depositor

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

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

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

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

Attach a voided check to Depositor’s account here.

**EXHIBIT 4  
TO THE PUMP IT UP FRANCHISE AGREEMENT  
LISTING OF OWNERSHIP INTERESTS**

Effective Date: This Exhibit 4 is current and complete as of

1. Form of Ownership.

(a) Individual Proprietorship. Your owner(s) (is) (are) as follows:

\_\_\_\_\_

(b) Corporation, Limited Liability Company, or Partnership. You were incorporated or formed on \_\_\_\_\_, under the laws of the State of \_\_\_\_\_. The following is a list of your directors, if applicable, and officers as of the effective date shown above:

Name of Each Director/Officer	Position(s) Held
_____	_____
_____	_____

2. **Owners.** The following list includes the full name of each person who is one of your owners (as defined in the Franchise Agreement), or an owner of one of your owners, and fully describes the nature of each owner's interest (attach additional pages if necessary).

Owner's Name	Percentage/Description of Interest
_____	_____
_____	_____

3. Contact Information of Person to Receive Notice For You

Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
Email Address: \_\_\_\_\_  
Fax Number: \_\_\_\_\_  
Phone Number: \_\_\_\_\_

4. Operating Principal. Your Operating Principal is \_\_\_\_\_

5. Multi-Unit Manager. If applicable, your Multi-Unit Manager is \_\_\_\_\_

**FRANCHISEE**

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

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

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

**EXHIBIT 5  
TO THE PUMP IT UP FRANCHISE AGREEMENT**

**GUARANTY AND ASSUMPTION OF OBLIGATIONS**

**THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS** is given this \_\_\_\_ day of \_\_\_\_\_, 202\_\_ by \_\_\_\_\_ (“**Guarantor**”). In consideration of, and as an inducement to, the execution of that certain Pump It Up Franchise Agreement (“**Agreement**”) on this date by PUMP IT UP HOLDINGS, LLC (“**us,**” “**we,**” or “**our**”), each of the undersigned personally and unconditionally (a) guarantees to us and our successors and assigns, for the term of the Agreement (including extensions) and afterward as provided in the Agreement, that \_\_\_\_\_ (“**Franchisee**”) will punctually pay and perform each and every undertaking, agreement, and covenant set forth in the Agreement (including any amendments or modifications of the Agreement) and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement (including any amendments or modifications of the Agreement), both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities, including the non-competition, confidentiality, and transfer requirements.

Each of the undersigned consents and agrees that: (1) their direct and immediate liability under this Guaranty will be joint and several, both with Franchisee and among other guarantors; (2) they will render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (3) this liability will not be contingent or conditioned upon our pursuit of any remedies against Franchisee or any other person; (4) this liability will not be diminished, relieved, or otherwise affected by any extension of time, credit, or other indulgence which we 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 (including the release of other guarantors), none of which will in any way modify or amend this Guaranty, which will be continuing and irrevocable during the term of the Agreement (including extensions), for so long as any performance is or might be owed under the Agreement by Franchisee or its owners, and for so long as we have any cause of action against Franchisee or its owners; and (5) this Guaranty will continue in full force and effect for (and as to) any extension or modification of the Agreement and despite the transfer of any interest in the Agreement or Franchisee, and each of the undersigned waives notice of any and all renewals, extensions, modifications, amendments, or transfers.

Each of the undersigned waives: (i) all rights to payments and claims for reimbursement or subrogation which any of the undersigned may have against Franchisee arising as a result of the undersigned’s execution of and performance under this Guaranty; and (ii) acceptance and notice of acceptance by us of any undertakings under this Guaranty, notice of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed, protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed, and any other notices to which he or she may be entitled.

If we are required to enforce this Guaranty in a judicial proceeding, and prevail in such proceeding, we will be entitled to reimbursement of our costs and expenses, including, but not limited to, reasonable accountants’, attorneys’, attorneys’ assistants’, and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether incurred prior to, in preparation for, or in contemplation of the filing of any such proceeding. If we are required to engage legal counsel in connection with any failure by the undersigned to comply with this Guaranty (including the use of in-house counsel), the undersigned will reimburse us for any of the above-listed costs and expenses we incur.

Each of the undersigned agrees that all actions arising under this Guaranty or the Agreement, or otherwise as a result of the relationship between us and the undersigned, must be commenced in a state or federal court of competent jurisdiction in the state or judicial district in which we have our principal place of business at the time the action is commenced. Such location for our principal place of business as of the date of execution of this Guaranty is Phoenix, Arizona, and the only courts through which any action may be brought are the Superior Court of the State of Arizona, Maricopa County or the United States District Court for the District of Arizona, located in Phoenix. Each of the undersigned irrevocably submits to the jurisdiction of these courts and waives any objection they might have to either the jurisdiction of or venue in those courts. Nonetheless, each of the undersigned agrees that we may enforce this Guaranty and judgment orders in the courts of the state or states in which they are domiciled.

**IN WITNESS WHEREOF**, each of the undersigned has affixed their signature on the same day and year as the Agreement was executed.

GUARANTOR(S)

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

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

\_\_\_\_\_

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

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

\_\_\_\_\_

\_\_\_\_\_

**EXHIBIT 6**  
**TO THE PUMP IT UP FRANCHISE AGREEMENT**  
**LISTING ASSIGNMENT AGREEMENT**

In accordance with the terms of the Pump It Up Franchise Agreement (“**Franchise Agreement**”) between PUMP IT UP HOLDINGS, LLC (“**PIU**”) and \_\_\_\_\_ (“**you**”), executed concurrently with this Listing Assignment Agreement, under which PIU granted you the right to own and operate a franchised Pump It Up Business (“**Franchised Business**”), you, for value received, hereby assign to PIU all of your right, title, and interest in and to those certain telephone numbers, regular, classified, or other telephone directory listings, URLs, domain names, social media accounts, and social media and other account handles (collectively, the “**Listings**”) associated with PIU’s trade and service marks and used from time to time in connection with the operation of the Franchised Business.

This assignment is for collateral purposes only and, except as specified in this Agreement, PIU will have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment unless PIU notifies the telephone company, domain name registries, media services (including social media) and all listing agencies (collectively, the “**Listing Agencies**”) pursuant to the terms of this Agreement to effectuate the assignment.

Upon termination or expiration of the Franchise Agreement (without renewal or extension), PIU will have the right and is hereby empowered to effectuate the assignment of the Listings, and, in such event, you will have no further right, title, or interest in the Listings and will remain liable to the Listing Agencies for all past due fees owing to the Listing Agencies on or before the effective date of the assignment.

You agree and acknowledge that as between PIU and you, upon termination or expiration of the Franchise Agreement, PIU will have the sole right to and interest in the Listings, and you appoint PIU as your true and lawful attorney-in-fact to direct the Listing Agencies to assign the same to PIU, and execute such documents and take such actions as may be necessary to effectuate the assignment. Upon such event, you will immediately notify the Listing Agencies to assign the Listings to PIU; you also agree not to utilize any call forwarding messages referring to another number. If you fail to promptly direct the Listing Agencies to assign the Listings to PIU, PIU will direct the Listing Agencies to effectuate the assignment contemplated under this Agreement, to PIU.

The parties agree that the Listing Agencies may accept written direction from PIU, or this Assignment, as conclusive proof of PIU’s exclusive rights in and to the Listings upon such termination or expiration.

The parties further agree that if a Listing Agency requires that the parties execute the Listing Agency’s assignment forms or other documentation at the time of termination or expiration PIU’s execution of such forms or documentation will effectuate your consent and agreement to the assignment. The parties agree that at any time after the date of this Agreement, they will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the assignment described in this Agreement upon termination or expiration of the Franchise Agreement.

**IN WITNESS WHEREOF**, each of the undersigned has affixed his or her signature on the same day and year as the Franchise Agreement was executed.

**PUMP IT UP HOLDINGS, LLC, an Arizona limited liability company.**

\_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**FRANCHISEE**

\_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_



**Exhibit D – Confidentiality Agreement  
Pump It Up Franchise Disclosure Document**

## CONFIDENTIALITY AGREEMENT

**THIS AGREEMENT** is made as of \_\_\_\_\_, (“Effective Date”), by and between Pump It Up Holdings, LLC, an Arizona Limited Liability Company (“PIU”) and \_\_\_\_\_, with its principal place of business at \_\_\_\_\_ (“Applicant”) and certain of Applicant’s employees identified below (“Employees”) in favor of and for the benefit of Pump It Up Holdings, LLC (“PIU”).

### RECITALS

As a result of the expenditure of considerable time, skill, effort and money, PIU and its parent and affiliates have developed and own a unique system (“System”) for the development and operation of a private party businesses that feature various super-sized branded inflatable equipment, rides, equipment, toys, merchandise, food and services (“Pump It Up Facilities”).

Applicant has expressed interest in purchasing a Pump It Up franchise from PIU to operate one or more Pump It Up Facilities.

In order to evaluate the possibility of entering into a franchise agreement with PIU to establish and operate one or more Pump It Up Facilities, Applicant and Employees desire to receive from PIU certain confidential business information including, but not limited to the information contained in the Pump It Up operations manuals (“Manuals”). Applicant and Employees recognize the importance of maintaining the confidentiality of this information.

**NOW THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Applicant and Employees agree as follows:

#### 1. CONFIDENTIAL INFORMATION

A. Definition of Confidential Information. As used in this Agreement, the term “Confidential Information” means all information that has been created, discovered or developed by PIU and that is in any way proprietary to PIU. Confidential Information includes, but is not limited to, trade-secrets, know-how, methodologies, System information, technical information, statistics, software, hardware, materials, plans, designs, schematics, reports, studies, notes, analyses, summaries, business, market and development plans, customer lists and other information regarding customer relationships, financial information and projections, artwork, information regarding the manner and methods of locating a site for, developing, operating and promoting Pump It Up Facilities, information contained in the Manuals, information regarding the retail and commercial operations of PIU and its affiliates, and all information that: (1) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (2) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy. Confidential Information may be in written form or obtained orally.

B. Exclusion from Definition of Confidential Information. The term “Confidential Information” does not include: (1) information that is now or hereafter becomes publicly known through no fault of Applicant or any Employee, or by any other person, firm or corporation affiliated with Applicant or any Employee; (2) information that was in Applicant’s or any Employee’s possession before the Effective Date; and (3) information that comes into Applicant’s or any Employee’s possession after the Effective Date from a source not under an obligation of secrecy to PIU. As used in this Agreement, the phrase “publicly known” means readily accessible to the public in a written publication, and shall not include information which is available only by a substantial searching of the published literature and information the substance of which must be pieced together from a number of different publications and

sources. The burden of proving that information or skills and experience are not Confidential Information shall be on the party asserting such exclusion.

C. Treatment of Confidential Information. Applicant and Employees hereby acknowledge, understand and agree that the Confidential Information: (1) is the exclusive and confidential property of PIU or its affiliates and incorporates trade secrets and copyrights owned by them; (2) gives PIU and its affiliates some Competing Business advantage or the opportunity of obtaining such an advantage, the disclosure of which could be detrimental to the interests of PIU and its affiliates; and (3) is not generally known by non-PIU personnel. Applicant and Employees shall at all times treat the Confidential Information in accordance with this Agreement.

D. No License. This Agreement entitles Applicant and Employees to use the Confidential Information solely in connection with Applicant's exploration of the Pump It Up franchise opportunity. No license, express or implied, in the Confidential Information is granted to Applicant or Employees other than to use the Confidential Information in the manner and to the extent authorized by this Agreement.

## **2. COVENANTS OF APPLICANT AND EMPLOYEES.**

As a consequence of Applicant's and Employees' acquisition or anticipated acquisition of Confidential Information, Applicant and Employees will occupy a position of trust and confidence with respect to PIU's affairs and business. In view of the foregoing, Applicant and Employees agree that it is reasonable and necessary that Applicant and Employees agree, while this Agreement is in effect, to the following:

A. Limited Use. Applicant and Employees shall use the Confidential Information solely for purposes of evaluating whether or not Applicant will invest in a Pump It Up franchise. Neither Applicant nor Employees shall make any other uses of the Confidential Information. If Applicant does not invest in a franchise, the obligations set forth in this Section 2 will remain in effect for a period of 12 months from the date Applicant elects not to pursue such a franchise relationship. Within 12 months after the date Applicant elects not to pursue a franchise relationship with PIU, if Applicant or any Employee opens and operates a business whose method of operation or trade dress is similar to that of a Pump It Up Business or the System, a violation of this Agreement will be presumed.

B. No Disclosure. Applicant and Employees shall not disclose the Confidential Information to any person or entity other than Applicant's attorney or accountant as necessary to evaluate the opportunity provided by PIU. Applicant and Employees agree to protect the Confidential Information against unauthorized disclosure using the same degree of care, but no less than a reasonable degree of care, as Applicant and Employees use to protect Applicant's confidential information.

C. No Use, Copying or Transfer. Applicant and Employees shall not use, copy or transfer Confidential Information in any way and shall protect the Confidential Information against unauthorized use, copying or transfer using the same degree of care, but no less than a reasonable degree of care, as Applicant and Employees use to protect Applicant's confidential information. This prohibition against use, copying, or transfer of Confidential Information includes, but is not limited to, selling, licensing or otherwise exploiting, directly or indirectly, any products or services which embody or are derived from Confidential Information. Applicant and Employees further agree not to remove, overprint, or deface any notice of copyright, trademark, logo, or other notices of ownership from any Confidential Information.

D. Applicability. These covenants shall apply to all Confidential Information disclosed to Applicant or Employees by PIU prior to the date of this Agreement.

E. Solicitation. Applicant and Employees agree that neither they nor any of their agents, employees or representatives shall knowingly employ or seek to employ any person currently or previously employed by PIU or any affiliate, subsidiary or franchisee of PIU, or otherwise directly or indirectly induce such person to leave his or her employment without PIU's prior written consent.

**3. RETURN OF CONFIDENTIAL INFORMATION.** Nothing in this Agreement obligates either PIU or Applicant to enter into a franchise agreement for the operation of a Pump It Up Business. Applicant acknowledges that PIU's decision to consider Applicant for any franchise opportunity, as well as the location and type of franchise opportunity to be offered, if any, and the terms of any contracts, will be made by PIU in its sole discretion. If, at any time, PIU determines that it does not wish for Applicant to become a franchisee, or Applicant determines that it does not wish to invest in a Pump It Up franchise, or if PIU requests, at any time and for any reason, that Applicant and Employees do so, Applicant and Employees agree to: (A) immediately cease to use the Confidential Information; (B) immediately return to PIU the Confidential Information and all copies thereof (whether or not such copies were authorized) and cause any third party to whom disclosure was made to do the same; and (C) at the request of PIU, certify in writing that Applicant, Employees and all others to whom Applicant has provided such Confidential Information, have complied with subsections (A) and (B) above.

**4. NOTICE TO PIU.** Applicant and Employees shall immediately notify PIU of any information that comes to their attention which indicates that there has been or may be a loss of confidentiality of any of the Confidential Information or a breach of this Agreement.

**5. WAIVER.** Applicant and Employees acknowledge that no waiver by PIU of any breach by Applicant or Employees of any provision of this Agreement shall be deemed a waiver of any preceding or succeeding breach of the same or any other provision of this Agreement. No such waiver shall be effective unless in writing and then only to the extent expressly set forth in writing.

**6. ENFORCEMENT.**

A. Governing Law. This Agreement and any claim or controversy arising out of or relating to this Agreement shall be governed by and construed in accordance with the laws of the State of Arizona without regard to conflicts of laws principles.

B. Forum. To the extent any disputes cannot be resolved directly between Applicant, Employees and PIU, Applicant and Employees agree to file suit against PIU only in the federal or state court having jurisdiction where PIU's principal offices are located at the time suit is filed. As of the date of this Agreement, those courts are the Superior Court of Arizona, Maricopa County and the United States District Court for the District of Arizona in Phoenix, Arizona. Applicant and Employees acknowledge that PIU may file suit in the federal or state court located in the jurisdiction where Applicant's principal offices are located at the time suit is filed or in the jurisdiction where Applicant resides or does business or where the claim arose. Applicant and Employees consent to the personal jurisdiction of those courts and to venue in those courts.

C. Injunctive relief. It is hereby understood and agreed that: (1) a breach of this Agreement by Applicant or Employees would result in irreparable harm to PIU, the extent of which would be difficult to ascertain; (2) monetary damages would be an inadequate remedy for such a breach; and (3) PIU shall be entitled to specific performance and injunctive or other equitable relief as a court may deem appropriate in the event of such a breach without posting a bond or other security and without waiving any additional rights or remedies otherwise available to PIU at law or in equity or by statute.

D. Reimbursement of Costs and Expenses. If PIU brings an action to enforce this Agreement in a judicial proceeding and prevails in that proceeding, then PIU will be entitled to reimbursement of costs

and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants' and expert witness fees, the cost of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether incurred prior to, in preparation for, in contemplation of or subsequent to the filing of, the proceeding. In any judicial proceeding, the amount of these costs and expenses will be determined by the court and not by a jury.

E. Third Party Beneficiary. Applicant and Employees hereby acknowledge and agree that PIU is an intended third-party beneficiary of this Agreement with the right to enforce it.

## 7. MISCELLANEOUS.

A. Severability. If a court of competent jurisdiction deems any provision of this Agreement invalid, unreasonable or unenforceable, then the remaining provisions will not be affected, and the invalid provision may be enforced to the extent deemed reasonable by the court.

B. Headings. Section headings in this Agreement are for reference only and shall not be construed as modifying any provisions of this Agreement.

C. Counterparts. This Agreement may be executed in counterparts, and each copy so executed and delivered shall be deemed an original.

**[THE REMAINDER OF THE PAGE IS INTENTIONALLY BLANK]**

**IN WITNESS WHEREOF**, the parties have duly executed, sealed and delivered this Agreement as of the day and year above written.

**APPLICANT:**

**(IF APPLICANT IS AN ENTITY)**

\_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**(IF APPLICANT IS AN INDIVIDUAL)**

\_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**FRANCHISEE:**

\_\_\_\_\_  
Signature: \_\_\_\_\_  
By: \_\_\_\_\_  
Its: \_\_\_\_\_  
Date: \_\_\_\_\_

**EMPLOYEE:**

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

**EMPLOYEE:**

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

**Exhibit E – General Release  
Pump It Up Franchise Disclosure Document**

## GENERAL RELEASE

**THIS GENERAL RELEASE (“Release”)** is executed on \_\_\_\_\_ by \_\_\_\_\_ (“Franchisee”) and \_\_\_\_\_ (“Guarantors”) as a condition of [PICK ONE: the transfer of the Pump It Up Unit between Franchisee and Pump It Up Holdings, LLC (“PIU”) [or] the transfer or renewal of the Pump It Up Franchise Agreement dated \_\_\_\_\_ (“Franchise Agreement”) between Franchisee and PIU [or] between Franchisee and Pump It Up Holdings, LLC (“PIU”) [or] the termination of the Pump It Up Franchise Agreement dated \_\_\_\_\_ (“Franchise Agreement”)] between Franchisee and Pump It Up Holdings, LLC (“PIU”).

1. Release by Franchisee and Guarantors. Franchisee (if Franchisee is an entity, on behalf of itself and its parent, subsidiaries and affiliates and their respective past and present officers, directors, shareholders, agents and employees, in their corporate and individual capacities and, if Franchisee is an individual, on behalf of himself/herself and his/her heirs, representatives, successors and assigns) and Guarantors (on behalf of themselves and their respective heirs, representatives, successors and assigns) (collectively, “Franchisee Releasors”) freely and without any influence forever release and covenant not to sue PIU and its parent, subsidiaries, successors and affiliates and their respective past and present officers, directors, members, shareholders, agents and employees, in their corporate and individual capacities, (collectively “PIU Releasees”) with respect to any and all claims, demands, liabilities and causes of action of whatever kind or nature, whether known or unknown, vested or contingent, suspected or unsuspected (collectively, “Claims”), which any Franchisee Releasor ever owned or held, now owns or holds or may in the future own or hold, including, without limitation, claims arising under federal, state and local laws, rules and ordinances and claims arising out of, or relating to the Franchise Agreement and all other agreements between any Franchisee Releasor and any PIU Releasee, arising out of, or relating to any act, omission or event occurring on or before the date of this Release, unless prohibited by applicable law.

IF FRANCHISEE OR GUARANTORS ARE BASED IN CALIFORNIA: Franchisee and Guarantors (on behalf of the Franchisee Releasors) expressly agree that, with respect to this release, any and all rights granted under Section 1542 of the California Civil Code are expressly waived, to the extent applicable. That Section reads as follows:

**A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.**

2. Risk of Changed Facts. Franchisee and Guarantors understand that the facts out of which the Release in Section 1 above is given may turn out to be different from the facts now known or believed by them to be true. Franchisee and Guarantors hereby accept and assume the risk of the facts turning out to be different and agree that the Release shall nevertheless be effective in all respects and not subject to termination or rescission by virtue of any such difference in facts.

3. No Prior Assignment. Franchisee and Guarantors represent and warrant that the Franchisee Releasors are the sole owners of all Claims and rights released hereunder and that the Franchisee Releasors have not assigned or transferred, or purported to assign or transfer, to any person or entity, any Claim released under Section 1 above.

4. Covenant Not to Sue. Franchisee and Guarantors (on behalf of the Franchisee Releasors) covenant not to initiate, prosecute, encourage, assist, or (except as required by law) participate in any civil, criminal, or administrative proceeding or investigation in any court, agency, or other forum, either affirmatively or



by way of cross-claim, defense, or counterclaim, against any person or entity released under Section 1 above with respect to any Claim released under Section 1 above.

5. Complete Defense. Franchisee and Guarantors: (A) acknowledge that this Release shall be a complete defense to any Claim released under Section 1 above; and (B) consent to the entry of a temporary or permanent injunction to prevent or end the assertion of any such Claim.

6. Successors and Assigns. This Release will inure to the benefit of and bind the successors, assigns, heirs and personal representatives of PIU and each Franchisee Releasor.

7. Governing Law. This Release and all claims relating to this Release shall be governed by and construed under the law of the State of Arizona, without regard to its conflict of laws rules. PIU, Franchisee and Guarantor shall file any controversy or claim whatsoever arising out of or relating to this Release or the enforcement of the promises in this Release or with regard to the interpretation, formation, or breach of this Release in the court where PIU's principal offices are located. As of the date of this Agreement, those courts are the Superior Court of Arizona, Maricopa County and the United States District Court for the District of Arizona in Phoenix, Arizona. PIU may choose to and may file any controversy or claim whatsoever arising out of or relating to this Release or the enforcement of the promises in this Release or with regard to the interpretation, formation, or breach of this Release in the court where its principal offices are located, where Franchisee or Guarantors reside or do business, or where the claim arose.

8. Miscellaneous.

A. This Release constitutes the entire, full and complete agreement between the parties concerning the release of Claims by the parties and supersedes any and all prior or contemporaneous negotiations, discussions, understandings or agreements. Except as expressly set forth in this Agreement, no amendment, change or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed in writing.

B. The masculine gender shall be deemed to refer to and include the feminine and neuter, and the singular to refer to and include the plural, and vice versa.

C. The terms of this Release shall remain confidential and may not be disclosed except when and to the extent necessary to comply with applicable federal, state, or local laws, court orders or regulations.

D. All terms not defined in this Release shall have the meaning given to them in the Franchise Agreement.

E. All captions in this Release are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision of this Agreement.

F. This Release may be executed in counterparts, and each copy so executed and delivered shall be deemed to be an original.

**[SIGNATURES ON FOLLOWING PAGE]**

**IN WITNESS WHEREOF**, Franchisee and Guarantors have executed this Release as of the date shown below.

**(IF APPLICANT IS AN ENTITY)**

\_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**(IF APPLICANT IS AN INDIVIDUAL)**

\_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**FRANCHISEE:**

\_\_\_\_\_  
Signature: \_\_\_\_\_  
By: \_\_\_\_\_  
Its: \_\_\_\_\_  
  
Date: \_\_\_\_\_

**GUARANTOR:**

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

**GUARANTOR:**

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

**[Attach additional signature pages as needed]**

**Exhibit F – Software License Agreement  
Pump It Up Franchise Disclosure Document**

## SOFTWARE LICENSE AGREEMENT

This Software License Agreement (“**Software License**”) is entered into between Pump It Up Holdings, LLC (“**Franchisor**”) and \_\_\_\_\_ (“**Franchisee**”) pursuant to a Franchise Agreement dated \_\_\_\_\_ (“**Franchise Agreement**”) under which Franchisee will operate an open play, family entertainment and party business under Franchisor’s business system (the “**System**”) located at \_\_\_\_\_.

1. Franchisor hereby grants to Franchisee a nonexclusive, nonassignable license to use the computer programs, in object code form (“**Software**”), listed in the schedule to this Software License. The schedule may be updated from time to time by Franchisor to include enhancements, upgrades or replacements (“**Enhancements**”) to the Software, which Franchisor will make available to Franchisee from time to time at a reasonable cost.
2. In consideration for the rights granted herein, Franchisee shall pay to Franchisor a fee equal to one dollar (\$1.00) upon execution hereof.
3. Franchisee shall use the Software only in the operation of the System at the location indicated above or other locations approved or designated in writing by Franchisor. Franchisee may not modify, copy, translate or reproduce in any form all or any part of the Software without the prior written consent of Franchisor. Such consent will be given solely to the extent required for use of the Software in the operation of the System. Franchisee shall not make available the Software, the user and operating manuals thereto, or any copy thereof to any party except as described below in Paragraph 4. Franchisee shall not reverse assemble, reverse compile or otherwise recreate the Software.
4. All copies of the Software, including any produced by Franchisee with Franchisor’s consent, are and shall be the sole and exclusive property of Franchisor or authorized third parties during and after the term of this Software License. Franchisee acknowledges and agrees that Franchisor may secure all or any part of the Software from third parties. Franchisee agrees to execute and deliver to Franchisor any further contracts, agreements or other documents reasonably required by Franchisor in order to secure its compliance with any agreement with such other parties.
5. Franchisee understands and acknowledges that the Software contains Franchisor’s trade secrets and agrees, during the term of this Software License and thereafter, not to communicate, divulge or use the Software other than in the operation of the System by Franchisee and its employees. Franchisee shall divulge and allow access to the Software only to those of its employees who must have access to it in connection with their employment in the System. At Franchisor’s request, Franchisee shall require and obtain execution of covenants concerning the confidentiality of the Software from any persons employed by Franchisee who have access to the Software. These covenants shall be in a form substantially similar to the confidentiality covenants contained in Section 18 of the Franchise Agreement.
6. Franchisee shall exercise reasonable precautions, no less rigorous than those Franchisee uses to protect its own Confidential Information, to protect the confidentiality of the Software and the user and operating manuals thereto, which precautions shall include, at a minimum, giving instructions to Franchisee’s employees who will have access to the Software and the user and operating manuals thereto that the same are proprietary to, and the trade secrets of, Franchisor or such third parties. Franchisee shall not remove or alter any designations that Franchisor or such third parties have included in the Software and

the user and operating manuals thereto that indicate such material is the proprietary property of Franchisor or such third parties.

7. Franchisee agrees to notify Franchisor immediately of the existence of any unauthorized knowledge, possession or use of the Software or of any part thereof.

8. Franchisee acknowledges and agrees that the Software and user and operating manuals thereto are the valuable property and trade secrets of Franchisor or other authorized parties, that any violation by Franchisee of the provisions of this Software License would cause Franchisor or such other parties irreparable injury for which they would have no adequate remedy at law, and that, in addition to any other remedies which Franchisor may have, it shall be entitled to preliminary and other injunctive relief against any such violation.

9. The term of this Software License shall be co-extensive with the term of the Franchise Agreement, including any renewal of the Franchise Agreement.

10. Expiration or termination of the Franchise Agreement for whatever reason shall automatically terminate this Software License and the right granted by it to use the Software, without notice to Franchisee. If Franchisor's license to any of the Software secured from third parties should terminate, then this Software License shall automatically terminate as to such Software and Franchisee shall comply with the provisions of Paragraph 11 in connection with such Software. In addition, Franchisor may terminate this Software License upon the failure by Franchisee to comply with any of the terms and conditions herein, by giving Franchisee written notice of termination stating the nature of the breach at least seven days prior to the effective date of termination; provided that Franchisee may avoid termination by immediately initiating a remedy to cure such default and curing it to Franchisor's satisfaction within the seven day period and by promptly providing proof thereof to Franchisor. If any such default is not cured within that time, or such longer period as applicable law may require, this Software License shall terminate without further notice to Franchisee effective immediately upon expiration of the seven day cure period or such longer period as applicable law may require.

11. Upon the expiration or termination of this Software License or upon the expiration or termination of the Franchise Agreement, whichever shall occur earlier, Franchisee shall immediately cease to use the Software, and shall immediately deliver to Franchisor all copies of the Software then in Franchisee's possession or control and erase the Software from Franchisee's computer system.

12. In addition to any other rights which Franchisor may have under the Franchise Agreement or herein, or as Franchisor may otherwise have at law or in equity, in the event Franchisee is in breach of the Franchise Agreement or this Agreement and so long as such breach continues and is not cured to Franchisor's satisfaction, Franchisor shall have the right to disable the Software and to restrict, limit, and/or deny Franchisee access to any computer software or database (including remote software and databases) owned, licensed, operated or controlled (directly or indirectly) by Franchisor or its affiliates, which software or database is used, accessed by or through, or functions in connection with the Software, without prior notice or liability to Franchisee and third parties.

13. Franchisor shall replace without charge any copies of the Software provided under this Software License which have defects in materials and workmanship that are not caused by Franchisee's misuse or unauthorized modification of the Software. This replacement shall be Franchisee's sole and exclusive remedy as to the Software.

14. EXCEPT FOR THE LIMITED WARRANTY DESCRIBED ABOVE, THERE ARE NO WARRANTIES GRANTED TO FRANCHISEE OR ANY OTHER PERSON OR ENTITY FOR THE SOFTWARE, EXPRESSED OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, THE IMPLIED

WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE; ALL SUCH WARRANTIES ARE EXPRESSLY AND SPECIFICALLY DISCLAIMED.

15. FRANCHISEE IS SOLELY RESPONSIBLE FOR DETERMINING ITS DESIRED RESULTS FROM THE USE OF THE SOFTWARE, FOR EVALUATING THE SOFTWARE'S CAPABILITIES AND FOR SUCCESSFULLY OPERATING THE SOFTWARE. IN NO EVENT SHALL FRANCHISOR BE RESPONSIBLE FOR ANY DIRECT, INDIRECT, SPECIAL, INCIDENTAL, CONSEQUENTIAL OR OTHER DAMAGES, OR FOR LOST DATA OR LOST PROFITS TO FRANCHISEE OR ANY OTHER PERSON OR ENTITY, WHETHER OR NOT DUE TO FRANCHISOR'S NEGLIGENCE, ARISING OUT OF THE USE OR INABILITY TO USE THE SOFTWARE, EVEN IF FRANCHISOR HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGE OCCURRING. IN THE EVENT THAT ANY OTHER TERM OF THIS SOFTWARE LICENSE IS FOUND OR DETERMINED TO BE UNCONSCIONABLE OR UNENFORCEABLE FOR ANY REASON, THE FOREGOING PROVISION OF WAIVER BY AGREEMENT OF DIRECT, INDIRECT, SPECIAL, INCIDENTAL, CONSEQUENTIAL OR OTHER DAMAGES OR FOR LOST DATA OR LOST PROFITS SHALL CONTINUE IN FULL FORCE AND EFFECT.

16. This software license shall be governed by and construed under the laws of Arizona (except for Arizona choice of law rules).

17. If any term herein is declared to be void or unenforceable by a court of competent jurisdiction, such declaration shall have no effect on the other terms of this Software License, which will remain in effect and fully enforceable.

18. Franchisee agrees to pay any sales, use, ad valorem, personal property and general intangibles tax and any registration fees arising out of this Software License and the transactions contemplated herein, except for any taxes imposed upon the gross income of Franchisor.

19. In the event the operation of the Software requires a dial-up or other connection to a remote computer designated or approved by Franchisor, Franchisee shall be responsible for all telecommunication expenses in connection therewith.

20. Franchisee may not cause or effectuate a Transfer any of its rights under this Software License without the prior written consent of Franchisor.

21. Notice under this Software License shall be provided as indicated in the Franchise Agreement.

22. The terms of this Software License are incorporated into the Franchise Agreement by reference. This Software License and related provisions of the Franchise Agreement constitute the entire agreement of the parties with respect to the subject matter hereof, and supersede all related prior and contemporaneous agreements between the parties.

IN WITNESS WHEREOF, the parties have duly executed and delivered this Software License on the \_\_\_\_\_ day of \_\_\_\_\_, 202\_\_.

**PUMP IT UP HOLDINGS, LLC, an Arizona FRANCHISEE  
limited liability company**

\_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

\_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**Exhibit G-Financial Statements  
and Guarantee of Performance by FB Holdings, LLC  
Pump It Up Franchise Disclosure Document**

**UNAUDITED FINANCIAL STATEMENTS OF**

**FB HOLDINGS, LLC  
FOR THE PERIOD ENDED MARCH 31, 2023**

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

**AND**

**AUDITED FINANCIAL STATEMENTS OF**

**FB HOLDINGS, LLC  
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020**

**AND**

**GUARANTEE OF PERFORMANCE BY FB HOLDINGS, LLC**

**(FB HOLDINGS, LLC IS THE PARENT COMPANY OF  
THE FRANCHISOR, PUMP IT UP HOLDINGS, LLC)**



**FB Holdings LLC**  
**Balance Sheet**

**UNAUDITED**

As of Date:

Location Group:

	Month Ending <u>03/31/2023</u>
<b>Assets</b>	
Current Assets	1,861,523.29
Fixed Assets, Net	1,319,929.39
Intangible Assets, Net	6,898,245.74
Other Assets	18,996.67
<b>Total Assets</b>	<b><u><u>\$ 10,098,695.09</u></u></b>
<b>Liabilities and Equity</b>	
Current Liabilities	808,151.45
Long Term Liabilities	4,550,106.81
Other Liabilities	64,467.04
Stockholders Equity	4,675,969.79
<b>Total Liabilities and Equity</b>	<b><u><u>\$ 10,098,695.09</u></u></b>

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**ME- P&L**  
**Profit and Loss**

**UNAUDITED**

As of Date:

3/31/2023

Location Group:

All Entities

YTD  
3/31/2023

**Net Income**

Total Revenue	1,078,468
Operations Expenses	13,998
General and Administrative Expense	<u>415,496</u>
Total Net Operating Income	648,974
Depreciation/Amortization Expense	79,478
Other (Income)/Expense	-
<b>Total Net Income</b>	<b><u><u>569,496</u></u></b>

**FB HOLDINGS, LLC AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2022 AND 2021**



CPAs | CONSULTANTS | WEALTH ADVISORS

[CLAcconnect.com](https://CLAcconnect.com)

**FB HOLDINGS, LLC AND SUBSIDIARIES  
TABLE OF CONTENTS  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>CONSOLIDATED FINANCIAL STATEMENTS</b>	
<b>CONSOLIDATED BALANCE SHEETS</b>	<b>3</b>
<b>CONSOLIDATED STATEMENTS OF OPERATIONS</b>	<b>4</b>
<b>CONSOLIDATED STATEMENTS OF MEMBER'S EQUITY</b>	<b>5</b>
<b>CONSOLIDATED STATEMENTS OF CASH FLOWS</b>	<b>6</b>
<b>NOTES TO CONSOLIDATED FINANCIAL STATEMENTS</b>	<b>7</b>



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
FB Holdings, LLC and Subsidiaries  
Phoenix, Arizona

### **Report on the Audit of the Consolidated Financial Statements**

#### ***Opinion***

We have audited the accompanying consolidated financial statements of FB Holdings, LLC and Subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2022 and 2021 and the related consolidated statements of operations, member's equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of FB Holdings, LLC and Subsidiaries as of December 31, 2022 and 2021, and the results of their operations and their 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 Consolidated Financial Statements section of our report. We are required to be independent of FB Holdings, LLC and Subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Emphasis of Matter***

As discussed in Note 1 to the financial statements, in 2022 the Company adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about FB Holdings, LLC and Subsidiaries' ability to continue as a going concern for one year after the date the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 FB Holdings, LLC and Subsidiaries' 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about FB Holdings, LLC and Subsidiaries' 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.



**CliftonLarsonAllen LLP**

Phoenix, Arizona  
April 19, 2023

**FB HOLDINGS, LLC AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2022 AND 2021**

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$ 1,111,490	\$ 565,154
Accounts Receivable, Net	534,575	430,451
Prepaid Expenses	4,632	3,750
Total Current Assets	<u>1,650,697</u>	<u>999,355</u>

<b>PROPERTY AND EQUIPMENT, Net</b>	99,029	47,511
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<b>OPERATING RIGHT OF USE ASSET, Net</b>	1,256,945	-
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**OTHER ASSETS**

Deposits	18,997	18,997
Goodwill, Net	231,501	314,560
Intangible Assets, Net	6,740,914	6,954,530
Total Other Assets	<u>6,991,412</u>	<u>7,288,087</u>

Total Assets	<u>\$ 9,998,083</u>	<u>\$ 8,334,953</u>
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**LIABILITIES AND MEMBER'S EQUITY**

**CURRENT LIABILITIES**

Accounts Payable	\$ 4,490	\$ 271,637
Accrued Expenses	745,739	980,737
Other Current Liabilities	-	2,496
Other Deferred Revenue	12,500	12,500
Current Portion of Deferred Franchise Fees	11,500	16,900
Current Lease Liability - Operating	107,867	-
Total Current Liabilities	<u>882,096</u>	<u>1,284,270</u>

**LONG-TERM LIABILITIES**

Notes Payable, Net of Current Portion	-	591,795
Due to Member	3,800,511	4,413,192
Deferred Franchise Fees, Net of Current Portion	40,467	78,517
Operating Lease Liability, Net of Current Portion	1,168,531	-
Total Long-Term Liabilities	<u>5,009,509</u>	<u>5,083,504</u>

Total Liabilities	5,891,605	6,367,774
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**MEMBER'S EQUITY**

	<u>4,106,478</u>	<u>1,967,179</u>
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Total Liabilities and Member's Equity	<u>\$ 9,998,083</u>	<u>\$ 8,334,953</u>
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See accompanying Notes to Consolidated Financial Statements.

**FB HOLDINGS, LLC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
<b>REVENUE</b>		
Initial Franchise Fees	\$ 63,450	\$ 16,900
Royalties	2,488,673	1,417,990
Brand Fund Fees	761,999	459,506
Other Revenue	-	56
Total Revenue	3,314,122	1,894,452
<b>OPERATING EXPENSES</b>		
Salaries and Related Benefits	895,754	1,062,219
Professional Fees	86,809	73,795
Office	460,521	382,567
Occupancy	204,955	381,346
Depreciation and Amortization	313,244	301,022
Other General and Administrative Expenses	16,604	272,948
Total Operating Expenses	1,977,887	2,473,897
<b>INCOME (LOSS) FROM OPERATIONS</b>	1,336,235	(579,445)
<b>OTHER INCOME</b>		
Forgiveness of Paycheck Protection Program	591,795	989,900
Other Income	211,269	198,006
Total Other Income	803,064	1,187,906
<b>NET INCOME</b>	\$ 2,139,299	\$ 608,461

See accompanying Notes to Consolidated Financial Statements.



**FB HOLDINGS, LLC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF MEMBER'S EQUITY**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>Member's Contributions</u>	<u>Accumulated Deficit</u>	<u>Total</u>
<b>BALANCE - DECEMBER 31, 2020</b>	\$ 10,525,000	\$ (9,166,282)	\$ 1,358,718
Net Income	<u>-</u>	<u>608,461</u>	<u>608,461</u>
<b>BALANCE - DECEMBER 31, 2021</b>	10,525,000	(8,557,821)	1,967,179
Net Income	<u>-</u>	<u>2,139,299</u>	<u>2,139,299</u>
<b>BALANCE - DECEMBER 31, 2022</b>	<u>\$ 10,525,000</u>	<u>\$ (6,418,522)</u>	<u>\$ 4,106,478</u>

*See accompanying Notes to Consolidated Financial Statements.*

**FB HOLDINGS, LLC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income	\$ 2,139,299	\$ 608,461
Adjustments to Reconcile Net Income to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation and Amortization	313,244	301,022
Gain on Disposal of Assets	-	107,500
Forgiveness on Paycheck Protection Program Loans	(591,795)	(989,900)
Change in Allowance for Doubtful Accounts	(53,030)	-
Noncash Lease Expense	19,453	
(Increase) Decrease in Assets:		
Accounts Receivable	(51,094)	(211,903)
Prepaid Expenses	(882)	3,549
Increase (Decrease) in Liabilities:		
Accounts Payable	(267,147)	(1,820,461)
Accrued Expenses	(237,494)	784,458
Deferred Franchise Fees	(43,450)	(61,900)
Net Cash Provided (Used) by Operating Activities	1,227,104	(1,279,174)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of Property and Equipment	(68,087)	(26,681)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on Due to Member	(612,681)	-
Proceeds from Paycheck Protection Program Loans	-	591,795
Proceeds from Due to Member	-	1,063,192
Net Cash Provided (Used) by Financing Activities	(612,681)	1,654,987
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	546,336	349,132
Cash and Cash Equivalents - Beginning of Year	565,154	216,022
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 1,111,490	\$ 565,154
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid for Income Taxes	\$ 2,396	\$ 3,515
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Property Received in Exchange for Operating Lease	\$ 1,378,831	\$ -

See accompanying Notes to Consolidated Financial Statements.

**FB HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Business**

FB Holdings, LLC and Subsidiaries (the Company), an Arizona limited liability company, was formed in September 2013 for the purpose of acquiring essentially all of the assets, including certain membership interests, and assuming certain liabilities of PIU Management, LLC and Subsidiaries. The Company is a franchisor of programs to operate private children’s play and party facilities within specified geographic areas throughout the United States using the “Pump It Up” and “BounceU” trademarks and designs. The Company assists the franchisees in the start-up process and offers ongoing support.

Franchises operate under “Pump It Up” and “BounceU.” Active franchises at December 31, 2022, are as follows:

	<u>Pump It Up</u>	<u>BounceU</u>
Franchised Locations:		
Store Count as of December 31, 2021	54	13
Store Openings During 2022	-	-
Store Closings During 2022	<u>(6)</u>	<u>(2)</u>
Store Count as of December 31, 2022	<u>48</u>	<u>11</u>

**Use of Estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

**Principles of Consolidation**

The consolidated financial statements include the operations of FB Holdings, LLC and its wholly owned subsidiaries, Pump It Up Holdings, LLC; BounceU Holdings, LLC; Fun Brands, LLC; Fun Brands Tempe, LLC; and HQ Carousels, LLC. All material intercompany accounts and transactions have been eliminated in consolidation.

**Cash and Cash Equivalents**

For purposes of the consolidated statement of cash flows, the Company considers all highly liquid debt instruments purchased with original maturities of 90 days or less to be cash equivalents.

**Concentrations and Credit Risk**

The Company maintains checking and savings accounts with quality financial institutions. At times, cash balances may exceed the amount insured by the Federal Deposit Insurance Corporation.

**FB HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Accounts Receivable**

Accounts receivable consists primarily of franchise royalty fees and receivables from franchised facilities. An allowance for doubtful accounts is determined based on management's evaluation of historical losses and the financial stability of its franchisees. The allowance for the years ended December 31, 2022 and 2021 was \$180,801 and \$233,831, respectively.

**Property and Equipment**

Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Office Furniture and Equipment	5 to 7 Years
Computers and Software	3 to 5 Years
Leasehold Improvements	Lesser of Lease Term or Useful Life

**Restricted Cash**

The Company places cash in escrow accounts with certain states that require franchise fees to be held in escrow until the franchisee opens its location. At December 31, 2022 and 2021, the Company did not have restricted cash.

**Goodwill**

Goodwill represents the excess of purchase price over fair value of the net assets acquired. The Company amortizes goodwill on a straight-line basis over a 10-year period. Goodwill is reviewed for potential impairment if a triggering event occurs that indicates the Company's fair value may be below its carrying value. When impairment is likely, the Company calculates goodwill impairment as the amount the Company's carrying value including goodwill exceeds its fair value. As of December 31, 2022 and 2021, management believes no triggering events occurred.

**Intangible Assets**

The Company evaluates identifiable intangible assets not subject to amortization for impairment on an annual basis, or more frequently when events or changes in circumstances indicate that it is more likely than not that an asset is impaired. Such circumstances could include, but are not limited to, a significant decrease in the market value of an asset or a significant adverse change in the extent or manner in which an asset is used or in its physical condition. The Company measures the carrying amount of the asset against the estimated undiscounted future cash flows associated with it. Should the sum of the expected future cash flows be less than the carrying value of the asset being evaluated, an impairment loss would be recognized.

The impairment loss would be calculated as the amount by which the carrying value of the asset exceeds the fair value of the asset. The fair value is measured based on various valuation techniques, including the discounted value of estimated future cash flows.

**FB HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Intangible Assets (Continued)**

The evaluation of asset impairment requires the Company to make assumptions about future cash flows over the life of the asset being evaluated. These assumptions require significant judgment and actual results may differ from assumed and estimated amounts. Intangibles that do not have indefinite lives are amortized on a straight-line basis over the estimated useful life of the asset.

**Impairment of Long-Lived Assets**

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell. Management does not believe impairment indicators were present as of December 31, 2022.

**Accrued Marketing Fees and Due from Advertising Fund**

The Company collects fees from franchisees which are used for advertising, marketing, research, and public relations programs. In accordance with the franchise agreements, all fees collected, less an administration fee payable to the Company, must be used for these programs. Accumulated fees collected in excess of program costs and the administrative fees are classified as accrued expenses on the balance sheet. At times, the Company may spend amounts in excess of the funds collected in which case the Company recognizes an amount due from the advertising fund on the consolidated balance sheet.

**Deferred Franchise Fees**

Deferred franchise fees represent franchise fees received that have not been fully earned and will be recognized in future periods.

**Income Taxes**

The Company is treated as a partnership for federal income tax purposes. Consequently, federal income taxes are not payable, or provided for, by the Company. Members are taxed individually on their share of the Company's earnings. The Company's income or loss is allocated among the members in accordance with the Company's operating agreement. The Company pays income and other taxes to various states based on gross revenue.

The Company follows the income tax standard for uncertain tax positions. The Company recognized no liability for uncertain tax positions as of December 31, 2022 and 2021.

**FB HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition**

The Company recognizes revenue from contracts with customers in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606, Revenue from Contracts with Customers (Topic 606). Under Topic 606, the Company performs the following five steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the Company satisfies a performance obligation.

The Company generates revenue primarily through royalties, brand fund fees and franchise fees.

**Royalties**

The Company collects royalties, as stipulated in the franchise agreement, currently equal to 6% of gross sales. Royalties are calculated as percentage of sales over the term of the franchise agreement. Royalty revenue represents sales-based royalties that are related entirely to the Company's performance obligation under the franchise agreement and are recognized as franchisee store level sales occur. Royalties are collected weekly or monthly as stipulated in the franchise agreement.

**Brand Fund Fees**

The Company collects brand fund fees, as stipulated in the franchise agreement, currently equal to a flat fee or 2% of gross sales over the term of the franchise agreement. Brand fund fees are sales-based that are related entirely to the Company's performance obligation under the franchise agreement and are recognized as franchisee store level sales occur. Brand fund fees are collected weekly or monthly as stipulated in the franchise agreement.

**Franchise Fees**

The Company requires the entire nonrefundable initial franchise fee to be paid upon execution of a franchise agreement, which typically has an initial term of 10 years. Initial franchise fees are recognized ratably on a straight-line basis over the term of the franchise agreement. The Company's services under the franchise agreement include training of franchisees, site selection, the right to use trademarks and proprietary information, and ongoing operations support. The Company provides no financing to franchisees and offers no guarantees on their behalf. The services provided by the Company are highly interrelated with the franchise license and as such are considered to represent a single performance obligation.

**Renewed Franchise Fees**

Franchisees have the option to renew the franchise agreement at the end of the initial franchise term. When a franchisee chooses to renew their agreement, a nonrefundable renewal fee is charged to the franchisee similar to the initial franchise fee. Renewed franchise fees are recognized ratably on a straight-line basis over the term of the renewed franchise agreement.

**FB HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Adoption of New Accounting Standards**

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Company adopted the requirements of the guidance effective January 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption. Lease disclosures for the year ended December 31, 2021, are made under prior lease guidance in FASB Accounting Standards Codification (ASC) 840.

The Company has elected to adopt the package of practical expedients available in the year of adoption. The Company has elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Company's ROU assets. The Company also elected the practical expedient to use a risk-free discount rate for the lease calculation.

As a result of the adoption of the new lease accounting guidance, the Company recognized on January 1, 2022 a lease liability of \$1,378,831, which represents the present value of the remaining operating lease payments of \$1,507,779, discounted using the risk-free rate of approximately 1.63%, and a right-of-use asset of \$1,378,831, which represents the operating lease liability net of adjustment, of which there were none.

The standard had a material impact on the balance sheet but did not have an impact on the income statements, nor statements of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

**Leases**

The Company leases its facilities and equipment under noncancelable leases arrangements. The Company determines if an arrangement is a lease at inception. In evaluating contracts to determine if they qualify as a lease, the Company considers factors such as if the Company has obtained substantially all of the rights to the underlying asset through exclusivity, if the Company can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

**FB HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Leases (Continued)**

Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities on the balance sheets. Finance leases, if any, are included in property and equipment and finance lease liabilities on the balance sheets. There were no finance leases at December 31, 2022. ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease.

ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of leases do not provide an implicit rate, the Company uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Company has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the balance sheets.

The Company has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

**Subsequent Events**

In preparing these consolidated financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through April 19, 2023, the date the consolidated financial statements were available to be issued.

**NOTE 2 REVENUE DISCLOSURES**

**Franchising Fees, Royalty Fees, and Advertising Revenue**

The Company currently franchises its concept across 23 states. The franchise arrangement is documented in the form of a franchise agreement. The franchise arrangement requires the Company to perform various activities to support the brand that do not directly transfer goods and services to the franchisee, but instead represent a single performance obligation, which is the transfer of the franchise license. The intellectual property subject to the franchise license is symbolic intellectual property as it does not have significant standalone functionality, and substantially all of the utility is derived from its association with the Company's past or ongoing activities.



**FB HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 2 REVENUE DISCLOSURES (CONTINUED)**

**Franchising Fees, Royalty Fees, and Advertising Revenue (Continued)**

The nature of the Company's promise in granting the franchise license is to provide the franchisee with access to the brand's symbolic intellectual property over the term of the license. The services provided by the Company are highly interrelated with the franchise license and as such are considered to represent a single performance obligation. The transaction price in a standard franchise arrangement primarily consists of (a) initial franchise fees, (b) continuing franchise fees (royalties), and (c) advertising fees. Since the Company considers the licensing of the franchising right to be a single performance obligation, no allocation of the transaction price is required.

The Company recognizes the primary components of the transaction price as follows:

- Franchise fees are recognized as revenue ratably on a straight-line basis over the term of the franchise agreement commencing with the execution of the franchise agreement. As these fees are typically received in cash at or near the beginning of the franchise term, the cash received is initially recorded as a contract liability until recognized as revenue over time.
- The Company is entitled to royalties and advertising fees based on a percentage of the franchisee's gross sales as defined in the franchise agreement. Royalty and advertising revenue are recognized when the franchisee's sales occur.

**Disaggregation of Revenue**

The Company believes that the captions contained on the consolidated statement of operations appropriately reflect the disaggregation of its revenue by major type for the year ended December 31, 2022 and 2021.

**Accounts Receivable and Contract Liabilities**

Accounts receivable and contract liabilities consist of the following:

	December 31, 2022	December 31, 2021	January 1, 2021
Accounts Receivable, Net	<u>\$ 534,575</u>	<u>\$ 430,451</u>	<u>\$ 218,548</u>
Contract Liabilities:			
Deferred Franchise Fees	<u>\$ 51,967</u>	<u>\$ 95,417</u>	<u>\$ 112,317</u>

**FB HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 3 PROPERTY, PLANT, AND EQUIPMENT**

Property, plant, and equipment are stated at acquisition cost and are as follows at December 31:

	2022	2021
Leasehold Improvements	\$ 120,580	\$ 55,773
Computer Equipment	3,280	-
Total	123,860	55,773
Less: Accumulated Depreciation	(24,831)	(8,262)
Property, Plant, and Equipment, Net	\$ 99,029	\$ 47,511

Depreciation expense for the years ended December 31, 2022 and 2021, was \$16,569 and \$4,346, respectively.

**NOTE 4 GOODWILL AND INTANGIBLE ASSETS**

Goodwill as of, and changes in the carrying amount of goodwill during the years ended, December 31, 2022 and 2021, are as follows:

	Gross Amount	Accumulated Amortization	Net Amount
Balance - December 31, 2020	\$ 830,596	\$ (432,976)	\$ 397,620
2021 Additions	-	-	-
2021 Amortization	-	(83,060)	(83,060)
Balance - December 31, 2021	830,596	(516,036)	314,560
2022 Additions	-	-	-
2022 Amortization	-	(83,059)	(83,059)
Balance - December 31, 2022	\$ 830,596	\$ (599,095)	\$ 231,501

Intangible assets and estimated remaining useful lives of intangible assets at December 31, 2022 and 2021, are as follows:

	Amount	Estimated Useful Life
Trademarks and Trade Names	\$ 5,628,000	Indefinite
Franchise Contracts	2,882,039	11 to 14 Years
Total	\$ 8,510,039	

	2022		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Trademarks and Trade Names	\$ 5,628,000	\$ -	\$ 5,628,000
Franchise Contract	2,882,039	(1,769,125)	1,112,914
Intangible Assets	\$ 8,510,039	\$ (1,769,125)	\$ 6,740,914

**FB HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 4 GOODWILL AND INTANGIBLE ASSETS (CONTINUED)**

	2021		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Trademarks and Trade Names	\$ 5,628,000	\$ -	\$ 5,628,000
Franchise Contract	2,882,039	(1,555,509)	1,326,530
Intangible Assets	\$ 8,510,039	\$ (1,555,509)	\$ 6,954,530

Amortization expense for the years ended December 31, 2022 and 2021, was \$296,676 and \$296,676, respectively.

Future amortization expense as of December 31, 2022 and 2021, is as follows:

Year Ending December 31,	Amount
2023	\$ 296,675
2024	296,675
2025	278,997
2026	163,491
2027	127,687
Thereafter	180,890
Total	\$ 1,344,415

**NOTE 5 NOTES PAYABLE**

In April 2020, the Company received five Paycheck Protection Program Loans (the PPP Loans) from Enterprise Bank & Trust totaling \$989,900. In February 2021, the Company received a Second Draw Paycheck Protection Program Loan (the Second Draw PPP Loan) from Enterprise Bank & Trust in the amount of \$591,795.

The PPP Loans and Second Draw PPP Loan were used to fund payroll, rent, utilities, and interest on existing debt through the Paycheck Protection Program. The PPP loans accrued interest at 1.0% per annum, had a term of two years, and were unsecured and guaranteed by the SBA. The Second Draw PPP loan accrued interest at 1.0% per annum, had a term of five years, and was unsecured and guaranteed by the SBA. The SBA may subsequently review funding eligibility and usage of funds for compliance with program requirements and other factors. Management believes that any subsequent review will not have an adverse impact on the Company's financial position.

In August 2021 and January 2022, the Company received notifications from the SBA that the PPP Loans had been forgiven. The Company recorded the forgiveness income for the PPP Loans as other income in the accompanying consolidated statement of operations.

**FB HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 5 NOTES PAYABLE (CONTINUED)**

The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Company's financial position.

**NOTE 6 MEMBER'S EQUITY**

The Company has one class of membership interests and is 100% owned by a single member.

**NOTE 7 OPERATING LEASES**

**Leases – ASC 842**

The Company leases space for its corporate headquarters; this lease expires at the end of June 2027 with a 5 year renewal option. The facility lease provides for increases in future minimum monthly rental payments at a rate of 103% annually. Monthly payments also include certain common area maintenance charges.

The following table provides quantitative information concerning the Company's leases.

Operating Lease Cost	\$ 143,598
Variable Lease Cost	63,485
Total Lease Cost	\$ 207,083

Other Information:

Cash Paid for Amounts Included in the Measurement of Lease Liability:	
Operating Cash Flows from Operating Lease	\$ 124,145
Right-Of-Use Assets Obtained in Exchange for New	
Operating Lease Liability	\$ 1,378,831
Weighted-Average Remaining Lease Term -	
Operating Lease	9.4 Years
Weighted-Average Discount Rate - Operating Lease	
	1.63%

The Company classifies the total undiscounted lease payments that are due in the next 12 months as current. A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2022, is as follows:

**FB HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 7 OPERATING LEASES (CONTINUED)**

**Leases – ASC 842 (Continued)**

<u>Year Ending December 31,</u>	<u>Amount</u>
2023	\$ 127,869
2024	131,829
2025	135,784
2026	139,857
2027	144,053
Thereafter	<u>704,242</u>
Total Lease Payments	1,383,634
Less: Interest	<u>(107,236)</u>
Present Value of Lease Liability	<u><u>\$ 1,276,398</u></u>

**Operating Leases – ASC 840**

The Company elected to apply the provisions of FASB ASC 842 to the beginning of the period of adoption, through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended December 31, 2021, are made under prior lease guidance in FASB ASC 840.

The Company leases its corporate headquarters under an operating lease that expires in June 2027. Rent expense and CAM charges totaled \$378,577 during the year ended December 31, 2021, and is included in general and administrative expenses in the accompanying statements of operations.

Future minimum lease payments under noncancelable operating leases are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 180,177
2023	180,177
2024	180,177
2025	180,177
2026	180,177
2027	90,088
Total	<u><u>\$ 990,973</u></u>

**FB HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 8 RELATED PARTY TRANSACTIONS**

At December 31, 2022 and 2021, the Company had accounts receivable due from affiliates of the Company's member of \$105,364 and \$181,997, respectively. These amounts are included in Accounts Receivable, Net, on the accompanying consolidated balance sheet.

At December 31, 2022 and 2021, the Company had accounts payable due to affiliates of the Company's member of \$269 and \$198,497, respectively. These amounts are included in Accounts Payable on the accompanying consolidated balance sheet.

The Company pays rent and common area maintenance to an affiliate of the Company's member. For the year ended December 31, 2022 and 2021, the Company recorded rent and common area maintenance expense related to this property of \$204,955 and \$378,577, respectively.

At December 31, 2022 and 2021, the Company had an amount due to the Company's member of \$3,800,511 and \$4,413,192, respectively. The amount does not accrue interest and the amount is due December 14, 2025.

**NOTE 9 COMMITMENTS AND CONTINGENCIES**

In the normal course of business, the Company is involved in various legal proceedings and tax matters. Due to their nature, such legal proceedings and tax matters involve inherent uncertainties including, but not limited to, court rulings, negotiations between affected parties, and governmental factors. The Company records accruals for contingencies when it is probable that a liability will be incurred, and the amount of loss can be reasonably estimated based on historical claim activity and loss development factors. There can be no assurance there will not be an increase in the scope of these matters or that any future or pending lawsuits, claims, proceedings, or investigations will not be material.

**Employee Benefit Plans**

The Company sponsors a retirement plan under the provisions of Section 401(k) of the Internal Revenue Code. The plan is available to all eligible employees meeting certain age and service requirements. Under the plan, the Company can elect to make discretionary contributions. During the year ended December 31, 2022 and 2021, the Company paid administrative fees for the plan of \$-0- and \$3,002, respectively.



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**FB HOLDINGS, LLC AND SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**



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**FB HOLDINGS, LLC AND SUBSIDIARIES  
TABLE OF CONTENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>CONSOLIDATED FINANCIAL STATEMENTS</b>	
<b>CONSOLIDATED BALANCE SHEETS</b>	<b>3</b>
<b>CONSOLIDATED STATEMENTS OF OPERATIONS</b>	<b>4</b>
<b>CONSOLIDATED STATEMENTS OF MEMBER'S EQUITY</b>	<b>5</b>
<b>CONSOLIDATED STATEMENTS OF CASH FLOWS</b>	<b>6</b>
<b>NOTES TO CONSOLIDATED FINANCIAL STATEMENTS</b>	<b>8</b>



CliftonLarsonAllen LLP  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
FB Holdings, LLC and Subsidiaries  
Scottsdale, Arizona

We have audited the accompanying consolidated financial statements of FB Holdings, LLC and Subsidiaries (the Company), which comprises the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of operations, member's equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

Board of Directors  
FB Holdings, LLC and Subsidiaries

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of FB Holdings, LLC and Subsidiaries as of December 31, 2020 and 2019, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Phoenix, Arizona  
April 26, 2021

**FB HOLDINGS, LLC AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2020 AND 2019**

<b>ASSETS</b>	2020	2019
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 216,022	\$ 428,229
Accounts Receivable, Net	218,548	612,511
Inventories	-	585
Prepaid Expenses	6,369	309,032
Current Assets - Discontinued Operations	930	78,764
Total Current Assets	441,869	1,429,121
<b>PROPERTY AND EQUIPMENT, Net</b>	25,176	354,541
<b>OTHER ASSETS</b>		
Deposits	18,997	261,104
Assets Held for Sale	107,500	-
Goodwill, Net	397,620	851,250
Intangible Assets, Net	7,168,146	8,441,720
Noncurrent Assets - Discontinued Operations	-	3,763,566
Total Other Assets	7,692,263	13,317,640
Total Assets	\$ 8,159,308	\$ 15,101,302
<b>LIABILITIES AND MEMBER'S EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 397,364	\$ 256,747
Accrued Expenses	84,486	207,826
Other Current Liabilities	37,524	-
Line of Credit	-	250,000
Notes Payable, Current Portion	-	3,253,512
Other Deferred Revenue	57,500	13,460
Current Portion of Deferred Franchise Fees	39,200	19,600
Current Liabilities - Discontinued Operations	1,771,499	400,249
Total Current Liabilities	2,387,573	4,401,394
<b>LONG-TERM LIABILITIES</b>		
Deferred Rent	-	155,841
Notes Payable, Net of Current Portion	989,900	41,000
Due to Member	3,350,000	-
Deferred Franchise Fees, Net of Current Portion	73,117	151,242
Total Long-Term Liabilities	4,413,017	348,083
Total Liabilities	6,800,590	4,749,477
<b>MEMBER'S EQUITY</b>		
Total Liabilities and Member's Equity	\$ 8,159,308	\$ 15,101,302

See accompanying Notes to Consolidated Financial Statements.

**FB HOLDINGS, LLC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>REVENUE</b>		
Initial Franchise Fees	\$ 87,173	\$ 88,825
Royalties	1,222,023	4,971,537
Brand Fund Fees	500,648	1,764,284
Other Revenue	103,196	508,758
Total Revenue	<u>1,913,040</u>	<u>7,333,404</u>
<b>OPERATING EXPENSES</b>		
Salaries and Related Benefits	1,006,841	1,120,717
Franchise Equipment and Supplies	53,318	184,639
Professional Fees	152,414	319,469
Advertising and Promotion	394,570	1,091,936
Office	374,889	442,636
Occupancy	481,064	543,648
Depreciation and Amortization	1,041,725	971,397
Other General and Administrative Expenses	2,880,624	1,472,516
Total Operating Expenses	<u>6,385,445</u>	<u>6,146,958</u>
<b>INCOME (LOSS) FROM OPERATIONS</b>	(4,472,405)	1,186,446
<b>OTHER EXPENSE</b>		
Other Income/(Expense)	1,125	(41,783)
Interest Expense	(266,873)	(262,333)
Total Other Expense	<u>(265,748)</u>	<u>(304,116)</u>
<b>INCOME TAXES</b>	<u>(30,313)</u>	<u>(106,133)</u>
<b>NET INCOME (LOSS) FROM OPERATIONS</b>	(4,768,466)	776,197
<b>DISCONTINUED OPERATIONS (NOTE 3)</b>		
Loss from Operations of Discontinued Subsidiaries	<u>(4,224,641)</u>	<u>(1,792,561)</u>
<b>NET LOSS</b>	<u>\$ (8,993,107)</u>	<u>\$ (1,016,364)</u>

See accompanying Notes to Consolidated Financial Statements.

**FB HOLDINGS, LLC AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF MEMBER'S EQUITY  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>Member's Contributions</u>	<u>Retained Earnings (Deficit)</u>	<u>Total</u>
<b>BALANCE - DECEMBER 31, 2018</b>	\$ 10,525,000	\$ 959,566	\$ 11,484,566
Net Loss	-	(1,016,364)	(1,016,364)
Cumulative Effect of Change in Accounting Principle (ASC Topic 606)	-	(116,377)	(116,377)
<b>BALANCE - DECEMBER 31, 2019</b>	10,525,000	(173,175)	10,351,825
Net Loss	-	(8,993,107)	(8,993,107)
<b>BALANCE - DECEMBER 31, 2020</b>	<u>\$ 10,525,000</u>	<u>\$ (9,166,282)</u>	<u>\$ 1,358,718</u>

*See accompanying Notes to Consolidated Financial Statements.*

**FB HOLDINGS, LLC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Loss	\$ (8,993,107)	\$ (1,016,364)
Adjustments to Reconcile Net Loss to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	389,848	2,030,643
Loss on Impairment	1,361,654	-
Loss on Disposal of Assets	-	324,985
Changes in Operating Assets and Liabilities		
(Increase) Decrease in Assets:		
Accounts Receivable	393,963	(70,794)
Deferred Franchise Costs	-	7,200
Inventories	-	25,714
Prepaid Expenses	302,663	(975)
Deposits	242,107	(42,926)
Increase (Decrease) in Liabilities:		
Accounts Payable	140,617	90,307
Accrued Expenses	(85,816)	(129,714)
Deferred Franchise Fees	(14,485)	7,538
Deferred Rent	-	(51,665)
Net Cash Provided (Used) by Operating Activities - Continuing Operations	(6,262,556)	1,173,949
Net Cash Provided (Used) by Operating Activities - Discontinued Operations	1,293,828	-
Net Cash Provided (Used) by Operating Activities	(4,968,728)	1,173,949
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sales of Property and Equipment	475,572	198,383
Investment in Goodwill	-	(245,577)
Acquisition of Property and Equipment	(51,102)	(431,497)
Net Cash Provided (Used) by Investing Activities - Continuing Operations	424,470	(478,691)
Net Cash Provided (Used) by Investing Activities - Discontinued Operations	3,536,663	-
Net Cash Provided (Used) by Investing Activities	3,961,133	(478,691)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net Change in Line of Credit	(250,000)	250,000
Payments on Notes Payable	(2,304,612)	(1,341,931)
Proceeds from Due to Member	3,350,000	-
Net Cash Provided (Used) by Financing Activities	795,388	(1,091,931)
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	(212,207)	(396,673)
Cash and Cash Equivalents - Beginning of Year	428,229	824,902
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 216,022	\$ 428,229

See accompanying Notes to Consolidated Financial Statements.

**FB HOLDINGS, LLC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>	<u>2020</u>	<u>2019</u>
Cash Paid for Interest	<u>\$ 266,873</u>	<u>\$ 262,333</u>
Cash Paid for Income Taxes	<u>\$ 30,313</u>	<u>\$ 106,133</u>

*See accompanying Notes to Consolidated Financial Statements.*



**FB HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Business**

FB Holdings, LLC and Subsidiaries (the Company), an Arizona limited liability company, was formed in September 2013 for the purpose of acquiring essentially all of the assets, including certain membership interests, and assuming certain liabilities of PIU Management, LLC and Subsidiaries. The Company is a franchisor of programs to operate private children's play and party facilities within specified geographic areas throughout the United States using the "Pump It Up" and "BounceU" trademarks and designs. The Company assists the franchisees in the start-up process and offers ongoing support. In addition, the Company owns and operates 9 carousels located in shopping malls throughout the United States through its subsidiary HQ Carousels, LLC (HQ). HQ does not participate in any franchising activities.

Franchises operate under "Pump It Up" and "BounceU." Active franchises at December 31, 2020 are as follows:

	<u>Pump It Up</u>	<u>BounceU</u>
Franchised Locations:		
Store Count as of December 31, 2019	101	29
Store Openings During 2020	-	-
Store Closings During 2020	(21)	(11)
Store Count as of December 31, 2020	<u>80</u>	<u>18</u>
Corporate Owned Locations:		
Store Count as of December 31, 2019	9	4
Store Openings During 2020	-	-
Store Closings During 2020	(9)	(4)
Store Count as of December 31, 2020	<u>-</u>	<u>-</u>
Total Store Count as of December 31, 2020	<u><u>80</u></u>	<u><u>18</u></u>

**Use of Estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

**Principles of Consolidation**

The consolidated financial statements include the operations of FB Holdings, LLC and its wholly owned subsidiaries, Pump It Up Holdings, LLC; BounceU Holdings, LLC; Fun Brands, LLC; Fun Brands Tempe, LLC; and HQ Carousels, LLC. All material intercompany accounts and transactions have been eliminated in consolidation.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with original maturities of 90 days or less to be cash equivalents.

**FB HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Concentrations and Credit Risk**

The Company maintains checking and savings accounts with quality financial institutions. At times, cash balances may exceed the amount insured by the Federal Deposit Insurance Corporation.

**Accounts Receivable**

Accounts receivable consists primarily of franchise royalty fees and receivables from franchised facilities. An allowance for doubtful accounts is determined based on management's evaluation of historical losses and the financial stability of its franchisees. The allowance as of December 31, 2020 and 2019 was \$20,349 and \$14,150, respectively.

**Inventories**

Inventories consist of purchased finished goods for resale to prospective franchisees and are stated at the lower of cost or net realizable value. Cost is determined using the average cost method. The Company does not maintain a reserve for inventory as items are purchased on an as needed basis as franchisees prepare for facility openings.

**Property and Equipment**

Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Office Furniture and Equipment	5 to 7 Years
Computers and Software	3 to 5 Years
Leasehold Improvements	Lesser of Lease Term or Useful Life

**Restricted Cash**

The Company places cash in escrow accounts with certain states that require franchise fees to be held in escrow until the franchisee opens its location. At December 31, 2020 and 2019, the Company did not have restricted cash.

**Goodwill**

Goodwill represents the excess of purchase price over fair value of the net assets acquired. The Company amortizes goodwill on a straight-line basis over a 10-year period. Goodwill is reviewed for potential impairment if a triggering event occurs that indicates the Company's fair value may be below its carrying value. When impairment is likely, the Company calculates goodwill impairment as the amount the Company's carrying value including goodwill exceeds its fair value. For the years ended December 31, 2020 and 2019, the Company recognized impairment of goodwill of \$370,037, and \$-0-, respectively.

**FB HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Intangible Assets**

The Company evaluates identifiable intangible assets not subject to amortization for impairment on an annual basis, or more frequently when events or changes in circumstances indicate that it is more likely than not that an asset is impaired. Such circumstances could include, but are not limited to, a significant decrease in the market value of an asset or a significant adverse change in the extent or manner in which an asset is used or in its physical condition. The Company measures the carrying amount of the asset against the estimated undiscounted future cash flows associated with it. Should the sum of the expected future cash flows be less than the carrying value of the asset being evaluated, an impairment loss would be recognized.

The impairment loss would be calculated as the amount by which the carrying value of the asset exceeds the fair value of the asset. The fair value is measured based on various valuation techniques, including the discounted value of estimated future cash flows.

The evaluation of asset impairment requires the Company to make assumptions about future cash flows over the life of the asset being evaluated. These assumptions require significant judgment and actual results may differ from assumed and estimated amounts. Intangibles that do not have indefinite lives are amortized on a straight-line basis over the estimated useful life of the asset.

**Impairment of Long-Lived Assets**

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

**Accrued Marketing Fees and Due from Advertising Fund**

The Company collects fees from franchisees which are used for advertising, marketing, research, and public relations programs. In accordance with the franchise agreements, all fees collected, less an administration fee payable to the Company, must be used for these programs. Accumulated fees collected in excess of program costs and the administrative fees are classified as accrued expenses on the balance sheet. At times, the Company may spend amounts in excess of the funds collected in which case the Company recognizes an amount due from the advertising fund on the consolidated balance sheets.

**FB HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Deferred Franchise Fees**

Deferred franchise fees represent franchise fees received that have not been fully earned and will be recognized in future periods.

**Income Taxes**

The Company is treated as a partnership for federal income tax purposes. Consequently, federal income taxes are not payable, or provided for, by the Company. Members are taxed individually on their share of the Company's earnings. The Company's income or loss is allocated among the members in accordance with the Company's operating agreement. The Company pays income and other taxes to various states based on gross revenue.

The Company follows the income tax standard for uncertain tax positions. The Company recognized no liability for uncertain tax positions as of December 31, 2020 and 2019.

**Advertising**

The Company expenses advertising costs as incurred. For the years ended December 31, 2020 and 2019, advertising expense was \$440,307 and \$1,286,695, respectively.

**Recently Issued Accounting Standards**

In February 2016, the FASB issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The accounting for lessors will remain relatively unchanged. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the entity's leasing activities. The guidance will initially be applied using a modified retrospective approach. On June 3, 2020 the FASB issued ASU 2020-05 formally deferring the effective date of the lease standard. Accordingly, the guidance is effective for fiscal years beginning after December 15, 2021. Management is evaluating the impact of the amended lease guidance on the Company's consolidated financial statements.

**Adoption of New Accounting Standards**

The FASB issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The new guidance also added Subtopic 340-40, *Other Assets and Deferred Costs—Contracts with Customers*, to the ASC to require the deferral of incremental costs of obtaining a contract with a customer.

**FB HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Adoption of New Accounting Standards (Continued)**

The Company adopted the requirements of the new guidance as of January 1, 2019, utilizing the modified retrospective method of transition. As a result, the Company recorded a cumulative adjustment to retained earnings as of January 1, 2019, to reflect the effect of the new guidance.

The Company applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of January 1, 2019. Adoption of the new guidance resulted in changes to the accounting policies for revenue recognition, and deferred franchise revenue as detailed below.

The primary impact of ASC 606 on the Company's revenue recognition policies is a change in the accounting for initial franchising fees. Upon the initial sale of a franchise, the Company is obligated to provide franchisees access to certain proprietary programs, written materials, trademarks, tools and support associated with their franchise business. The Company previously recorded the initial franchising fees as revenue at the beginning of franchisee operations. Beginning in January 2019, under ASC 606, initial franchise fees have been recognized as the Company satisfies the performance obligation over the franchise term on a straight-line basis, which is generally ten years. The unrecognized portion of initial franchising fees is recorded as deferred franchise fees.

The modified retrospective method of transition requires the Company to disclose the effect of applying the new guidance on each item included in the 2019 consolidated financial statements. Following are the line items from the balance sheet as of December 31, 2019, that were affected, the amounts that would have been reported under the former guidance, the effects of applying the new guidance, and the balances reported under the new guidance:

	<u>Amounts That Would Have Been Reported</u>	<u>Effects of Applying the New Guidance</u>	<u>As Reported</u>
<u>Liabilities</u>			
Deferred Franchise Fees	\$ 89,787	\$ 81,055	\$ 170,842
<u>Member's Equity</u>			
Retained Deficit	(92,120)	(81,055)	(173,175)
Revenues	15,455,361	(81,055)	15,374,306
Net Loss	(935,309)	(81,055)	(1,016,364)
<u>Cash Flows</u>			
Net Loss	(935,309)	(81,055)	(1,016,364)
Deferred Franchise Fees	29,400	(21,862)	7,538

**FB HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Adoption of New Accounting Standards (Continued)**

There is no impact from ASC 606 on revenue recognition policies related to other fees and royalties. The Company recognizes other fees and royalties as earned when the franchisees report the associated revenue to the Company. The Company recognizes revenue associated with product sales, if any, when the product is shipped to the franchisees.

**Revenue Recognition**

The Company generates revenue primarily through royalties, advertising revenue, franchise fees, carousel revenue and corporate store sales.

**Royalty Revenue**

The Company collects royalties, as stipulated in the franchise agreement, currently equal to 6% of gross sales. Royalties are calculated as percentage of sales over the term of the franchise agreement. Royalty revenue represents sales-based royalties that are related entirely to the Company's performance obligation under the franchise agreement and are recognized as franchisee store level sales occur. Royalties are collected weekly.

**Advertising Revenue**

The Company collects royalties, as stipulated in the franchise agreement, currently equal to 2% of gross sales. Royalties are calculated as percentage of sales over the term of the franchise agreement. Advertising revenue represents sales-based royalties that are related entirely to the Company's performance obligation under the franchise agreement and are recognized as franchisee store level sales occur. Royalties are collected weekly.

**Franchise Fees**

The Company requires the entire nonrefundable initial franchise fee to be paid upon execution of a franchise agreement, which typically has an initial term of 10 years. Initial franchise fees are recognized ratably on a straight-line basis over the term of the franchise agreement. The Company's services under the franchise agreement include: training of franchisees, site selection, the right to use trademarks and proprietary information, and ongoing operations support. The Company provides no financing to franchisees and offers no guarantees on their behalf. The services provided by the Company are highly interrelated with the franchise license and as such are considered to represent a single performance obligation.

**Renewed Franchise Fees**

Franchisees have the option to renew the franchise agreement at the end of the initial franchise term. When a franchisee chooses to renew their agreement, a nonrefundable renewal fee is charged to the franchisee similar to the initial franchise fee. Renewed franchise fees are recognized ratably on a straight-line basis over the term of the renewed franchise agreement.

**FB HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition (Continued)**

**Equipment and Supplies**

The Company sells equipment and supplies to franchisees for their initial opening and as needed. Revenue is recognized at a point in time when control of the equipment and supplies passes to the franchisee.

**Carousels**

Revenue earned by the Company's carousel operations is considered earned at the point in time when services are rendered. Revenue is derived from a single or group of individuals paying for a ride on a carousel.

**Corporate Store Sales**

The Company operates thirteen corporate stores that were formally operated by franchisees. Revenue is derived from hosting parties and events and providing merchandise. The Company recognizes revenue from the stores' activities at a point in time when the party or event is complete.

**Subsequent Events**

In preparing these consolidated financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through April 26, 2021, the date the consolidated financial statements were available to be issued.

**NOTE 2 REVENUE DISCLOSURES**

**Franchising Fees, Royalty Fees, and Advertising Revenue**

The Company currently franchises its concept across 30 states. The franchise arrangement is documented in the form of a franchise agreement. The franchise arrangement requires the Company to perform various activities to support the brand that do not directly transfer goods and services to the franchisee, but instead represent a single performance obligation, which is the transfer of the franchise license. The intellectual property subject to the franchise license is symbolic intellectual property as it does not have significant standalone functionality, and substantially all of the utility is derived from its association with the Company's past or ongoing activities.

The nature of the Company's promise in granting the franchise license is to provide the franchisee with access to the brand's symbolic intellectual property over the term of the license. The services provided by the Company are highly interrelated with the franchise license and as such are considered to represent a single performance obligation. The transaction price in a standard franchise arrangement primarily consists of (a) initial franchise fees; (b) continuing franchise fees (royalties); and (c) advertising fees. Since the Company considers the licensing of the franchising right to be a single performance obligation, no allocation of the transaction price is required.

**FB HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 2 REVENUE DISCLOSURES (CONTINUED)**

The Company recognizes the primary components of the transaction price as follows:

- Franchise fees are recognized as revenue ratably on a straight-line basis over the term of the franchise agreement commencing with the execution of the franchise agreement. As these fees are typically received in cash at or near the beginning of the franchise term, the cash received is initially recorded as a contract liability until recognized as revenue over time;
- The Company is entitled to royalties and advertising fees based on a percentage of the franchisee's gross sales as defined in the franchise agreement. Royalty and advertising revenue are recognized when the franchisee's sales occur.

**Disaggregation of Revenue**

The Company believes that the captions contained on the consolidated statements of operations appropriately reflect the disaggregation of its revenue by major type for the years ended December 31, 2020 and 2019.

**Contract assets and Contract Liabilities**

Contract assets and contract liabilities consist of the following:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>January 1, 2019</u>
<b><u>Assets:</u></b>			
Accounts Receivable	<u>\$ 218,548</u>	<u>\$ 612,511</u>	<u>\$ 541,717</u>
<b><u>Liabilities:</u></b>			
Deferred Franchise Fees	<u>\$ 112,317</u>	<u>\$ 170,842</u>	<u>\$ -</u>

**NOTE 3 DISCONTINUED OPERATIONS**

Through 2019, the Company owned and operated company-owned stores under the Pump It Up and Bounce U brands and operated carousels in shopping malls through its subsidiary HQ Carousels, LLC. With the COVID-19 pandemic, during 2020, the Company made a strategic shift in operations which included ceasing operations for these two business lines. The Company sold or disposed of the operating equipment and negotiated operating leases for early termination or is in the process of negotiating leases for early termination. At December 31, 2020, assets not yet sold related to these discontinued operations are classified as Assets Held for Sale on the accompanying consolidated balance sheet.



**FB HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 3 DISCONTINUED OPERATIONS (CONTINUED)**

The table below summarizes the effects of discontinued operations on the amounts previously reported in the consolidated balance sheet as of December 31, 2019:

	<u>As Previously Reported</u>	<u>Discontinued Operations</u>	<u>As Reported</u>
<b>CURRENT ASSETS</b>			
Inventories	\$ 15,244	\$ (14,659)	\$ 585
Prepaid Expenses	373,137	(64,105)	309,032
Total	<u>388,381</u>	<u>(78,764)</u>	<u>309,617</u>
<b>NONCURRENT ASSETS</b>			
Property and Equipment, Net	\$ 1,959,500	\$ (1,604,959)	\$ 354,541
Goodwill, Net	3,009,857	(2,158,607)	851,250
Total	<u>4,969,357</u>	<u>(3,763,566)</u>	<u>1,205,791</u>
<b>CURRENT LIABILITIES</b>			
Accounts Payable	\$ 419,474	\$ (162,727)	\$ 256,747
Accrued Expenses	445,348	(237,522)	207,826
Total	<u>864,822</u>	<u>(400,249)</u>	<u>464,573</u>

The table below summarizes the effects of discontinued operations on the amounts previously reported in the consolidated statement of operations for the year ended December 31, 2019.

	<u>As Previously Reported</u>	<u>Discontinued Operations</u>	<u>As Reported</u>
<b>REVENUE</b>			
Corporate Store Sales	\$ 6,590,392	(6,590,392)	\$ -
Carousel Revenue	1,487,876	(1,487,876)	-
Total	<u>8,078,268</u>	<u>(8,078,268)</u>	<u>-</u>
<b>OPERATING EXPENSES</b>			
Salaries and Related Benefits	\$ 3,853,679	\$ (2,732,956)	\$ 1,120,723
Franchise Equipment and Supplies	1,236,465	(1,051,826)	184,639
Advertising and Promotion	1,286,695	(194,759)	1,091,936
Office	1,824,626	(1,381,990)	442,636
Occupancy	3,657,739	(3,151,457)	506,282
Depreciation and Amortization	2,030,643	(1,059,246)	971,397
Other General Expenses	1,771,111	(298,595)	1,472,516
Total	<u>15,660,958</u>	<u>(9,870,829)</u>	<u>5,790,129</u>

**FB HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 3 DISCONTINUED OPERATIONS (CONTINUED)**

The table below summarizes the major classes of line items constituting profit and loss for discontinued operations for the years ended December 31, 2020 and 2019:

<b>OPERATING EXPENSES</b>		
Salaries and Related Benefits	\$ 763,424	\$ 2,732,956
Franchise Equipment and Supplies	250,702	1,051,826
Advertising and Promotion	45,737	194,759
Office	179,020	1,381,990
Occupancy	2,741,673	3,151,457
Depreciation and Amortization	522,803	1,059,246
Other General Expenses	1,369,365	298,595
Total	<u>5,872,724</u>	<u>9,870,829</u>
<b>NET LOSS</b>	<u>\$ (4,224,641)</u>	<u>\$ (1,792,561)</u>

**NOTE 4 PROPERTY, PLANT, AND EQUIPMENT**

Property, plant, and equipment are stated at acquisition cost and are as follows at December 31:

	<u>2020</u>	<u>2019</u>
Office Furniture and Equipment	\$ -	\$ 499,260
Computers and Software	-	276,892
Leasehold Improvements	29,092	332,179
Total	<u>29,092</u>	<u>1,108,331</u>
Less: Accumulated Depreciation	<u>(3,916)</u>	<u>(753,790)</u>
Property, Plant, and Equipment, Net	<u>\$ 25,176</u>	<u>\$ 354,541</u>

Depreciation expense for the years ended December 31, 2020 and 2019 was \$24,298 and \$190,134, respectively.

**FB HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 5 GOODWILL AND INTANGIBLE ASSETS**

Goodwill as of, and changes in the carrying amount of goodwill during the years ended, December 31, 2020 and 2019 are as follows:

	Gross Amount	Accumulated Amortization	Net Amount
Balance - December 31, 2018	\$ 1,200,630	\$ (265,781)	\$ 934,849
2019 Additions	-	-	-
2019 Amortization	-	(83,599)	(83,599)
Balance - December 31, 2019	1,200,630	(349,380)	851,250
Current Year Additions	-	-	-
Current Year Amortization	-	(83,596)	(83,596)
Impairment	(370,034)	-	(370,034)
Balance - December 31, 2020	<u>\$ 830,596</u>	<u>\$ (432,976)</u>	<u>\$ 397,620</u>

Intangible assets and estimated remaining useful lives of intangible assets at December 31, 2020 and 2019 are as follows:

	Amount	Estimated Useful Life
Trademarks and Trade Names	\$ 5,628,000	Indefinite
Trademark	155,000	5 Years
Franchise Contracts	2,882,039	11 to 14 Years
Total	<u>\$ 8,665,039</u>	

	2020		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Trademarks and Trade Names	\$ 5,628,000	\$ -	\$ 5,628,000
Trademark	155,000	(155,000)	-
Franchise Contract	2,882,039	(1,341,893)	1,540,146
Intangible Assets	<u>\$ 8,665,039</u>	<u>\$ (1,496,893)</u>	<u>\$ 7,168,146</u>

	2019		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Trademarks and Trade Names	\$ 5,628,000	\$ -	\$ 5,628,000
Trademark	155,000	(31,000)	124,000
Franchise Contract	4,166,000	(1,476,280)	2,689,720
Intangible Assets	<u>\$ 9,949,000</u>	<u>\$ (1,507,280)</u>	<u>\$ 8,441,720</u>

During the year ended December 31, 2020, the Company recognized and impairment loss on the franchise contract intangible asset of \$991,620, which is included in Other General and Administrative Expenses on the accompanying consolidated statements of operations.

Amortization expense for the years ended December 31, 2020 and 2019 was \$281,954 and \$861,773, respectively.

**FB HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 5 GOODWILL AND INTANGIBLE ASSETS (CONTINUED)**

Future amortization expense as of December 31, 2020 is as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 157,954
2022	157,954
2023	157,954
2024	157,954
2025	157,954
Thereafter	458,035
Total	<u>\$ 1,247,805</u>

**NOTE 6 NOTES PAYABLE**

Notes payable at December 31 consisted of the following:

<u>Description</u>	<u>2020</u>	<u>2019</u>
Five notes payable to Enterprise Bank & Trust, as part of the SBA's Paycheck Protection Program. Interest accrues at a fixed rate of 1% per annum. Due May 2022.	\$ 989,900	\$ -
Note payable with financial institution, variable interest based on LIBOR plus 3.5% to 4.0% based on Company's EBITDA. Payments are due monthly for accrued interest and \$98,500 for principal. The Company is required to calculate excess cash flows for the preceding calendar year and must make additional principal payments if excess cash, under the note, exists. The note was paid off in December 2020.	-	2,453,512
Note payable with financial institution, interest accrues at 8% per annum. Monthly payments are required for interest only. The note was paid off in December 2020.	-	750,000
Note payable requiring payments of \$50,000 annually. The note was paid off in December 2020.	-	100,000
Total Notes Payable	989,900	3,303,512
Less: Unamortized Debt Issuance Costs	-	(9,000)
Less: Current Portion	-	(3,253,512)
Long-Term Debt, Net of Current Portion	<u>\$ 989,900</u>	<u>\$ 41,000</u>

**FB HOLDINGS, LLC AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 6 NOTES PAYABLE (CONTINUED)**

During April 2020, the Company received five loans from Enterprise Bank & Trust in the amount of \$989,900 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loans). The original loan agreements were written prior to the PPP Flexibility Act of 2020 (June 5) and were due over 24 months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreements. The PPP Loans bear interest at a fixed rate of 1.0% per annum, have a term of two years, and are unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Company fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program.

Future maturities at December 31, 2020 are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ -
2022	989,900
Total	<u>\$ 989,900</u>

**NOTE 7 LINE OF CREDIT**

The Company had a revolving line of credit with a bank balance that allows for draws up to \$250,000 which expired on May 31, 2020. Outstanding amounts on the line accrued interest at a variable rate based on the London Interbank Offered Rate (LIBOR) rate plus 4%. The balance on the line of credit was paid off during the period and the outstanding balance was \$-0- and \$250,000 as of December 31, 2020 and 2019, respectively.

**NOTE 8 MEMBER'S EQUITY**

The Company has one class of membership interests and is 100% owned by a single member.

**FB HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 9 OPERATING LEASES**

The Company leases space for its corporate headquarters; this lease expires at the end of March 2027.

Future minimum lease payments under noncancelable operating leases are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 797,373
2022	819,337
2023	456,748
2024	430,242
2025	343,933
Thereafter	515,898
Total	<u>\$ 3,363,531</u>

**NOTE 10 RELATED PARTY TRANSACTIONS**

At December 31, 2020 and 2019, the Company had accounts receivable due from affiliates of the Company's member of \$181,452 and \$100,352, respectively. These amounts are included in Accounts Receivable, Net on the accompanying consolidated balance sheets.

At December 31, 2020 and 2019, the Company had accounts payable due to affiliates of the Company's member of \$296,543 and \$147,604, respectively. These amounts are included in Accounts Payable on the accompanying consolidated balance sheets.

The Company pays rent and common area maintenance to an affiliate of the Company's member. For the years ended December 31, 2020 and 2019, the Company recorded rent and common area maintenance expense related to this property of \$412,740 and \$362,110, respectively.

At December 31, 2020, the Company had an amount due to the Company's member of \$3,350,000. The amount does not accrue interest and the amount is due December 14, 2025.

**NOTE 11 COMMITMENTS AND CONTINGENCIES**

In the normal course of business, the Company is involved in various legal proceedings and tax matters. Due to their nature, such legal proceedings and tax matters involve inherent uncertainties including, but not limited to, court rulings, negotiations between affected parties, and governmental factors. The Company records accruals for contingencies when it is probable that a liability will be incurred, and the amount of loss can be reasonably estimated based on historical claim activity and loss development factors. There can be no assurance there will not be an increase in the scope of these matters or that any future or pending lawsuits, claims, proceedings, or investigations will not be material.

**FB HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 11 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Employee Benefit Plans**

The Company sponsors a retirement plan under the provisions of Section 401(k) of the Internal Revenue Code. The plan is available to all eligible employees meeting certain age and service requirements. Under the plan, the Company can elect to make discretionary contributions. During the years ended December 31, 2020 and 2019, the Company contributed \$1,801 and \$-0- to the plan, respectively.

**NOTE 12 RISK AND UNCERTAINTIES**

The Coronavirus Disease 2019 (COVID-19) has recently affected global markets, supply chains, employees of companies and our communities. Specific to the Company, COVID-19 may impact various parts of its 2021 operations and financial results including sales. Management believes the Company is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of December 31, 2020.

**NOTE 13 SUBSEQUENT EVENTS**

Subsequent to the year ended December 31, 2020, on February 25, 2021, the Company received a loan from Enterprise Bank & Trust in the amount of \$591,794.59 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan). The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of five years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Company fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program.

No other events or transactions have occurred subsequent to December 31, 2020, that require disclosure in the consolidated financial statements.

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC,  
an SEC-registered investment advisor. | CliftonLarsonAllen LLP





## GUARANTEE OF PERFORMANCE

For value received, FB HOLDINGS, LLC, an Arizona limited liability company (the "**Guarantor**"), located at 4343 E. Outlier Blvd., Suite 300, Phoenix, AZ 85008, absolutely and unconditionally guarantees to assume the duties and obligations of PUMP IT UP HOLDINGS, LLC, an Arizona Limited Liability Company, located at 4343 E. Outlier Blvd., Suite 220, Phoenix, AZ 85008 (the "**Franchisor**"), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its 2023 Franchise Disclosure Document, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever first occurs. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor executes this guarantee at Phoenix, Arizona on this 18th day of April 2023.

**Guarantor:**

**FB HOLDINGS, LLC**

By: 

Name: Lauren Tebbenhoff

Title: Vice President of Operations

**Exhibit H – Additional Disclosures Required by Certain States/  
Addenda Required by Certain States  
Pump It Up Franchise Disclosure Document**

## **ADDITIONAL DISCLOSURES REQUIRED BY THE STATE OF CALIFORNIA**

The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the Franchise be delivered together with the FDD.

California Corporations Code Section 31125 requires us to give to you a FDD approved by the California Department of Financial Protection and Innovation before we ask you to consider a material modification of your Franchise Agreement.

The Franchise Agreement contains provisions requiring litigation, with the costs being awarded to the prevailing party. The litigation will occur in Franchisor's then existing principal business location. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of the Franchise Agreement restricting venue to a forum outside the State of California.

The Franchise Agreement requires the application of the law of Arizona. This provision may not be enforceable under California law.

Neither Franchisor nor any other person listed in Item 2 of the FDD is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

The following statement is added to Item 5:

“The Department has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from California franchisees until we have completed all of our pre-opening obligations and you are open for business.”

Item 6 of the FDD is amended to state the highest interest rate allowed by law in California is 10% annually.

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

The Franchise Agreement provides for termination upon bankruptcy. Such a 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 provision which extends beyond the termination of the Franchise. Such provisions may not be enforceable under California law.

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

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](http://www.dfpi.ca.gov).

## ADDITIONAL DISCLOSURES REQUIRED BY THE STATE OF ILLINOIS

Illinois law governs the agreements.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

The following statement is added to Item 5:

“The Illinois Attorney General’s Office has imposed a fee deferral requirement due to our financial condition, which requires that we defer the collection of all initial fees from Illinois franchisees until we have completed all of our pre-opening obligations and you are open for business.”

Your rights upon Termination and Non-Renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

We reserve the right to require You to pay up to \$25,000 for an opening advertising and marketing campaign for Your first Shop and each subsequent Shop that You establish.

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

Each provision of these Additional Disclosures shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independently without reference to these Additional Disclosures. The Additional Disclosures shall have no force or effect if such jurisdictional requirements are not met.

## **ADDITIONAL DISCLOSURES REQUIRED BY THE STATE OF MARYLAND**

The following provisions apply to all Franchises offered and sold to residents of the State of Maryland or to be located in the State of Maryland:

1. Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement and the outlet is opened.
2. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. §§ 101 et seq.).
3. Pursuant to Maryland law, the general release required as a condition of renewal and/or assignment/transfer shall not apply to any claims that may arise under the Maryland Franchise Registration and Disclosure Law.
4. You may bring any cause of action against us in any court of competent jurisdiction, including the state or federal courts of Maryland. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.
5. Each provision of these Additional Disclosures shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently without reference to these Additional Disclosures. The Additional Disclosures shall have no force or effect if such jurisdictional requirements are not met.

## **ADDITIONAL DISCLOSURES REQUIRED BY THE STATE OF MINNESOTA**

We are contractually obligated by the Franchise Agreement to protect you against claims of infringement or unfair competition with respect to your use of the Marks, when in the opinion of our legal counsel, your rights granted therein warrant protection.

Minnesota law provides a Franchisee with certain termination and nonrenewal rights. Minn. Stat. Sec. 80C.14 Subd. 3, 4 and 5 require, except in certain specified cases, that a Franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for nonrenewal of the applicable agreement.

Minnesota Statutes, Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce any of franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

In Items 17.c and 17.m of the Franchise Agreement, any releases you sign will not apply to any claims that may arise under the Minnesota Franchise Act.

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

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

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

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.



3. The following is added to the end of the “Summary” sections of Item 17(c), titled “**Requirements for franchisee to renew or extend**,” and Item 17(m), entitled “**Conditions for franchisor approval of transfer**”:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

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 end of the “Summary” sections of Item 17(v), titled “**Choice of forum**”, and Item 17(w), titled “**Choice of law**”:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

Each provision of these Additional Disclosures shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of New York General Business Law, Article 33, Section 680 through 695, and of the Codes, Rules, and Regulations of the State of New York, Title 13, Chapter VII, Section 200.1 through 201.16, are met independently without reference to these Additional Disclosures. The Additional Disclosures shall have no force or effect if such jurisdictional requirements are not met.

**ADDITIONAL DISCLOSURES REQUIRED BY  
THE STATE OF VIRGINIA**

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the FDD for use in the Commonwealth of Virginia shall be amended as follows:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

**ADDITIONAL DISCLOSURES REQUIRED BY  
THE STATE OF WASHINGTON**

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

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

A franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

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

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

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

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

2. The following statement is added to Item 5:

“The Securities Division of the Washington Department of Financial Institutions has imposed a fee deferral requirement due to our financial condition, which requires that we defer the collection of all initial fees from Washington franchisees until we have completed all of our pre-opening obligations and you are open for business.”

3. Item 17.b. is hereby deleted in its entirety and replaced with the following:

<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
b. Renewal or extension of the term	Section 4.B	One (1) Successor Term of ten (10) years. You must sign our then-current form of Franchise Agreement, which may contain terms and conditions materially and substantially different from your original Franchise Agreement, including, without limitation, higher Royalties and/or Brand Fund contributions.

4. Item 17.d. is hereby deleted in its entirety and replaced with the following:

<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
d. Termination by you	Section 4	You may terminate the Agreement upon any grounds available by law.

5. Item 17.q. is hereby deleted in its entirety and replaced with the following:

<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
q. Non-competition covenants during the term of the franchise	Section 18.B.(2)	No involvement in competing business (subject to applicable state law).

6. Item 17(r) is hereby deleted in its entirety and replaced with the following:

<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
r. Non-competition covenants after the franchise is terminated or expires	Section 18.B(3)	No involvement in competing business (subject to applicable state law).

**ADDITIONAL DISCLOSURES REQUIRED BY  
THE STATE OF WISCONSIN**

REGISTRATION OF THIS FRANCHISE IN WISCONSIN DOES NOT MEAN THAT THE STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

The conditions under which the Franchise Agreement can be terminated or not renewed may be affected by the Wisconsin Fair Dealership Law, Wisconsin Statutes 1981-82, Title XIV-A, Chapter 135.

**ADDENDA REQUIRED BY CERTAIN STATES**

**ADDENDUM TO PUMP IT UP FRANCHISE AGREEMENT  
REQUIRED FOR CALIFORNIA FRANCHISEES**

This Addendum to the Pump It Up Franchise Agreement dated \_\_\_\_\_ (“Franchise Agreement”) between Pump It Up Holdings, LLC (“PIU”) and \_\_\_\_\_ (“You”) is entered into simultaneously with the execution of the Franchise Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into the Franchise Agreement. This Addendum is being executed because: (A) the offer or sale of the franchise to you was made in the State of California; (B) you are a resident of the State of California; and/or (C) the Franchised Business will be located or operated in the State of California.

2. The following sentence is added at the end of Section 7.A(1).:

All initial fees and payments shall be deferred until such time as the Franchisor completes its initial pre-opening obligations under the Franchise Agreement and the franchised business is open.

3. Any capitalized term that is not defined in this Addendum shall have the meaning given it in the Franchise Agreement.

4. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

**IN WITNESS WHEREOF**, the parties have executed and delivered this Agreement on the dates noted below, to be effective as of the Effective Date.

**PUMP IT UP HOLDINGS, LLC, an Arizona  
limited liability company.**

**FRANCHISEE**

\_\_\_\_\_

\_\_\_\_\_

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

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

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

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

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

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

**ADDENDUM TO PUMP IT UP FRANCHISE AGREEMENT  
REQUIRED FOR ILLINOIS FRANCHISEES**

This Addendum to the Pump It Up Franchise Agreement dated \_\_\_\_\_ (“Franchise Agreement”) between Pump It Up Holdings, LLC (“PIU”) and \_\_\_\_\_ (“You”) is entered into simultaneously with the execution of the Franchise Agreement.

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

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

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

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

2. The provisions of this Addendum form an integral part of, and are incorporated into the Franchise Agreement. This Addendum is being executed because: (A) the offer or sale of the franchise to you was made in the State of Illinois; (B) you are a resident of the State of Illinois; and/or (C) the Franchised Business will be located or operated in the State of Illinois.

3. The following sentence is added at the end of Section 7.A(1).:

All initial fees and payments shall be deferred until such time as the Franchisor completes its initial pre-opening obligations under the Franchise Agreement and the franchised business is open.

4. The following sentence is added at the end of Section 27.B.:

Notwithstanding the foregoing, Illinois law shall govern this Agreement.

5. The following sentence is added to the end of Section 27.C.:

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

6. The following sentence is added at the end of Section 27.G.:

Section 27 of the Illinois Franchise Disclosure Act provides that causes of action under the Act must be brought within the earlier of: 3 years of the violation, 1 year after the franchisee becomes aware of the underlying facts or circumstances or 90 days after delivery to the franchisee of a written notice disclosing the violation.



7. The following sentence is added to the end of Section 30:

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

8. Any capitalized term that is not defined in this Addendum shall have the meaning given it in the Franchise Agreement.

9. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

**IN WITNESS WHEREOF**, the parties have executed and delivered this Agreement on the dates noted below, to be effective as of the Effective Date.

**PUMP IT UP HOLDINGS, LLC, an Arizona  
limited liability company.**

**FRANCHISEE**

\_\_\_\_\_

\_\_\_\_\_

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

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

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

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

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

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

**ADDENDUM TO PUMP IT UP FRANCHISE AGREEMENT  
REQUIRED FOR MARYLAND FRANCHISEES**

This Addendum to Pump It Up Franchise Agreement dated \_\_\_\_\_ (“Franchise Agreement”) between Pump It Up Holdings, LLC (“PIU”) and \_\_\_\_\_ (“You”) is entered into simultaneously with the execution of the Franchise Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into the Franchise Agreement. This Addendum is being executed because: (A) the offer or sale of a franchise to you was made in the State of Maryland; (B) you are a resident of the State of Maryland; (C) part or all of the Protected Area is located in the State of Maryland; and/or (D) the Franchised Business will be located or operated in the State of Maryland.

2. The following sentence is added to the end of Sections 4.B.(8), 16.B.(1)(h) and 17:

This release shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

3. The following sentence is added at the end of Section 7.A(1):

Based upon the franchisor’s financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the Franchise Agreement and the outlet is opened.

4. The following sentence is added to the end of Section 7.A(2)(c):

The general release required to obtain a refund of 50% of the Initial Franchise Fee shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

5. The following sentence is added to the end of Section 27.C.:

Notwithstanding the foregoing, you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

6. The following sentence is added to the end of Section 27.G.:

This limitation of claims provision shall not act to reduce the 3-year statute of limitations afforded a franchisee for bringing a claim arising under the Maryland Franchise Registration and Disclosure Law, which claim must be brought within 3 years after the grant of the franchise.

7. The following sentence is added to the end of Section 30:

Section 14-226 of the Maryland Franchise Registration and Disclosure Law prohibits a franchisor from requiring a prospective franchisee to assent to any release, estoppel, or waiver of liability as a condition of purchasing a franchise. Representations in this Agreement are not intended to, nor shall they act as a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Any capitalized term that is not defined in this Addendum shall have the meaning given it in the Franchise Agreement.

Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

**IN WITNESS WHEREOF**, the parties have executed and delivered this Agreement on the dates noted below, to be effective as of the Effective Date.

**PUMP IT UP HOLDINGS, LLC, an Arizona  
limited liability company.**

**FRANCHISEE**

\_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

\_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**ADDENDUM TO PUMP IT UP FRANCHISE AGREEMENT  
REQUIRED FOR MINNESOTA FRANCHISEES**

This Addendum to the Pump It Up Franchise Agreement dated \_\_\_\_\_ (“Franchise Agreement”) between Pump It Up Holdings, LLC (“PIU”) and \_\_\_\_\_ (“You”) is entered into simultaneously with the execution of the Franchise Agreement.

1. The following sentence is added to the end of Sections 4.B.(8), 16.B.(1)(h) and 17:

Any release executed in connection herewith will not apply to any claims that may arise under the Minnesota Franchise Act.

2. The following sentence is added to the end of Section 7.A(2)(c):

The general release required to obtain a refund of 50% of the Initial Franchise Fee shall not apply to any claims that may arise under the Minnesota Franchise Act.

3. The following statement is added at the end of Section 19:

Minnesota law provides the Franchisee with certain termination and non-renewal rights. Minn. Stat. Sec. 80C.14 Subd. 3, 4 and 5 require, except in certain specified cases, that the Franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice for non-renewal of this Agreement.

4. The last sentence of Section 27.B: is deleted, with the following statement inserted in its place:

Minnesota Statutes, Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce any of franchisee’s rights as provided for in Minnesota Statutes, Chapter 80C, or franchisee’s rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

5. The second sentence of Section 27.G. is deleted, and the following is inserted in its place:

You and we shall each have the right in the proper case to seek injunctive relief from a court of competent jurisdiction. You agree that we may seek such injunctive relief, without posting a bond or bonds totaling more than \$1,000, but upon due notice, and that your sole remedy in the event of the entry of such injunctive relief shall be the dissolution of such injunctive relief, if warranted, upon hearing duly had; provided, however, that all claims for damages by reason of the wrongful issuance of any such injunction are hereby expressly waived by you.

Any capitalized term that is not defined in this Addendum shall have the meaning given it in the Franchise Agreement.

Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

**IN WITNESS WHEREOF**, the parties have executed and delivered this Agreement on the dates noted below, to be effective as of the Effective Date.

**PUMP IT UP HOLDINGS, LLC, an Arizona  
limited liability company.**

**FRANCHISEE**

\_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

\_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**ADDENDUM TO PUMP IT UP FRANCHISE AGREEMENT  
REQUIRED FOR NEW YORK FRANCHISEES**

This Addendum to Pump It Up Franchise Agreement dated \_\_\_\_\_ (“Franchise Agreement”) between Pump It Up Holdings, LLC (“PIU”) and \_\_\_\_\_ (“You”) is entered into simultaneously with the execution of the Franchise Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into, the Franchise Agreement. This Addendum is being executed because: (A) the offer or sale of a franchise to you was made in the State of New York; (B) you are a resident of the State of New York; and/or (C) the Franchised Business will be located or operated in the State of New York.

2. Any provision in the Franchise Agreement that is inconsistent with the New York General Business Law, Article 33, Sections 680 - 695 may not be enforceable.

3. The following sentence is added to the end of Section 27.B.:

Notwithstanding the foregoing, the New York Franchises Law shall govern any claim arising under that law.

4. The following sentence is added to the end of Section 27.H:

Our right to obtain injunctive relief exists only after proper proofs are made and the appropriate authority has granted such relief.

5. Any capitalized term that is not defined in this Addendum shall have the meaning given it in the Franchise Agreement.

6. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

**IN WITNESS WHEREOF**, the parties have executed and delivered this Agreement on the dates noted below, to be effective as of the Effective Date.

**PUMP IT UP HOLDINGS, LLC, an Arizona limited liability company.**      **FRANCHISEE**

\_\_\_\_\_

\_\_\_\_\_

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

By \_\_\_\_\_

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

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

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

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

**ADDENDUM TO PUMP IT UP FRANCHISE AGREEMENT  
REQUIRED FOR WASHINGTON FRANCHISEES**

This Addendum to Pump It Up Franchise Agreement dated \_\_\_\_\_ (“Franchise Agreement”) between Pump It Up Holdings, LLC (“PIU”) and \_\_\_\_\_ (“You”) is entered into simultaneously with the execution of the Franchise Agreement.

1. Section 4.C. of the Franchise Agreement is deleted and replaced with the following:

C. Continuation. If for any reason, you continue to operate your Pump It Up Business beyond the Initial Term of this Agreement or any subsequent renewal period, it shall be deemed to be on a month-to-month basis under the terms of this Agreement and subject to termination upon 30 days’ notice or as required by law (the Initial Term and all renewals shall be referred to as the “**Term**”). If said hold-over period exceeds 90 days, this Agreement is subject to immediate termination unless applicable law requires a longer period. Upon termination after any hold-over period, you and those in active concert with you, including family members, officers, directors, partners and managing agents, are subject to the terms of Sections 18.A, 18.B(3), 20.A., and 21 of this Agreement and all other applicable post-termination obligations contained in this Agreement.

2. Section 17 of the Franchise Agreement shall be deleted in its entirety.
3. The following statement shall be added at the end of Section 19 of the Franchise Agreement:

The Franchisee may terminate the Agreement upon any grounds available by law.

4. The Franchisee’s indemnification obligations under Section 23.A. of the Franchise Agreement shall not extend to claims that are caused by the Franchisor’s acts or omissions which amount to strict liability or fraud.
5. Section 24.E of the Franchise Agreement shall be deleted in its entirety.
6. Section 26 of the Franchise Agreement is amended to delete the word “inducements” in the third sentence.
7. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

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

A franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

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

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

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

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

8. Any capitalized term that is not defined in this Addendum shall have the meaning given it in the Franchise Agreement.

9. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

**IN WITNESS WHEREOF**, the parties have executed and delivered this Agreement on the dates noted below, to be effective as of the Effective Date.

**PUMP IT UP HOLDINGS, LLC, an Arizona  
limited liability company.**

**FRANCHISEE**

\_\_\_\_\_

\_\_\_\_\_

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

By \_\_\_\_\_

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

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

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

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



**ADDENDUM TO PUMP IT UP GENERAL RELEASE  
REQUIRED FOR WASHINGTON FRANCHISEES**

This Addendum to Pump It Up General Release dated \_\_\_\_\_ (“General Release”) by \_\_\_\_\_ (“Franchisee”) and \_\_\_\_\_ (“Guarantors”) is entered into simultaneously with the execution of the General Release.

1. The General Release is amended to include the following Section 9:

9. Applicability of General Release. This Release shall not apply to any claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

2. Any capitalized term that is not defined in this Addendum shall have the meaning given it in the General Release.

3. Except as expressly modified by this Addendum, the General Release remains unmodified and in full force and effect.

**IN WITNESS WHEREOF**, Franchisee and Guarantors have executed and delivered this Addendum to General Release.

**(IF APPLICANT IS AN ENTITY)**

\_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**(IF APPLICANT IS AN INDIVIDUAL)**

\_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**FRANCHISEE:**

\_\_\_\_\_  
Signature: \_\_\_\_\_  
By: \_\_\_\_\_  
Its: \_\_\_\_\_  
Date: \_\_\_\_\_

**GUARANTOR:**

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

**GUARANTOR:**

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

**ADDENDUM TO PUMP IT UP FRANCHISE AGREEMENT  
REQUIRED FOR WISCONSIN FRANCHISEES**

This Addendum to Pump It Up Franchise Agreement dated \_\_\_\_\_ (“Franchise Agreement”) between Pump It Up Holdings, LLC (“PIU”) and \_\_\_\_\_ (“You”) is entered into simultaneously with the execution of the Franchise Agreement.

1. The following paragraph is added to Sections 4.C and 19:

The conditions under which this Agreement can be terminated or not renewed may be affected by the Wisconsin Fair Dealership Law, Wisconsin Statutes 1981-82, Title XIV-A, Chapter 135.

2. Any capitalized term that is not defined in this Addendum shall have the meaning given it in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

**IN WITNESS WHEREOF**, the parties have executed and delivered this Agreement on the dates noted below, to be effective as of the Effective Date.

**PUMP IT UP HOLDINGS, LLC, an Arizona  
limited liability company.**

**FRANCHISEE**

\_\_\_\_\_

\_\_\_\_\_

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

By \_\_\_\_\_

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

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

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

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

**Exhibit I - Franchisee Lists**  
**Pump It Up Franchise Disclosure Document**

**LIST OF FRANCHISED PUMP IT UP FAMILY  
ENTERTAINMENT CENTERS AS OF DECEMBER 31, 2022**

<b>FRANCHISEE</b>	<b>ADDRESS</b>	<b>CITY</b>	<b>STATE</b>	<b>ZIP</b>	<b>PHONE</b>
Bienville Entertainment, LLC	741-A Hillcrest Road	Mobile	AL	36695	251-342-3940
U Bounce, LLC	4623 Camp Coleman Road	Trussville	AL	35173	205-661-5557
Air Dog, Inc.	9378 E Bahia Dr	Scottsdale	AZ	85260	480-425-7867
Gupta Ventures, LLC	1309 Elmer St. Unit A	Belmont	CA	94002	650-802-8974
Liron-McCamon, Inc.	4510 Eucalyptus Ave.	Chino	CA	91710	909-597-2828
Garg Ventures LLC	1301-B Franquette Avenue	Concord	CA	93419	925-969 9663
Debby & Michael McCamon	26242 Dimension Dr., Suite 100	Lake Forest	CA	92630	949-588-2925
John Alderson	41785 Elm Street Ste. 203	Murrieta	CA	92562	951-677-1933
SAGLOVER, LLC	2500 Embarcadero Ste A	Oakland	CA	94606	510-536-7867
Friedrich Ventures, Inc.	530 Boulder Ave. Suite 100	Pleasanton	CA	94566	925-600-9663
Gupta Ventures, LLC	1830-B Hillsdale Ave.	San Jose	CA	95124	408-714-0080
BSC Partners, LLC	3360 Coffee Lane, Suite A	Santa Rosa	CA	94503	707-545-3140
Friedrich Ventures, Inc.	2919 Mead Avenue	Santa Clara	CA	95051	408-850-1411
Garg Ventures LLC	2995 Whipple Road	Union City	CA	94587	510-477-9051
Zain Enterprises, LLC	6862 Hayvenhurst Ave., Unit "B"	Van Nuys	CA	91406	818-994-1100
AVRTI, LLC	729A W. Lumsden Rd	Brandon	FL	33511	813-854-8310
Tiny Jump LLC	11840 Beach Blvd. Suite 10	Jacksonville	FL	32246	904-646-1441
Hamby Enterprises, Inc.	4069 121st Street	Urbandale	IA	50323	515-270-5017
Pump It Up KC, LLC	7230 W. Frontage Rd	Shawnee Mission	KS	66203	913-236-7867
Dupree-Smith Enterprises, LLC	4230 Forbes Blvd	Lanham	MD	20706	301-627-0387
TDS Entertainment, LLC	109 Post Office Road	Waldorf	MD	20603	703-580-4693
Auburn Hills Universe Inflatable, LLC	1720 Opdyke Court	Auburn Hills	MI	48326	248-375-1100
ALF-CAM, Inc.	15117 Commercial Drive	Shelby Township	MI	48315	586-416-4386
Nawar Zoma	28373 Beck Road, Unit H	Wixom	MI	48393	248-912-1090
Seaghan Entertainment Inc.	7406 Washington Avenue	Eden Prairie	MN	55344	952-943-0052
IGH, LLC	1576 Old Fannin Road	Brandon	MS	39047	601-992-6259
Jump 2 Be Fit, Inc.	10700 World Trade Blvd.	Raleigh	NC	27617	919-828-3344
JJH Management, LLC	1271 Little Gloucester Rd.	Blackwood	NJ	08012	856-228-2113
James S. Hurta	158 East Westfield Ave.	Roselle Park	NJ	7024	908-245-5867
Family Fun Zone, Inc.	250 Community Drive	Great Neck	NY	11021	516-466-7867
Duda's Double Play, LLC	1135 W Maple St	Hartville	OH	44632	330-877-7867
Bellco Entertainment, LLC	7724 Service Center Dr.	West Chester	OH	45069	513-829-7867
R&J Hill Enterprises, LLC	75 Brookfield Oaks Dr. Ste. 100	Greenville	SC	29607	864-987-9022

<b>FRANCHISEE</b>	<b>ADDRESS</b>	<b>CITY</b>	<b>STATE</b>	<b>ZIP</b>	<b>PHONE</b>
R&J Hill Enterprises, LLC	440 Southport Commerce Blvd.	Spartanburg	SC	29306	864-987-9022
CLZW, LLC	8000 Hwy 64, Suite 101	Bartlett	TN	38133	901-371-0111
Henegan Partners 2, LLC	1120 Eden Road, Ste 102	Arlington	TX	76001	817-845-9869
EntertainTHEM, LLC	9110 Autobahn Drive Ste 120	Dallas	TX	75237	972-337-0100
Leighking L.P.	7164 Technology Drive, Suite 200	Frisco	TX	75034	214-387-9663
EntertainUS, LLC	3918 Gattis School Rd, Suite 100	Round Rock	TX	78664	512-989-7867
AleCol, L.L.C.	7723 Guilbeau Road, Suite 102	San Antonio	TX	78240	210-568-7766
ENTERTAINYOU, LLC	14036 Nacogdoches Rd	San Antonio	TX	78247	210-413-7620
SMVE Investments, LLC	11325 Fountain Lake Drive	Stafford	TX	77477	281-612-1902
KCG Entertainment, LLC	310 Genesis Blvd.	Webster	TX	77598	281-720-8082
Playful Kidz, LLC	9555 Kings Charter Rd. Sutie I	Ashland	VA	23005	804-550-7867
Lam Family Enterprises, LLC	10110 Battleview Parkway Ste 110	Manassas	VA	20109	703-749-8006
BFG, LLC	11605 NE 116th Street	Kirkland	WA	98034	425-820-2297
BFG, LLC	18027 Highway 99 Suite I	Lynnwood	WA	98037	425-820-2297
Jump Zone, LLC	3610 South Pine St., Suite A	Tacoma	WA	98409	253-566-0268

**List of Franchisees Who Have Signed a Franchise Agreement But Not Opened a Pump It Up Family Entertainment Center as of December 31, 2022**

None

**List Of Franchisees Who Had an Outlet Terminated, Canceled, Not Renewed, or Otherwise Voluntarily or Involuntarily Ceased to Do Business Under The Franchise Agreement during 2022**

<b>Name</b>	<b>Address</b>	<b>Current or Last Known Phone Number</b>
JJLM Corporation	5397 East Hunter Ave	714-693-9620
Saffee Enterprises, LLC	12760 Danielson Court	858-679-5867
LMJ Management, LLC	500 Business Park Drive	732-409-4748
JS Jumping Brothers LLC	8 E. Stow Road, Suite 160	856-753-7003
PIU Central, LLC	7620 Katy Freeway Ste. 415	713-686-7867
PIU McAllen, LLC	2720 Zinnia Ave.	956-682-5867

**Exhibit J – Operations Manuals Table of Contents  
Pump It Up Franchise Disclosure Document**

## OPERATIONS MANUAL - FRANCHISE OPERATIONS TABLE OF CONTENTS

Available Training Manuals	2
Confidentiality	7
Use & Updating Manual	7
Introduction	7
Welcome	7
What is Franchising?	8
Mutual Commitment	8
Five Critical Elements	9
Franchisor’s Responsibilities	10
Franchisee’s Responsibilities	10
The Concept	11
The Right Concept for Today’s Busy Parents	11
Pump It Up   BounceU History	11
Pump It Up	11
BounceU	12
Company Mission & Values	12
Mission	12
Values	12
Guest Programs & Policies	13
Operations	24
Safety & Security	29
Business Management	30
Personnel Management	42
Marketing	46
The Franchisee/Franchisor Relationship	49
Franchisee to Franchisee	50

# OPERATIONS MANUAL - POST COVID OPERATIONS

## TABLE OF CONTENTS

REVISION LIST	2
“STAY SAFE & PARTY ON” EXECUTIVE OVERVIEW	18
COVID-19 CLEANING & DISINFECTING PROCEDURES	19
COVID-19 OPERATIONAL PROCEDURES	26
COVID-19 REVISED OFFERINGS	36
MARKETING PLAN	44
Website	55
Promotions	72
Offerings	77
Field Trips	79
Event Execution	89
Day Of Execution	91
POps Set Up	92
Establishing Relationships With Groups	92
Email	103
Social Media	107
Google My Business (GMB)	133
Paid Marketing	144
Marketing Library	151
PHONE SALES PLAN	166
Store Info	183
Inquiry Management	183
STAFFING MODEL	194
COVID-19 HR CONSIDERATIONS	202
ADDITIONAL RESOURCES	209
Camp Execution	257



## OPERATIONS MANUAL - POPS & TECH USER MANUAL TABLE OF CONTENTS

Introduction	9
Daily Operations	12
Home Screen Icons	12
Top Menu Icons	12
Adding an Inquiry – Customer in System	15
Event Search Functionality	26
Prepare Receipt on Birthday Party Events	29
Adding Resources to an Event	34
Open Cash Drawer	45
Store Operations	58
Manage Accounts	58
Inventory	74
Store Setup	77
Store Info	102
Feature Configuration	78
Booking Flow Overview	89
Tax & Tip Rates	89
E-Reservations	90
Manage Resources – Add New	114
Summary Overview	126
<b>TECHNOLOGY SUPPORT &amp; RESOURCES</b>	<b>138</b>
Technology Support Numbers	165

## OPERATIONS MANUAL - INNOVATION & VENDORS

### TABLE OF CONTENTS

REVISION LIST	2
Introduction	2
Innovation Elements	6
Non-Bedded Rides/Arena upgrades	22
Quick selection links - complete descriptions follow	45
Inflatable Attractions	45
Party Suppliers	45
Facility	45
Inflatable Attractions	46
Party Supplies	51
Facility Vendors	60

## 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:

<b>State</b>	<b>Effective Date</b>
California	Pending
Illinois	Pending
Maryland	Pending
Minnesota	Pending
New York	Pending
Virginia	Pending
Washington	Pending
Wisconsin	Pending

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

**Exhibit K - Receipts**  
**Pump It Up Franchise Disclosure Document**

**RECEIPT**

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

If Pump It Up Holdings, 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 payment to, Pump It Up Holdings, LLC or its affiliates in connection with the proposed sale or sooner if required by applicable state law.

New York requires that Pump It Up Holdings, LLC 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 Pump It Up Holdings, LLC 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 Pump It Up Holdings, 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 in Exhibit A.

The franchisor is Pump It Up Holdings, LLC, 668 N 44<sup>th</sup> Street, Suite 220, Phoenix, AZ 85008. Its telephone number is (480) 371-1200. The name, principal business address and telephone number of each franchise seller for this offering are Lauren Tebbenhoff and/or \_\_\_\_\_, 668 N 44<sup>th</sup> Street, Suite 220, Phoenix, 85008.

Issuance Date: April 18, 2023

I received a disclosure document dated April 18, 2023 that included the following Exhibits:

- |  |  |
|--|--|
| A. List of State Administrators          | G. Financial Statements and Guarantee of Performance |
| B. List of Agents for Service of Process | H. Addenda Required by Certain States                |
| C. Franchise Agreement                   | I. Franchisee List                                   |
| D. Confidentiality Agreement             | J. Manual Table of Contents                          |
| E. General Release                       | K. Receipts (2 copies)                               |
| F. Software License Agreement            |  |

\_\_\_\_\_  
Prospective Franchisee (Print Name)

\_\_\_\_\_  
Prospective Franchisee (Print Name)

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

## RECEIPT

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

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| E. General Release                       | K. Receipts (2 copies)                               |
| F. Software License Agreement            |  |

\_\_\_\_\_  
Prospective Franchisee (Print Name)

\_\_\_\_\_  
Prospective Franchisee (Print Name)

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

You may return the signed receipt either by signing, dating and mailing it to Pump It Up Holdings, LLC, 668 N. 44<sup>th</sup> Street, Suite 220, Phoenix, AZ 85008, or by emailing a copy of the signed and dated receipt to Pump It Up Holdings, LLC at [franchising@fun-brands.com](mailto:franchising@fun-brands.com).