

**SKATETIME SI LLC.**  
(An Illinois Corporation)  
4794 Colt Rd., Rockford IL. 61109  
815.708.7201  
815.977.5882 (facsimile)

INFORMATION FOR PROSPECTIVE FRANCHISEES REQUIRED BY THE FEDERAL TRADE COMMISSION (REVISED AND ISSUED CURRENT AS OF MARCH 31st, 2020) TO PROTECT YOU, WE'VE REQUIRED YOUR FRANCHISOR TO GIVE YOU THIS INFORMATION. WE HAVEN'T CHECKED IT, AND DON'T KNOW IF IT'S CORRECT. IT SHOULD HELP YOU MAKE UP YOUR MIND. STUDY IT CAREFULLY. WHILE IT INCLUDES SOME INFORMATION ABOUT YOUR CONTRACT, DON'T RELY ON IT ALONE TO UNDERSTAND YOUR CONTRACT. READ ALL OF YOUR CONTRACT CAREFULLY. BUYING A FRANCHISE IS A COMPLICATED INVESTMENT. TAKE YOUR TIME TO DECIDE. IF POSSIBLE, SHOW YOUR CONTRACT AND THIS INFORMATION TO AN ADVISOR, LIKE A LAWYER OR AN ACCOUNTANT. IF YOU FIND ANYTHING YOU THINK MAY BE WRONG OR ANYTHING IMPORTANT THAT'S BEEN LEFT OUT, YOU SHOULD LET US KNOW ABOUT IT. IT MAY BE AGAINST THE LAW. THERE MAY ALSO BE LAWS ON FRANCHISING IN YOUR STATE. ASK YOUR STATE AGENCIES ABOUT THEM.

FEDERAL TRADE COMMISSION  
Washington, D.C. 20580

Date of Issuance: December 2022

072501

# FRANCHISE DISCLOSURE DOCUMENT

## SKATETIME SI LLC.

(An Illinois Corporation)

4794 Colt Rd., Rockford, IL 61109

815.708.7201

815.977.5882 (facsimile)

Company offers franchises for businesses providing school roller skating programs targeted for students in grades kindergarten (“K”) through 12th. You may use the Mark “SKATETIME.”

The initial fees include a franchise fee of \$20,000 plus a one-time software license fee of \$500 and an annual maintenance fee of \$200. The estimated initial investment required to establish a Franchised Business ranges from \$102,159 to \$143,686. The initial investment estimate is only an estimate and initial fees are described in Items 5, 6 and 7 of this Offering Circular.

### RISK FACTORS:

1. THE FRANCHISE AGREEMENT REQUIRES THAT MOST DISAGREEMENTS, EXCLUDING ANY CLAIM CONCERNING THE MARKS, BE SETTLED BY ARBITRATION IN WHITESIDE COUNTY, ILLINOIS. OUT OF STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE WITH COMPANY IN ILLINOIS THAN IN YOUR HOME STATE.
2. THE FRANCHISE AGREEMENT STATES THAT ILLINOIS LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
3. IN MOST SCHOOL DISTRICTS THE PROVISION OF SCHOOL ROLLER SKATING PROGRAMS MAY BE SEASONAL SINCE THE TYPICAL ACADEMIC YEAR IS 9 OUT OF 12 MONTHS OF THE CALENDAR YEAR.
4. YOU MAY WANT TO CONSIDER THE FINANCIAL SITUATIONS OF THE VARIOUS SCHOOLS OPERATING IN THE AREAS WHERE FRANCHISE OPPORTUNITIES ARE BEING OFFERED.
5. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

Information comparing SKATETIME SI LLC. with other franchisors is available. Call the state administrators listed in Exhibit A or your public library for sources of information.

**REGISTRATION OF THIS FRANCHISE WITH THE STATE DOES NOT MEAN THAT THE STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS OFFERING CIRCULAR. IF YOU LEARN THAT ANYTHING IN THIS OFFERING CIRCULAR IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND STATE ADMINISTRATORS LISTED IN EXHIBIT A.**

## TABLE OF CONTENTS

<u>ITEM</u>	<u>PAGE</u>
1. THE FRANCHISOR, ITS PREDECESSORS AND AFFILIATES .....	1
2. BUSINESS EXPERIENCE.....	2
3. LITIGATION.....	3
4. BANKRUPTCY .....	3
5. INITIAL FRANCHISE FEE.....	3
6. OTHER FEES .....	4
7. INITIAL INVESTMENT.....	8
8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES.....	9
9. FRANCHISEE’S OBLIGATIONS .....	12
10. FINANCING .....	13
11. FRANCHISOR’S OBLIGATIONS.....	13
12. TERRITORY .....	19
13. TRADEMARKS.....	20
14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION.....	21
15. OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS.....	23
16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL.....	23
17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION.....	24
18. PUBLIC FIGURES.....	29
19. EARNINGS CLAIMS.....	29
20. LIST OF OUTLETS .....	30
21. FINANCIAL STATEMENTS.....	32
22. CONTRACTS.....	33
-- RECEIPT .....	LAST PAGE

### EXHIBITS

- A. LIST OF STATE AGENTS FOR SERVICE OF PROCESS AND STATE ADMINISTRATORS
- B. FRANCHISE AGREEMENT
- C. FINANCIAL STATEMENTS

## ITEM 1. THE FRANCHISOR, ITS PREDECESSORS AND AFFILIATES

### Company

To simplify the language in this Offering Circular, “Company” means SKATETIME SI LLC., the franchisor of this business. “You” means the person who buys the franchise whether you are an individual or a sole proprietorship, corporation, partnership, limited liability company or other entity. Company was incorporated in the State of Illinois on July 29, 1997. Company’s principal business address is 4794 Colt Rd., Rockford, IL 61109. Company does business under the name “SKATETIME” with the franchises offered by this Offering Circular. A list of Company’s agents for service of process in various states is contained in Exhibit A to this Offering Circular. Company has no predecessors.

### Company’s Business Activities

Company grants franchises for the establishment, development and operation of businesses providing school roller skating programs targeted for students in grades K through 12th. (“Franchised Business”).

Company may in the future develop and introduce into the System a line of merchandise and products including books, equipment and other items bearing the Marks (“Trademarked Products”), and will develop specifications, standards and marketing techniques for these Trademarked Products, all of which Company may change, improve or better develop periodically.

Company offers a franchise grant for a single Franchised Business. Company provides start-up and ongoing operational assistance to you as described in Item 11 of this Offering Circular.

Company does not currently operate a business of the type being franchised. Company does not engage in any other business activities.

### Company’s Affiliates

Skatetime SI, LLC (“SSI”) & Skatetime School Programs, Inc. (“SSPI”) are Company’s affiliates (“Affiliates”). SSPI is an Illinois corporation incorporated on January 10, 1994 operating under the name “SKATETIME” located at 4794 Colt Rd., Rockford, IL 61109. SSPI was previously incorporated under the name “Skatetime Inc.” but that name was changed to the current name on July 8, 1997. SSPI operates a prototype in Rockford, Illinois.

### The Franchised Business and Businesses to be Offered

Each Franchised Business operates in accordance with Company’s System (“System”). The distinguishing characteristics of the System include: distinctive layout, decor and color scheme; exclusively designed signage, decorations, equipment, furnishings and materials; videos; the SKATETIME Confidential Operations Manual (“Manual”); the Trademarked Products (if developed); the SKATETIME Proprietary Software (“Software”); uniform operating methods, procedures and techniques; other confidential operations procedures; and methods and techniques for inventory and cost controls, record keeping and reporting, personnel management and training, purchasing, marketing, sales promotion and advertising. Company may change the System periodically.

The Franchised Business will operate under the Mark “SKATETIME” and associated marks and trademarks as Company now and afterwards designates as part of the System (“Marks”).

The SKATETIME Franchised Business targets its services primarily to schools to be used in conjunction with school physical education programs. The Franchised Business will compete with other local businesses as well as local regional or national chains. The demand for your services may depend on the number of school-aged children in your area.

Each Franchised Business may be subject to statutes and regulations applicable to physical education programs and roller skating equipment. Regulations in your state may be more or less stringent. You should examine these laws before purchasing a franchise from Company.

Company believes the market for school roller skating programs for school-aged children is developing.

#### Business History

SSPI has continuously operated a business similar to the Franchised Business since September, 1994. Company has never operated a business similar to the Franchised Business. SSPI has offered and sold franchises in the business described above in the Midwest, Southern and North Eastern United States. Company has offered franchises in the business described above since 1998.

#### ITEM 2. BUSINESS EXPERIENCE

##### **President, Director: Clinton D. Briggs**

Since July 1997, Mr. Briggs has served as Company’s Secretary and as a Director. Concurrently as of June 2008, Mr. Briggs holds the position of President. In addition, Mr. Briggs has been responsible for Company’s Sales-Marketing and Project Management divisions. Prior to his employment at company, Mr. Briggs was employed by Skatetime as a Marketing Director from July 1993 to August 1996 in Morrison, Illinois. Prior to that, he was employed with the Harder Organization Architects from May 1989 until June 1993 in Dallas, Texas.

##### **Jeffrey D. Young**

From July 1997 to June 2008, Mr. Young served as Company’s President and as a Director. Mr. Young was also a partner in Young Enterprises, a general partnership which owns self-storage facilities and has previously owned a roller skating rink. His employment with Young Enterprises began in August 1987 in Morrison, Illinois.

##### **Gordon T. Young**

From July 1997 to June 2008, Mr. Young served as Company’s Treasurer and as a Director. Mr. Young held the position of Treasurer of SSPI, Inc., which he has held since September 1994. Mr. Young was also a partner in Young Enterprises. His employment with Young Enterprises began in August 1987 in Morrison, Illinois.

ITEM 3.            LITIGATION

No litigation is required to be disclosed in this Offering Circular.

ITEM 4.            BANKRUPTCY

No person previously identified in Items 1 or 2 of this Offering Circular has been involved as a debtor in proceedings under the U.S. Bankruptcy Code required to be disclosed in this Item.

ITEM 5.            INITIAL FRANCHISE FEE

When you sign the Franchise Agreement, you must pay Company an initial Franchise Fee (“Franchise Fee”) of \$20,000. (Paragraph I.C.)\*

In addition to the Franchise Fee, you will pay a one-time software license fee (“License Fee”) of \$500 and an annual maintenance fee (“Maintenance Fee”) of \$200, as more fully explained in Items 6 and 11. Both the License Fee and the first year’s Maintenance Fee are due upon signing the Franchise Agreement.

The individual Franchise Fees are fully earned and non-refundable under any circumstances, except: if Company determines that you are unable to satisfactorily complete the training program required of all franchisees, Company may require you to attend additional training or terminate the Franchise Agreement and return the Franchise Fee, less expenses Company incurs in providing training to you and other expenses Company incurs, not to exceed 50% of the Franchise Fee. In addition, Company will refund the License Fee and first year’s Maintenance Fee. (Paragraph IV.C.)

Except as stated above, the Franchise Fee is uniform to all franchisees under this offering.

---

\* All citations of Paragraph numbers throughout this Offering Circular are referenced to the Franchise Agreement, attached to this Offering Circular as Exhibit B, unless designated otherwise.

**ITEM 6. OTHER FEES/**

<b>Name of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Royalty Fees	7% of Total Income	Payable monthly	See Definition of Total Income. <sup>1</sup>
Grand Opening Advertising	\$1,500	To be spent prior to commencement of operations	Company provides guidelines. (Paragraph IX.B.) Payable to suppliers of advertising.
Advertising Fund	Amount not to exceed 1% of Total Income	Payable at the same time and in the same manner as Royalty Fees	Contributions required when Company establishes the Advertising Fund. (Paragraph IX.C.)
Local Advertising	Up to \$4,000 per year	Time of service	Company may require you to spend up to \$4,000 annually on local advertising. (Paragraph IX.D.) Payable to suppliers of advertising.
Cooperative Advertising	Proportional share to be determined; not to exceed local advertising requirement	Monthly	Credit toward local advertising requirements. (Paragraph IX.E.) Payable as designated by Franchisor.
Audit	Cost of audit not to exceed \$2,500 plus late fees	Upon completion of audit	Payable only if audit by Company shows that you understated Total Income by at least 2%. (Paragraph XI.D.)
Software License Fee	\$500	Time of signing Franchise Agreement	Represents your one-time cost for the Software. (Paragraph XIII.I.)
Software Maintenance Fee	\$200 annually	Each anniversary of the Franchise Agreement	You will be entitled to upgrades or modifications to the Software as well as telephone support. (Paragraph XIII.I.)
Relocation Fee	Up to \$500	Upon relocation	You pay for your expenses and any costs incurred by Company. (Paragraph III.A.)
Operation of the Franchised Business in Case of Your Default	\$300 per day or the then-current fee as published in the Manual, plus expenses	Weekly after time of service and at the same time as Royalty Fees	Company may operate your Franchised Business if you fail to cure a default within 20 business days of receipt of written notice to cure. (Paragraph XVI.E.)
Late Fees	Highest applicable legal rate for open account business credit, not to exceed 1.5% per month on delinquent amounts owed to Company	After due date	Applies to all Royalty Fees, advertising contributions, amounts due for purchases from Company and other amounts that you owe to Company. (Paragraphs X.B., C.; XI.D.)
Supplier/Supplies Approval	Up to \$300, plus actual cost of test	Time of inspection	Applies to new suppliers or supplies you wish to purchase that Company has not approved. (Paragraph XII.F.)
Advisory Council <sup>2</sup>	0 to \$100 annually	When levied	Company has the right to enforce payments. Amounts may vary. (Paragraph XII.P.)

Name of Fee	Amount	Due Date	Remarks
Operation of the Franchised Business in Case of Your Absence, Incapacity or Death	\$300 per day, or the then-current fee as published in the Manual, plus travel, food and lodging expenses	At the same time as Royalty Fees	Prevents harmful interruption or depreciation of the Franchised Business in case of your absence, incapacitation or death. (Paragraph XXI.) You will reimburse Company if it operates your business because of your absence, incapacity or death. Incapacity determination made by the majority decision of 3 licensed medical physicians practicing in the MSA in which the Franchised Business is located. (Paragraph XIX.C.)
Insurance Policies <sup>3</sup>	Amount of unpaid premiums	Must have the policies within 90 days after signing the Franchise Agreement, but before you acquire an interest in the real property on which you will operate the Franchised Business	Though not required, Company may submit insurance premiums to your carrier. (Paragraph XIV.)
Transfer Fee	50% of the then-current initial Franchise Fee for a start-up Franchised Business charged by Company at the time of transfer	At the time of transfer	This transfer fee does not apply to an assignment of interest to a corporation or limited liability company where you remain the majority owner. (Paragraph XVIII.B.)
Additional Manager Training	\$350 per day, or the then-current rates published in the Manual, plus your expenses	Time of service	You pay the then-current rates charged by Company, plus your expenses for training new or additional directors. (Paragraph IV.D.)
Additional Assistance	\$350 per day, or the then-current rates published in the Manual, plus expenses	Time of assistance	Company provides approximately 1 week of assistance before the beginning of operations and 1 week after at its cost. Additional training is at your cost. (Paragraph IV.B.)
Continuing Education	You must pay your expenses as well as your employees' expenses in attending these programs	Time of program	Attendance will not be required more than once a year and will not last more than 2 business days. (Paragraph IV.E.)
Cost of Enforcement or Defense	All costs including accounting and attorneys' fees	Upon settlement or conclusion of claim or action	You will reimburse Company for all costs in enforcing Company's obligations under the Franchise Agreement if Company prevails. (Paragraph XXVI.)
Indemnification	All costs including attorneys' fees	Upon settlement or conclusion of claim or action	You will defend suits at your own cost and hold Company harmless against suits involving damages resulting from your operation of the Franchised Business. (Paragraph XXII.C.) Payable to attorneys involved.



Name of Fee	Amount	Due Date	Remarks
Modification of the System	Not to exceed \$50,000 over the initial term of the franchise	At time of purchase	You must make such expenditures as required to comply with modifications to the System during the first term of the franchise. (Paragraph VIII.) Payable to suppliers.
Additional Annual Investments	\$50,000 to \$100,000 per year (subject to CPI)	At time of purchase	You must make annual investments to acquire additional roller skates, storage cabinets, racks and vehicles. (Paragraph XII.J.) See also Item 16.
Guaranty	Varies	Upon breach of the Franchise Agreement	You must personally guaranty and comply with all terms of and will be liable for any breach of the Franchise Agreement. (Exhibit B to the Franchise Agreement)

Any interest owed begins to accrue from date of underpayment. No other fees or payments are to be paid to Company, nor does Company impose or collect any other fees or payments for any third party. Any fees paid to Company are non-refundable unless otherwise noted. Fees payable to third parties are refundable based on your arrangements with such third parties.

**NOTES:**

<sup>1</sup> **Total Income.** “Total Income” means the total of all revenue and income from the sale of any and all roller skating programs and products and services provided to your customers, any other source, whether or not sold or performed at or from the SKATETIME Franchised Business, and whether received in cash, in services in kind, from barter and/or exchange, on credit (whether or not payment is received) or otherwise. There will be deducted from Total Income for purposes of said computation (but only to the extent they have been included) the amount of all sales tax receipts or similar tax receipts which, by law, are chargeable to customers, if the taxes are separately stated when the customer is charged and if the taxes are paid to the appropriate taxing authority. There will also be deducted from Total Income the amount of any documented refunds, chargebacks, credits and allowances you give in good faith to your customers. All barter and/or exchange transactions in which you furnish services and/or products in exchange for your goods or services by a vendor, supplier or customer will, for the purpose of determining Total Income, be valued at the full retail value of the goods and/or services so provided to you. (Paragraph X.A.2.)

<sup>2</sup> **Advisory Council.** The Advisory Council is a group comprised of all franchisees within a particular region who meet on a regular basis to discuss common issues that affect them and to exchange ideas on topics such as advertising, new products, public relations and other issues affecting the Franchised Business.

<sup>3</sup> **Insurance Policies.** The following is a list of the required coverage with their respective minimum limits of coverage: (Paragraph XIV.B.)

1. “All Risks” or “Special” form coverage insurance on all furniture, fixtures, equipment, supplies and other property used in the operation of the Franchised Business (which coverage must include flood and/or earthquake coverage where there are known exposures to either peril, and theft insurance) for full repair as well as replacement value of the equipment, improvements and betterments, except that an appropriate deductible clause is permitted, not to exceed \$1,000.

2. Workers' Compensation and Employer's Liability insurance and other insurance required by statute of the state or county in which the Franchised Business is located and operated.

3. Comprehensive General Liability insurance, including a per premises aggregate with the following coverages: broad form contractual liability; personal injury; products/completed operations; medical payments and fire damage liability; insuring Company and you against all claims, suits, obligations, liabilities and damages, including attorneys' fees, based upon or arising out of actual or alleged personal injuries or property damage resulting from, or occurring in the course of, or on or about or otherwise concerning the Franchised Business, including General Aggregate coverage in the following limits:

<u>Coverage</u>	<u>Minimum Limits of Coverage</u>
General Aggregate.....	\$1,000,000
Products/Completed Operations Aggregate.....	\$1,000,000
Personal and Advertising Injury.....	\$1,000,000
Each Occurrence .....	\$1,000,000
Fire Damage (any one fire) .....	\$50,000
School Liability Insurance .....	\$1,000,000

4. Business interruption insurance for actual losses sustained, for a 12 month period minimum.

5. Automobile Liability Insurance, including owned, hired and non-owned vehicle coverage, with a combined single limit of at least \$1,000,000.

6. Student accident insurance coverage.

7. Such insurance and types of coverage as may be required by the terms of any lease for the Franchised Business or as may be required from time to time by Company.

If you fail to procure and maintain this insurance coverage, Company will have the right and authority (without, however, any obligation to do so) immediately to procure this insurance coverage and to charge you, which charges, together with a reasonable fee for Company's expenses incurred in this procurement, will be payable by you immediately upon notice. (Paragraph XIV.D.)

ITEM 7.                    INITIAL INVESTMENT

<u>Names of Expenditures</u>	<u>Your Actual or Estimated Amounts</u>	<u>Method of Payment</u>	<u>When Due</u>	<u>To Whom Payment Is Made</u>
Initial Franchise Fee	\$ 20,000	Cashier's Check	Upon Signing Franchise Agreement	Company
Software License Fee	\$ 500	Cashier's Check	Upon Signing Franchise Agreement	Company
Software Maintenance Fee	\$ 200	Cashier's Check	Upon Signing Franchise Agreement	Company
Real Estate/Rent <sup>1</sup>	\$ 0 - \$ 225	As Arranged	As Arranged	Landlord
Utility Deposits	\$ 0 - \$ 250	As Arranged	As Arranged	Utility Companies
Furniture, Fixtures & Equipment <sup>2</sup>	\$ 55,375 - \$ 55,875	As Arranged	As Arranged	Landlord, Approved Suppliers
Initial Inventory <sup>3</sup>	\$ 200 - \$ 500	As Arranged	As Arranged	Company, Approved Suppliers
Insurance	\$ 634 - \$ 2,536	As Arranged	As Arranged	Insurance Carrier
Training	\$ 1,100 - \$ 1,600	As Incurred	As Incurred	Transportation Lines, Hotels and Restaurants
Grand Opening Advertising	\$ 5,550 - \$ 7,900	As Arranged	Second Month of Operation	Company, Approved Suppliers
Signage	\$ 100	As Arranged	As Arranged	Approved Suppliers
Additional Funds <sup>4</sup> (3 Months)	\$ 13,000 - \$ 25,000	As Arranged	As Incurred	You Determine
Office Equipment and Supplies <sup>5</sup>	\$ 3,000 - \$ 3,500	As Arranged	As Arranged	Approved Suppliers
Leasehold Improvements	\$ 0 - \$ 500	As Arranged	As Arranged	Landlord, Approved Suppliers
Vehicles <sup>6</sup>	\$ 2,500 - \$ <u>25,000</u>	As Arranged	As Arranged	Approved Suppliers
TOTAL	\$ 102,159 - \$ 143,686			

## NOTES

<sup>1</sup> Real Estate. You will be responsible for acquiring or renting premises suitable for the operation of the Franchised Business. You may begin the Franchised Business from your home. If you have a 2-car garage space available, you can store the initial 21 skate cabinets required by Company in the garage. The high end represents the leasing of a garage or storage space with an attached small office at a lease rate of \$6 per square for 450 square feet of space.

<sup>2</sup> Furniture, Fixtures & Equipment. The range of costs covers the expenses associated with acquiring 625 pairs of skates, 21 storage cabinets (30 pairs of skates per cabinet), the lift-gate for the pick-up truck, and skate racks.

<sup>3</sup> Initial Inventory. The initial inventory includes a small parts inventory to repair skates. The high end reflects your maximum inventory requirement, and the low end is the minimum based on the adoption of a just in time (JIT) system of managing the inventory.

<sup>4</sup> Additional Funds. Additional funds needed to operate the Franchised Business during the initial period include working capital. The working capital estimate on the low end is projected as sufficient to cover operating expenses for minimal operations for the first 3 months of operation. However, Company cannot guarantee that this amount will be sufficient. This may vary based on a number of factors, including owner's salary and the extent of the actual participation of you, your partners (if you are a partnership), your shareholders (if you are a corporation) and any of your family members.

<sup>5</sup> Office Equipment and Supplies. Both the low-end and high-end numbers represent a straight purchase of all supplies and equipment such as a computer, fax, copier, 2-line telephone system, desk, chair and filing cabinet. The cost of acquiring the security system for the center is included in these figures.

<sup>6</sup> Vehicles. You may have to buy or lease vehicles for use in your Franchised Business. The low end represents the down payment on 1 pick-up truck and the high end represents the straight purchase of 1 pick-up truck.

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

### Approved Supplies and Suppliers

Company will give you a list of approved manufacturers, suppliers and distributors authorized for the Franchised Business ("Approved Suppliers List") and a list of approved inventory, products, fixtures, furniture, equipment, signs, stationery, supplies and other items or services necessary to operate the Franchised Business ("Approved Supplies List"). Company may revise the Approved Supplies List and the Approved Suppliers List from time to time. If you would like to sell or use any product, material or supply or purchase any products from a supplier not on either of these lists, you must notify Company and may need to submit samples and other information to Company so that Company can make an informed decision as to whether this product or supplier meets Company's standards. You may be charged for the costs of Company's testing of a product or supplier. (Paragraph XII.F.)

Any item used in the Franchised Business which is not specifically required to be purchased in accordance with the Approved Suppliers List or the Approved Supplies List must conform to Company's established standards and specifications. (Paragraph XII.G.)

Company applies the following general criteria in evaluating a proposed supplier:

1. Ability and reliability in providing products;
2. Quality of services;
3. Production and delivery capability;
4. Proximity to Franchised Businesses to ensure timely deliveries of product; and
5. Dependability of the supplier.

Company will notify you of its approval or disapproval of any supplier you propose within 15 business days after receiving all requested information.

Company's specifications and standards for purchasing are in the Manual, as modified periodically.

Company will attempt to negotiate group rates for purchases of products and materials with suppliers. (Paragraph XIII.C.6.)

All Royalty Fees, advertising contributions, amounts you owe for purchases from Company and other amounts which you owe to Company may, in the future, be paid through an Electronic Depository Transfer Account ("EDTA") as described in the Manual. If directed by Company, you must set up an EDTA and Company will have access to this account for the purpose of receiving payment for Royalty Fees, advertising contributions, amounts due for your purchases from Company and any other amounts which you owe to Company. You must make deposits to the account sufficient to cover amounts owed to Company for Royalty Fees, advertising contributions and other funds owed Company for the preceding month. Deposits for all other amounts owed to Company must be in accordance with the procedures in the Manual. (Paragraph X.D.)

Certain suppliers may make payments to Company in the form of rebates, commissions or other consideration because of transactions with franchisees. Company will retain 50% of all rebates, commissions or other consideration paid by suppliers. The remaining 50% of all rebates, commissions and other consideration paid by suppliers will be contributed to the system-wide advertising fund.

There are no purchasing cooperatives in existence at this time.

#### Roller Skates

You must purchase roller skates from Affiliates or Approved Suppliers according to specifications in the Manual. The cost of this equipment purchased in accordance with specifications represents approximately 38% of your total purchases in connection with the establishment and ongoing operation of the Franchised Business.

### Storage Cabinets and Racks

You must purchase storage cabinets and racks from Affiliate or an Approved Supplier according to specifications in the Manual. The cost of this equipment purchased in accordance with specifications represents approximately 7% of your total purchases in connection with the establishment and ongoing operation of your Franchised Business.

### Software

Company has recently developed and custom designed Software for use in conducting inventory control, scheduling, administrative functions and related activities. The Software is proprietary to and the confidential information of Company. You must comply with Company's standards and specifications regarding the Software, as provided in the Manual. This proprietary Software is in an ongoing development and testing stage and upgrades may be implemented into the System at Company's discretion. Company will license the Software to you at its current rate as published in the Manual, currently \$200 per year. See Item 11 for additional information on the Software. (Paragraph XII.R.) For the 2000 calendar year, Company received revenue of \$2,400 or 100% of its total revenue of \$2,400.

### Trademarked Products

Company may develop certain Trademarked Products which may include specially developed or private labeled merchandise and products bearing the Marks. When Company introduces the Trademarked Products into the System, you must carry a 30 day supply and maintain a representative inventory of the Trademarked Products as required by the Manual, and you will maintain, carry and promote the Trademarked Products for use in servicing the general public in order to meet customer demand. You will, throughout the term of the Franchise Agreement, purchase Trademarked Products from Company, Company's Affiliates or other designated sources which manufacture the Trademarked Products to Company's precise specifications. (Paragraph XII.H.)

Except as stated above, Company (nor its Affiliates) have received revenue as a result of franchisees' purchases or leases of any products or services. Company does not provide or withhold material benefits to you (such as renewal rights or the right to open additional businesses) based on whether or not you purchase through the sources Company designates or approves, however, purchases of unapproved products or from unapproved vendors in violation of the Franchise Agreement will entitle Company, among other things, to terminate the Franchise Agreement.

ITEM 9. FRANCHISEE'S OBLIGATIONS

**THIS TABLE LISTS YOUR PRINCIPAL OBLIGATIONS UNDER THE FRANCHISE AND OTHER AGREEMENTS. IT WILL HELP YOU FIND MORE DETAILED INFORMATION ABOUT YOUR OBLIGATIONS IN THESE AGREEMENTS AND IN OTHER ITEMS OF THE OFFERING CIRCULAR.**

<b>Obligation</b>	<b>Paragraph In The Franchise Agreement</b>	<b>Item In The Offering Circular</b>
a. Site selection and acquisition/lease	Paragraph III.	Item 11
b. Pre-opening purchases/leases	Paragraphs III.B., C. and XII.B.	Items 7 and 8
c. Site development and other pre-opening requirements	Paragraph III.C.	Items 6, 7 and 11
d. Initial and ongoing training	Paragraph IV.	Items 6 and 11
e. Opening	Paragraph XII.B.	Item 11
f. Fees	Paragraphs I., III., IV., IX., X., XI., XII., XIV., XVI., XVIII., XIX., XXI., XXII. and XXVI.	Items 5 and 6
g. Compliance with Standards and Policies/Operating Manual	Paragraphs VI., VII., XI., XII. and XXII.	Items 8, 11, 14 and 16
h. Trademarks and Proprietary Information	Paragraphs V., VI., VII. and XV.D.	Items 13 and 14
i. Restrictions on Products/Services Offered	Paragraph XII.	Items 8 and 16
j. Warranty and Customer Service Requirements	Paragraph XII.	Item 16
k. Territorial Development and Sales Quotas	None	Item 12
l. Ongoing Product/Service Purchases	Paragraph XII.	Items 8, 11 and 16
m. Maintenance, Appearance and Remodeling Requirements	Paragraphs III., XII. and XVI.	Items 6 and 17
n. Insurance	Paragraph XIV.	Items 6, 7 and 8

<b>Obligation</b>	<b>Paragraph In The Franchise Agreement</b>	<b>Item In The Offering Circular</b>
o. Advertising	Paragraph IX.	Items 6 and 11
p. Indemnification	Paragraph XXII.	Item 6
q. Owner's Participation/ Management/Staffing	Paragraphs IV., XII. and XV.	Item 15
r. Records/Reports	Paragraph XI.	Item 11
s. Inspections/Audits	Paragraphs V. and XI.	Items 6, 11 and 13
t. Transfer	Paragraphs XVIII. and XX.	Items 6 and 17
u. Renewal	Paragraph II.	Item 17
v. Post-Termination Obligations	Paragraph XVII.	Item 17
w. Non-Competition Covenants	Paragraphs VII. and XV.	Item 17
x. Dispute Resolution	Paragraphs XXIX. and XXX.	Item 17
y. Licenses	Paragraph XII.K.	N/A

ITEM 10. FINANCING

Neither Company nor any affiliate offers, directly or indirectly, any arrangements for financing your initial investment or other aspects of the Franchised Business. Company is unable to estimate whether you will be able to obtain financing for all or any part of your investment and if you are able to obtain financing, Company cannot predict the terms of such financing. Neither Company nor any Affiliate receives payment from any person or persons for placing your financing with a lender. Company will not guarantee your indebtedness, lease or other obligations.

ITEM 11. FRANCHISOR'S OBLIGATIONS

Except as listed below, Company need not provide any assistance to you.

A. Company's Obligations Before the Franchised Business Opens:

1. Use reasonable efforts to help analyze your market area, help determine site feasibility and to assist in the designation of the franchise location. (Paragraph III.B.)
2. Provide you with written notice of approval or disapproval of the proposed site within 20 business days after receiving your written proposal. (Paragraph III.B.)



3. Train you at the training program 1 month after you sign the Franchise Agreement, but before beginning operations of the Franchised Business for approximately 4 days as described in this Item 11 below. (Paragraph IV.A.) Company does not charge for this training or service; however, employees' costs in attending this program, including travel expenses and room and board expenses are your responsibility. All training occurs at Company's headquarters or at a location Company designates. (Paragraph IV.A.)

4. Provide specifications, Approved Supplies Lists, Approved Suppliers Lists training and operations manuals upon completion of the initial training program. (Paragraph XIII.G.)

5. Loan you 1 copy of the Manual which contains mandatory and suggested specifications, standards and procedures. This Manual is confidential and remains the property of Company. Company may modify this Manual. (Paragraph VI.A.) The Table of Contents of the Manual is attached to this Offering Circular as Exhibit C.

**B. Company's Obligations During the Operation of the Franchised Business:**

1. For approximately 5 days within the first month of operations of the Franchised Business, furnish to you, at your premises and at Company's expense, a representative to assist in the opening of your Franchised Business. Company's representative will also assist you in establishing and standardizing procedures and techniques essential to the operation of the Franchised Business and will assist in training personnel. Company may provide, in its sole discretion, additional training if requested by you at the rate of \$350 per day, or its then-current fee, plus travel and lodging expenses for Company or its representative as described in Item 6 of this Offering Circular. (Paragraph IV.B.)

2. Approve all promotional materials and advertising you wish to use, including newspapers, radio and television advertising, specialty and novelty items, signs and boxes. If Company does not disapprove in writing any advertising or promotional item submitted to Company within 20 days of receipt, you may consider the particular materials approved. (Paragraph IX.A.)

3. Provide guidelines for local advertising and any deviation from these guidelines requires Company's previous approval. Company may require you to spend up to \$4,000 annually on local advertising and promotion. This local advertising includes the cost of a Yellow Pages advertisement. (Paragraphs IX.D., F.)

4. Periodically, designate a local, regional or national Advertising Coverage Area ("Advertising Coverage Area") in which your business and at least 1 other SKATETIME business is located for purposes of developing a cooperative local, regional or national advertising or promotional program. An Advertising Coverage Area is an area covered by the particular advertising medium (television, radio or other medium) as recognized in the industry. You agree to participate in and contribute to cooperative advertising in your Advertising Coverage Area in addition to such contributions and expenditures as required for Grand Opening Advertising and the Advertising Fund. The cost of the program will be allocated among locations in the Advertising Coverage Area and your share will be in proportion to your sales during the preceding 12-month period. Company may establish Regional Franchisee Councils to administer the cooperative advertising program which would be comprised of representatives from Company, franchisees in the Advertising Coverage Area and Company-owned or Affiliate-owned businesses. At the time a program is submitted, Company will submit a list to you of all operating SKATETIME businesses in your Advertising Coverage Area. The cooperatives will prepare annual unaudited financial statements which will be made available to you for your review. (Paragraph IX.E.)

5. Update the Approved Supplies List and Approved Suppliers List, as Company deems necessary. (Paragraph XII.F.)

6. Modify the System, including the adoption and use of new or modified trade names, trademarks, service marks or copyrighted materials, new computer systems, new equipment or new techniques. Company's modifications may not cause you to incur more than \$50,000 in expenditures during the first term of the franchise. (Paragraph VIII.) Company's right to modify the System is exclusive of Company's requirements for you to purchase additional equipment such as vehicles, skates, storage cabinets, and racks as described in Items 5, 8 and 16.

7. Company may provide you with the following: (Paragraph XIII.C.)

- a. A comprehensive list of established sources of equipment, supplies and goods necessary for the operation of the Franchised Business and provide specifications for these products;
- b. Coordination of product distribution for local, regional and national suppliers;
- c. Regulation of quality standards and products in conformance throughout the network of Franchised Businesses;
- d. Coordination of advertising materials and strategies;
- e. Consumer marketing plans and materials for use at the local or regional level; and
- f. Negotiation of group rates for purchases of products and materials as Company, in its sole discretion, deems appropriate.

8. Periodically advise or offer guidelines to you relative to prices for the services and other products offered for sale by the Franchised Business that in Company's judgment, constitute good business practice. You do not have to accept this advice or guidance and will have the sole right to determine the prices charged by the Franchised Business. (Paragraph XIII.A.)

9. Make periodic visits to the Franchised Business for the purposes of consultation and guidance in all aspects of the operation and management of the Franchised Business and prepare written reports concerning these visits outlining any suggested changes or improvements in the operation of the Franchised Business and detailing any defaults in the operations which become evident as a result of any visit. Company will provide you with a copy of each written report and will also advise you of problems arising out of the operation of the Franchised Business as disclosed in reports you submit to Company or by inspections conducted by Company of the Franchised Business. (Paragraph XIII.E.)

10. May furnish you with assistance in the operation of the Franchised Business as Company determines necessary periodically which will include the following: (Paragraph XIII.D.)

- a. Proper utilization of procedures by the Franchised Business regarding the services offered from the Franchised Business approved by Company;
- b. Purchase of equipment, materials and supplies;

c. The institution of proper administrative, bookkeeping, accounting, inventory control, supervisory and general operating procedures for the effective operation of the Franchised Business;

d. Advertising and promotional programs; and

e. Ongoing research and development of new procedures and techniques, new products and materials and other enhancements to the System.

11. Provide specifications to you for the computer-based management system you must use. Company may have full access to all of your data, systems and related information by direct access, whether in person or by telephone/modem.

Currently, Company anticipates this computer software will be database management software such as Foxpro, Access, Q&A, or D-Base 3; and basic or small business accounting software such as Quickbooks. However, Company has not made its final determination about the software you will be required to use.

Company will license to you, under the terms of the Franchise Agreement, the Software. The Software is an integral part of the System and is designed to provide inventory control, scheduling, administrative functions and related activities. The Software License Fee is more fully explained in Item 6. Company will provide upgrades as they become available and telephone help support as part of the annual License Fee. Company has utilized the Software in its Company units since August 1998.

The minimum hardware required to run the database management and Software is a 100% IBM compatible Pentium II 500MHz workstation with 128 MB of RAM, 5GB MB hard disk, 14 inch VGA monitor, 101 key keyboard, 1 parallel port, 2 serial ports and Windows 98SE software; back-up system; 80 column report printer; 40 column invoice printer; and uninterruptible power supply. In addition, you must use a plain paper fax machine in the Franchised Business.

Company may require you to upgrade your hardware or purchase software updates when new versions are released.

You will not be required to upgrade any hardware component or Software program more than one time per year, except for the proprietary Software which Company will provide as part of your License Fee.

Except for the Software, Company will not provide assistance to you in obtaining the management system software or computer hardware other than providing the specifications for these items.

C. Methods Used to Select the Location of the Franchised Business:

Prior to commencement of operations, Company will provide site selection guidelines. (Paragraph XIII.B.)

You must select the site for the Franchised Business within the area designated in the Franchise Agreement. The site chosen must comply with any applicable laws. Company's previous approval of the site is required. (Paragraph III.B.) Company's criteria for a site includes the number of K-12 schools and students in the

surrounding area, population density, public access and proximity to other franchisees. If you and Company, acting reasonably and in good faith, cannot agree on a site for the operation of the Franchised Business within 180 days after the Franchise Agreement is signed, it will be deemed to be a failure of a material condition precedent to the Franchise Agreement entitling either party the right to revoke or cancel the Franchise Agreement.

D. Typical Length of Time Before Operation:

The typical length of time between the signing of the Franchise Agreement, or the first payment of any consideration for the franchise, and the opening of your business is approximately 30 to 90 days.

You will open your Franchised Business within 90 days of signing the Franchise Agreement unless Company otherwise requires or approves in writing. (Paragraph XII.B.)

E. Training:

The initial training that Company provides is also described in this Item 11, above.

Company will train you as described below, before beginning operations of the Franchised Business at Company's headquarters or other Company-designated location for approximately 1 week, and within 1 month after the beginning of operations at your Franchised Business for approximately 5 days.

<u>SUBJECT</u>	<u>TIME BEGUN</u>	<u>INSTRUCTIONAL MATERIAL</u>	<u>HOURS OF CLASSROOM TRAINING</u>	<u>HOURS OF ON-THE-JOB TRAINING</u>	<u>INSTRUCTOR</u>
Administrative	Day 1	N/A	2	N/A	SSPI Staff
Employee Training	Day 2	N/A	2	N/A	SSPI Staff
Safety Training	Day 2	N/A	2	N/A	SSPI Staff
Shop Training	Day 3	N/A	4	4	SSPI Staff
Service Training	Day 4	N/A	4	8	SSPI Staff

Company maintains a formal training staff which includes Clinton Briggs. The experience of Clinton Briggs is in Item 2.

Company periodically may provide and require that previously-trained and experienced franchisees, their managers or employees attend and successfully complete training programs conducted at a location Company designates. Attendance at these refresher training programs will be at your sole expense, however, attendance will not be required at more than 1 of these programs in any calendar year and will not collectively exceed 3 business days in duration during any calendar year. (Paragraph IV.E.)

If you designate new or additional managers after the initial training program, Company will provide training to these managers to the extent that it can accommodate them in Company's regularly scheduled training course at the then-current published rates. All designated managers must successfully complete the training program provided at Company's headquarters or another Company-designated location. You bear all costs incurred by your employees attending this training program. (Paragraph IV.D.)

ITEM 12.            TERRITORY

You will receive an exclusive territory known as a “Designated Area” which is outlined in a map attached to the Franchise Agreement as Exhibit A. You will operate the Franchised Business from a location Company approves within the Designated Area and must receive Company’s permission before relocating at your sole cost. You may relocate the premises if the lease for the site expires or terminates and it is not your fault, if the site is destroyed, condemned or otherwise rendered unusable or if Company and you otherwise agree. Any relocation will be at your expense and Company will have the right to charge you for all reasonable costs Company incurs. (Paragraphs I.B.; III.A.)

Company has the right to grant other franchises outside of the Designated Area as Company, in its sole and exclusive discretion, thinks appropriate. (Paragraph I.B.)

The Designated Area will be defined by city boundaries, county boundaries, and other factors Company deems appropriate. The Designated Area will include a population range of between 275,000 and 325,000 students. You maintain rights in your Designated Area even if the population within your Designated Area increases. There is no sales quota you must meet to retain your Designated Area.

Company will not establish a Company-owned SKATETIME Franchised Business in your Designated Area.

Company will not grant the right to another franchisee to operate a SKATETIME Franchised Business in your Designated Area.

Company and any parent, subsidiaries or affiliates reserve the right to offer and sell at wholesale, retail or through any other distribution system, products and services, which comprise a part of the System, which products may be resold at retail or through any other distribution channel to the general public by these entities. (Paragraph I.B.1.)

Company and any parent, subsidiaries or affiliates also reserve the right to sell at both wholesale and retail, all products and services that do not comprise a part of the System. (Paragraph I.B.2.)

You may engage only in the retail sale of school roller skating programs and other System products and services and you may not engage in the wholesale sale and/or distribution of any product offered for sale through the Franchised Business, except if authorized in writing by Company. You may not actively promote or solicit business outside of your Designated Area without Company’s prior written permission. “Wholesale Sale and/or Distribution” means any sale and/or distribution of product by you to a third party for resale, retail sale or further distribution by such third party. (Paragraph I.B.3.)

You do not have the right to acquire additional franchises within the territory or contiguous territories under the terms of the Franchise Agreement, although you may apply for the right to operate additional Franchised Businesses pursuant to separate Franchise Agreements.

Because complete and detailed uniformity under many varying conditions may not be possible or practical, Company specifically reserves the right and privilege to vary standards for any System franchisee based upon the peculiarity of the particular site or circumstance, density of population, business potential, population of trade area, existing business practices or any other condition which Company deems important to the successful operation of a

franchisee's business. You may not require Company to grant you a like or similar variation under the Franchise Agreement. (Paragraph I.D.)

ITEM 13. TRADEMARKS

Company grants you the right to operate a Franchised Business under the name "SKATETIME" and other Marks Company may authorize you to use.

Company has received registrations on the Principal Register for the following Marks with the United States Patent and Trademark Office:

Service Mark: "SKATETIME"  
Registration Date: August 4, 1998  
Registration No.: 2,177,934

Service Mark: Design  
Registration Date: July 28, 1998  
Registration No.: 2,176,237

Service Mark: "SKATETIME FOR A LIFETIME OF GOOD TIMES"  
Registration Date: August 4, 1998  
Registration No.: 2,177,935

There are currently no effective material determinations of the United States Patent and Trademark Office, trademark trial and appeal board, the trademark administrator of this state or any court; pending infringement, opposition or cancellation; or pending material litigation involving the principal trademarks.

There are no infringing uses actually known to Company that could materially affect the use of the trademarks, service marks, trade names, logotypes or other commercial symbols in this state or any other state in which the Franchised Business is to be located.

There are no agreements currently in effect which significantly limit the rights of SKATETIME SI LLC. to use or license the use of the trademarks, service marks, trade names, logotypes or other commercial symbols in any manner material to the franchise.

Your usage of the Marks and any goodwill established from their use will benefit Company.

You do not receive any interest in the Marks. You may not at any time contest the validity or ownership of the Marks, including any Marks Company authorizes or licenses to you after you sign the Franchise Agreement. (Paragraph V.A.)

You must notify Company immediately when you learn about an infringement of or challenge to your use of Company's trademark. Company will take whatever action it thinks appropriate. Company is not required to defend you against a claim against your use of Company's trademark. (Paragraph V.C.)

You must modify or discontinue using any Mark upon direction to do so from Company within a reasonable time after receiving notice from Company. (Paragraph V.D.)

You must not use any Mark or part of any Mark as part of any corporate or trade name, in any modified form with the sale of any unauthorized product or service, or in any other manner not authorized in writing by Company. You must give notices of trademark and service mark registration as Company specifies and obtain fictitious or assumed name registrations as may be required under applicable law. (Paragraph V.B.)

Company and its agents will have the right to enter and inspect your Franchised Business and additionally will have the right to observe the manner in which you are rendering SKATETIME services and conducting operations, to confer with your employees and customers, and at your expense, to select or request that you provide samples of products, inventory, equipment, advertising and other items, materials and supplies for inspection and evaluation purposes to make sure you are complying with Company's standards. (Paragraph V.E.)

You must use the designation <sup>®</sup>, <sup>™</sup>, <sup>SM</sup> or other trademark registration notice where applicable or otherwise indicate in your advertising that the name "SKATETIME" is the trade name, trademark and service mark of Company. (Paragraph IX.G.)

You may not establish a Web site on the Internet using any domain name containing the words "SKATETIME" or any variation thereof without Company's written consent. Company retains the sole right to advertise on the Internet and create Web sites using the "SKATETIME" domain name. You acknowledge that Company is the owner of all right, title and interest in and to such domain names as Company designates in the Manual. Company retains the right to pre-approve your use of linking and framing between Company's Web pages and all other Web sites. If Company requests, you will, within 5 days, dismantle any frames and links between your Web pages and any other Web sites. (Paragraph V.F.)

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

No patents or copyrights are material to the franchise. If it becomes advisable at any time in the sole discretion of Company to acquire a patent or copyright, you must use this patent or copyright as Company requires.

You will receive Company's proprietary, confidential and trade secret information. You must maintain the confidentiality of this information unless Company authorizes in writing. (Paragraph VII.A.)

You will divulge confidential information only to employees who must know it to operate the Franchised Business. All information, knowledge and know-how which Company designates as confidential will be deemed confidential for purposes of the Franchise Agreement, except information which you can demonstrate lawfully came to your attention before Company's disclosure of it; or which, at the time of Company's disclosure to you, had lawfully become a part of the public domain, through publication or communication by others; or which, after Company's disclosure to you, lawfully becomes a part of the public domain, through publication or communication by others. (Paragraph VII.B.)

Any employees having access to confidential information must sign confidentiality contracts. Company will be entitled to equitable remedies, including injunctive relief, in order to protect its confidential information, Manual and Marks. (Paragraph VII.C.)



You and Company acknowledge that: (Paragraph VII.D.)

1. Company may authorize you to use certain copyrighted or copyrightable works (“Copyrighted Works”);
2. The Copyrighted Works are the valuable property of Company and any parent, subsidiaries or Affiliates of Company; and
3. Your rights to use the Copyrighted Works are granted solely on the condition that you comply with the terms of Paragraph VII. of the Franchise Agreement.

Company owns or is the licensee of the owner of the Copyrighted Works and will create, acquire or obtain licenses for certain copyrights in various works of authorship used with the operation of the Franchised Business including all categories of works eligible for protection under the United States copyright law, all of which will be deemed to be Copyrighted Works under the Franchise Agreement. These Copyrighted Works include the Manual, advertisements, promotional materials, posters and signs, and may include all or part of the Marks, Software, trade dress and other portions of the System. Company intends that all works of authorship concerning the System which are created in the future will be owned by it or its Affiliates. (Paragraph VII.E.)

If you develop any new program, project, work of art or other material in the course of operating the Franchised Business and Company approves the use and sale of this service in the Franchised Business, this new program, project, work of art or other material will automatically become Company’s property as though Company had developed the program, project, work of art or other material itself (“Work for Hire”). (Paragraph VII.F.)

You do not receive the right to use an item covered by a patent or copyright, but you can use the confidential information in the Manual, as described in Item 11 of this Offering Circular. Although Company has not filed an application for copyright registration for the Manual, Company claims common usage copyrights to the Manual which is Company’s confidential information. You must promptly notify Company when you learn of an unauthorized use of the confidential information or Manual. Company does not have to take any action against any unauthorized user of the confidential information or Manual, but will respond to this information as Company thinks appropriate. Company is not obligated to indemnify you for losses brought by a third party concerning your use of this information.

The Manual belongs to Company and you must return it to Company upon the expiration or termination of the Franchise Agreement. You may not make any disclosure, duplication or other unauthorized use of any portion of the Manual. (Paragraph VI.B.)

You must keep the Manual updated and at the Franchised Business. If there is a dispute with the contents of the Manual, the terms of Company’s master copy will control. (Paragraph VI.C.)

You must not use, in advertising or any other form of promotion, the copyrighted materials, trademarks, service marks or commercial symbols of Company without the appropriate notices which may be required by law or Company, including © or other copyright registration notice. (Paragraph IX.G.)

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

You or a trained and competent employee acting as a full-time director must directly supervise the Franchised Business. Even if you employ a full-time director, however, you will remain obligated to supervise the operations of the Franchised Business. You must keep Company informed of the identity(ies) of your director(s). If you select a substitute or additional manager, you must ensure that this manager receives training from Company. (Paragraph XII.O.) You must successfully complete the initial training program. (Paragraph IV.A.)

In order to maintain the high image and quality standards of Company's programs and materials, you agree to provide sufficient and competent management and staff personnel at the Franchised Business. You and all employees must meet any local, state and national licensing and certification requirements as well as any applicable statutes that may apply to the Franchised Business. Training of employees is your sole responsibility and all employees must be adequately trained in accordance with the training specifications set forth by Company from time to time. (Paragraph XII.L.)

You, any shareholder who owns 10% or more of the stock in the franchisee entity (if you are a corporation), a member, manager or governor owning 10% or more of the membership interests in the franchisee entity (if you are a limited liability company), any general partner (if you are a partnership) or your full-time director, must devote full-time energy and best efforts to the management and operation of the Franchised Business. (Paragraph XV.B.)

You are not an agent, legal representative, joint venturer, partner, employee or servant of Company. You will be an independent contractor and are in no way authorized to make any contract, agreement, warranty or representation or to create any obligation for Company. (Paragraph XXII.A.) You and your employees must comply with the confidentiality provisions described in Item 14.

ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell only those products and services that Company has approved. (Paragraph XII.E.)

Company has the right to add additional authorized services that you must offer or require that you expand capacity for existing authorized services. Subject to the Consumer Price Index, as published by the United States Department of Labor, Bureau of Labor Statistics ("CPI"), the required investment will not exceed \$50,000 over the initial term of the franchise. (Paragraph XII.J.)

You must maintain the condition and appearance of the skates, storage cabinets, racks and any other equipment specified by Company, consistent with Company's quality controls and standards. (Paragraph XII.C.)

You may make no material replacements of or alternations to the Proprietary Products, storage cabinets, racks, equipment, fixtures or signs of the Franchised Business without Company's previous written approval. (Paragraph XII.D.)

You must not, without Company's previous written consent, place in, on or upon the location of the Franchised Business, or in any communication media, any form of advertising, or list with any business, real estate broker, agent or attorney any information concerning the sale of the Franchised Business or the rights granted under the Franchise Agreement. (Paragraph XVIII.D.)

You must prominently display, by posting a sign within public view on or in the premises, a statement that clearly indicates that your Franchised Business is independently owned and operated as a SKATETIME franchisee and not as Company’s agent. (Paragraph XXII.B.)

You must maintain a high moral and ethical standard in the operation and conduct of the Franchised Business to create and maintain goodwill among the public for the Marks and supervise and evaluate the performance of your professional and other staff to ensure that each renders competent, efficient and quality service. (Paragraph XII.M.)

You must maintain a current listing of the names and addresses of all clients of the Franchised Business in providing SKATETIME services. You will supply this list to Company and update the client listing and provide updated client lists to Company upon request. This listing is Company’s sole and exclusive property, and is Company’s confidential information. You must maintain the confidentiality of this information and may not disclose, provide, sell or otherwise disclose the client list or its contents to any person or entity other than Company, in accordance with the provisions of Paragraph VIII. of the Franchise Agreement. (Paragraph XII.N.)

**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 Offering Circular. **You should refer to any state-specific addenda attached to this Offering Circular for exceptions to this Item 17.**

Provision	Paragraph In The Franchise Agreement	Summary
a. Length of the term of the franchise	Paragraph II.A.	The term of the franchise is 10 years from the date the Franchise Agreement is signed.
b. Renewal or extension of term	Paragraph II.B.	If you have complied with all of the provisions in the Franchise Agreement, you can renew for up to 2 additional successive terms of 5 years each.
c. Requirements for you to renew or extend	Paragraphs II.B., C. and D.	For you to renew the Franchise Agreement, you must have: complied with all of the Franchise Agreement provisions; brought the Franchised Business into compliance with Company’s current standards; given notice of renewal to Company; satisfied all monetary obligations owed to Company and its parent, subsidiaries and Affiliates; signed a new Franchise Agreement; met the current training requirements; and signed a general release. You must give Company notice of your intent to renew between 6 and 12 months before the Franchise Agreement expires. Company will

Provision	Paragraph In The Franchise Agreement	Summary
d. Termination by you	Paragraph XVI.A.	give you notice of its intent not to renew along with specific reasons at least 3 months before the expiration of the franchise.  You may terminate the Franchise Agreement if you are in compliance and Company materially breaches the Franchise Agreement and fails to cure within 30 days of receiving your written notice.
e. Termination by Company without cause	Paragraphs XVI.B. and C.	Your failure to cure a breach within 30 days after Company is notified of the breach will be deemed termination without cause.
f. Termination by Company with cause	Paragraphs XVI.B. and C.	Company may terminate the Franchise Agreement upon delivery of notice to you if you default under the terms of the Franchise Agreement.
g. "Cause" defined (defaults which can be cured)	Paragraph XVI.C.	Defaults which can be cured include your failure or refusal to make payments due Company and fail to cure within 10 business days or your failure to comply with mandatory specifications in the Franchise Agreement and fail to cure within 30 days.
h. "Cause" defined (defaults which cannot be cured)	Paragraph XVI.B.	Defaults which cannot be cured include your: failure to complete training; material misrepresentation or omission in your application for the franchise; conviction or plea of no contest to a felony or other crime or offense that can adversely affect the reputation of you or the Franchised Business; misuse of the Manual; abandonment of the business for 5 business days in any 12-month period; surrender of control of the business; submission of reports understating Royalty Fees by more than 2% for any accounting period during the term of the franchise; failure to submit reports on 5 or more occasions in any 12-month period; unauthorized use of the Software; adjudication as a bankrupt; or misuse of Marks.

Provision	Paragraph In The Franchise Agreement	Summary
i. Your obligation on termination/non-renewal	Paragraph XVII.	Your obligations on termination or non-renewal of the Franchise Agreement include your: ceasing operations of the Franchised Business; assignment of the lease to Company; ceasing use of the Marks and items bearing the Marks; assignment of the assumed names to Company; de-identification of the premises from any confusingly similar decoration, design or other imitation of a SKATETIME business; ceasing advertising as a Franchised Business; paying all sums owed to Company; paying all damages and costs Company incurs in enforcing the termination provisions of the Franchise Agreement; returning all manuals and other confidential information to Company; returning all signs to Company; selling to Company, at Company's option, all assets of the Franchised Business, including signs, advertising materials, inventory, equipment, supplies and items bearing the Marks; assignment of your telephone and facsimile numbers and electronic mail and Internet addresses to Company; and compliance with the covenants not to compete.
j. Assignment of contract by Company	Paragraph XVIII.A.	There are no restrictions on Company's right to assign except that the assignee must be financially responsible and economically capable of performing Company's obligations under the Franchise Agreement and assignee must expressly assume and perform these obligations.
k. "Transfer" by you definition	Paragraph XVIII.B.	A "transfer" includes a transfer of assets, contract and all rights under the contract or change of ownership.
l. Company's approval of transfer	Paragraph XVIII.B.	Company has the right to approve your transfers, but will not unreasonably withhold approval.
m. Conditions for Company's approval of transfer	Paragraph XVIII.B.2.	For a transfer to a third party, the transferee must meet Company's qualifications, successfully complete the training program,

Provision	Paragraph In The Franchise Agreement	Summary
n. Company's right to acquire your business	Paragraph XX.	pay the transfer fee listed in Item 6 of this Offering Circular and sign the current Franchise Agreement. You must pay all sums owed to Company or its Affiliates and sign a general release. If you are transferring to an entity you own and formed solely for the purposes of operating the Franchised Business, you must remain the owner of the majority interest of that entity.
o. Company's option to purchase your business	Paragraphs XX. and XVII.J.	Company has the right of first refusal to purchase a Franchised Business which is for sale and for which you have received a good faith offer to purchase. Company has 30 days from notice of the offer to purchase the Franchised Business or its assets at the same terms as those contained in the offer.
p. Your death or disability	Paragraphs XIX.A. and B.	Company has the right to purchase your business for 30 days from the date of delivery of the written offer. Company may purchase the assets of the Franchised Business at fair market value within 30 days after expiration or termination of the Franchise Agreement.
q. Non-competition covenants during the term of the franchise	Paragraph XV.C.	Your heirs, beneficiaries, devisees or legal representatives can apply to Company to continue operation of the Franchised Business, or sell or otherwise transfer interest in the Franchised Business within 180 days of death or incapacity. If they fail to do so, the Franchise Agreement will terminate and Company will have the option to buy the Franchised Business.
		You must not divert or attempt to divert any business or customer to a competitor, or perform any act which may harm the goodwill associated with the Marks and the System; employ or seek to employ any person then employed by Company or another franchisee of Company or otherwise cause that person to leave his or her employ; or own or otherwise have any interest in any business (including a

Provision	Paragraph In The Franchise Agreement	Summary
r. Non-competition covenants after the franchise is terminated or expires	Paragraph XV.D.	business you currently operate) specializing in offering or providing school roller skating programs or any other business offering similar services provided through the System.  You must not own or operate a business which provides school roller skating programs the same as or similar to any other product or service provided through the System for 1 year after the Franchise Agreement is terminated within the Metropolitan Statistical Area, as defined by the United States Census Bureau, in which the Franchised Business is located or within a 25 mile radius of the Franchised Business or within a 25 mile radius of any other business using the System.
s. Modification of the agreement	Paragraphs VIII. and XXVII.	The Franchise Agreement can be modified only by written agreement between Company and you. Company can modify or change the System through changes in the Manual.
t. Integration/merger clause	Paragraphs XXVII. and XXVIII.	Only the terms of the Franchise Agreement are binding (subject to state law) and may only be modified to the extent required by an appropriate court to make the Franchise Agreement enforceable.
u. Dispute resolution by arbitration or mediation	Paragraph XXX.A.	Except for certain claims concerning confidential information or the Marks, most disputes will be arbitrated in Whiteside County, Illinois.
v. Choice of forum	Paragraph XXIX.B.	Any action will be brought in the appropriate state or federal court in Whiteside County, Illinois.
w. Choice of law	Paragraph XXIX.A.	Illinois law applies (subject to state law), except that disputes regarding the Marks will be governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sec. 1051 et seq.).

These states have statutes which may supersede the Franchise Agreement concerning your relationship with Company, including the areas of termination and renewal of the franchise: ARKANSAS (Ark. Code Ann. Sections 4-72-201 to 4-72-210); CALIFORNIA (Cal. Bus. & Prof. Code Sections 20000 to 20043); CONNECTICUT (Conn. Gen. Stat. Ann. Sections 42-133e to 42-133h); DELAWARE (Del. Code Ann. Tit. 6 Sections 2551 to 2556); DISTRICT OF COLUMBIA (D.C. Code Ann. Sections 29-1201 to 29-1208); FLORIDA (Stat., Section 542.335); HAWAII (Haw. Rev. Stat. Sections 482E-1 to 482E-12); ILLINOIS (Ill. Rev. Comp. Ch. 815, Sections 705/18 to 705/26); INDIANA (Ind. Code Ann. Sections 23-2-2.7-1 to 23-2-2.7-7); IOWA (Iowa Code, Ch. 523H, Sections 523H.1 to 523H.17); LOUISIANA (La. Rev. Stat. Ann. Tit. 23, Sections 921[E] and Tit. 12, Section 1042); MICHIGAN (Mich. Comp. Laws, Sections 445.1527 & 445.1535); MINNESOTA (Minn. Stat. Section 80C.14 and Minnesota Rules, Department of Commerce, Section 2860.4400); MISSISSIPPI (Miss. Code Ann. Sections 75-24-51 to 75-24-63); MISSOURI (Mo. Rev. Stat. Sections 407.400 to 407.420); NEBRASKA (Neb. Rev. Stat. Sections 87-401 to 87-410); NEW JERSEY (N.J. Rev. Stat. Sections 56:10-1 through 56:10-12); NORTH CAROLINA (Chpt. 22B, Sec. 3); PUERTO RICO (Ann., Sections 278 to 278d); SOUTH DAKOTA (S.D. Codified Laws, Section 37-5A-51); VIRGIN ISLANDS (Code, Sections 130-139); VIRGINIA (Va. Code Ann. Sections 13.1-557 through 13.1-574); WASHINGTON (Wash. Rev. Code Sections 19.100.180 to 19.100.190); WISCONSIN (Wis. Stat. Sections 135.01 to 135.07). These and other states may have court decisions which may supersede the Franchise Agreement concerning your relationship with Company, including the areas of termination and renewal of the franchise. In addition, the provision in the Franchise Agreement which provides for termination upon bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C., Section 101, et seq.).

ITEM 18. PUBLIC FIGURES

Company does not use any public figures to promote its franchise.

ITEM 19. EARNINGS CLAIMS

Company does not furnish or authorize its salespersons to furnish any oral or written information concerning the actual or potential sales, costs, income or profits of a SKATETIME business. Actual results vary from unit to unit and Company cannot estimate results of any particular franchise.

ITEM 20. LIST OF OUTLETS

FRANCHISED-OWNED BUSINESS STATUS SUMMARY  
FOR FISCAL YEARS ENDING JUNE 30, 2020

State	Transfers	Cancelled Or Terminated	Not Renewed	Reacquired By Company	Left The System Other	Total From Left Columns	Franchises Operating At Year End
Illinois	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	_0/0/1
Minnesota	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	_0/0/1
Iowa	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	_0/0/1
Wisconsin	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	_0/0/1
Missouri	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	_0/0/2
Ohio	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	_0/0/1
Tennessee	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	_0/0/1



Georgia	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	_0/0/1
Texas	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	_0/0/2
Michigan	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	_0/0/1
Oklahoma	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	_0/0/1
Kansas	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	_0/0/2
Virginia	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	_0/0/1
Total	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	_0/0/15

There are no franchisees who have had a business terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during the most recently completed fiscal year or who have not communicated with Company within 10 weeks of the application date.

**The following is a list of SKATETIME franchisees:**

Illinois

James Schwind, Jason Meier  
5340 Commerce Circle, Suite B  
Indianapolis, IN 46237  
(800) 297-5283 ext 1000  
Began Operations in: September 1996

Southern Kansas

Brian & Jodi Halloway  
201 South Edwards  
Moundridge KS 67107  
(620) 386-0789  
Began Operations in: September 2019

Kansas City/NW MO

Lee Ann Bond  
21029 Parallel Road  
Tonganoxie, KS 66086  
(888) 807-5283  
Began Operations in: September 2010

Minnesota

Brian Goodmanson, Andy Maxwell  
553 Pleasant Ave. #100  
St. Paul Park, Minnesota 55071 (800)  
297-5283 ext 1000  
Began Operations in: August 1995

Michigan

James Schwind, Jason Meier  
5340 Commerce Circle, Suite B  
Indianapolis, IN 46237  
(800) 297-5283 ext 1000  
Began Operations in: August 2001

Ohio

James Schwind, Jason Meier  
5340 Commerce Circle, Suite B  
Indianapolis, IN 46237  
(800) 297-5283 ext 1000  
Began Operations in: July 1998

Oklahoma

Brian Holloway  
201 South Edwards  
Moundridge, KS 67107  
(6210)386-0789  
Began Operations in: September 2019

Wisconsin

Brian Goodmanson, Andy Maxwell  
308 Wilmont Dr., Unit D Waukesha,  
Wisconsin 53189  
(800) 297-5283 ext 1000  
Began Operations in: September 1997

Dallas/Ft Worth

Diane Beltran  
458 Hilltop Drive  
Decatur, TX 76234  
(877)357-5283  
Began Operations in: September 1999

Houston

Beth Weed  
15322 Penn Hills Lane  
Houston, TX 77062  
(877)357-5283  
Began Operations in: September 2005

Indiana

James Schwind, Jason Meier  
5340 Commerce Circle, Suite B  
Indianapolis, IN 46237  
(800) 297-5283 ext 1000  
Began Operations in: August 2001

Iowa

James Schwind, Jason Meier  
553 Pleasant Ave. #100  
St. Paul Park, Minnesota 55071  
(800) 297-5283 ext 1000  
Began Operations in: August 2000

Georgia

James Schwind, Jason Meier  
5340 Commerce Circle, Suite B  
Indianapolis, IN 46237  
(800) 297-5283 ext 1000  
Began Operations in: August 2010

Tennessee

James Schwind, Jason Meier  
5340 Commerce Circle, Suite B  
Indianapolis, IN 46237  
(800) 297-5283 ext 1000  
Began Operations in: August 2010

Virginia

Richard Stanley & Joyce Dunios  
1150 Stringtown Rd  
Berryville, VA 22611  
(866)657-5283  
Began Operations in: August 2000

STATUS OF COMPANY AND AFFILIATE-OWNED BUSINESSES  
FOR FISCAL YEAR ENDING DECEMBER 31<sup>st</sup>, 2019

<u>STATE</u>	<u>BUSINESSES CLOSED DURING YEAR</u>	<u>BUSINESSES OPENED DURING YEAR</u>	<u>TOTAL BUSINESSES OPERATING AT YEAR END</u>
Illinois	0/0/0	0/0/0	0/0/1
Total	0/0/0	0/0/1	0/0/1

<u>STATE</u>	<u>FRANCHISE AGREEMENTS SIGNED BUT BUSINESS NOT OPEN</u>	<u>PROJECTED NEW FRANCHISED BUSINESSES IN THE NEXT FISCAL YEAR</u>	<u>PROJECTED COMPANY OWNED OPENINGS IN NEXT FISCAL YEAR</u>
Total	0	0	0

ITEM 21.            FINANCIAL STATEMENTS

Attached as Exhibit D are the following:

- Company's audited financial statements for the fiscal years ending June 30, 2020.
- Company's Balance Sheet as of June, 2020. THIS BALANCE SHEET IS PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES NOR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM.

ITEM 22.            CONTRACTS

The "SKATETIME" Franchise Agreement (with exhibits) is attached to this Offering Circular as Exhibit B.

Company provides no other contracts or agreements for your signature.

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

Alabama

James W. Porter II  
1201 City Federal Building  
Birmingham, Alabama 35203

Alaska

Julian C. Rice  
1008 16th Avenue, Suite 102  
Fairbanks, Alaska 99701

Arizona

Billy G. Martin  
15411 North 29th Drive  
Phoenix, Arizona 85023

Arkansas

Mary Jo Sterling  
604 Chrisp  
Searcy, Arizona 72143

California

Commissioner Of Corporations  
320 West 4<sup>th</sup> Street, Suite 750  
Los Angeles, California 90013

- and -

Jerry Jackson  
2801 North Blackstone  
Fresno, California 93703

Colorado

Laverne Devries  
118 West Hill Street  
Kersey, Colorado 80644

Connecticut

Banking Commissioner  
Department of Banking  
260 Constitution Plaza  
Hartford, Connecticut 06103-1800

-and-

Mario P. Musilli  
700 Canal Street  
Stamford, Connecticut 06904-1273

Delaware

Norman N. Arenson  
824 Market Street Mall  
Wilmington, Delaware 19801

District of Columbia

Steuart Yeager  
1730 K Street NW, Suite 304  
Washington, DC 20006

Florida

Richard B. Austin  
8390 NW 53rd Street  
Miami, Florida 33166

Georgia

Secretary of State  
2 Martin Luther King, Jr. Drive, S.E.  
Suite 315, West Tower  
Atlanta, Georgia 30334

- and -

William H. McWharter, Jr.  
104 East Morig Street  
Swainsboro, Georgia 30401

**EXHIBIT A (continued)**

Hawaii

Director of Commerce and Consumer Affairs  
Business Registration Division  
1010 Richards Street  
Honolulu, Hawaii 96813

Idaho

Peggy Alderman  
3555 1/2 Lone Mountain Trail  
Rathdrum, Idaho 83858

Illinois

John Lanpher  
Guyer & Enichen, P.C.  
2601 Reid Farm Road, Suite B  
Rockford, Illinois 61114

- and -

Joseph A. Verlotta  
1510 Canterbury Court  
Darien, Illinois 60561

Indiana

Agent For Service of Process:  
Indiana Secretary of State  
201 State House  
200 West Washington Street  
Indianapolis, Indiana 46204

Norman R. Garvin  
10 West Market Street, Suite 1777  
Indianapolis, Indiana 46204

- and -

State Administrator's Office:  
Indiana Secretary of State  
Securities Division  
302 West Washington Street, Room E-111  
Indianapolis, Indiana 46204

Iowa

Tobin Swanson  
1922 Ingersoll, Suite 81  
Des Moines, Iowa 50309

Kansas

Kenneth F. Crockett  
5020 SW 25th Street, Suite 101  
Topeka, Kansas 66614

Kentucky

Herbert Leibman  
403 West Main  
Frankfort, Kentucky 40601

Louisiana

Paul Caplinger  
1117 Dunbriar  
Shreveport, Louisiana 71107

Maine

Securities Administrator  
Securities Division  
121 State House Station  
Augusta, Maine 04333

- and -

Beth Dobson  
1 Portland Square  
Portland, Maine 04112

Maryland

Agent for Service of Process:  
Maryland Securities Commissioner  
200 St. Paul Place, 20th Floor  
Baltimore, Maryland 21202-2020

Dixie C. Newhouse  
82 West Washington Street  
Hagerstown, Maryland 21740

- and -

State Administrators Office:  
Office of the Attorney General  
Securities Division  
200 St. Paul Place, 20th Floor  
Baltimore, Maryland 21202

**EXHIBIT A (continued)**

Vermont

Alice Ennis  
107 North Main, Suite 14  
Barre, Vermont 05461

Virginia

Agent for Service of Process:  
Clerk of the State Corporations Commission  
1300 East Main Street  
Richmond, Virginia 23219  
John R. Sims, Jr., ESQ.  
815 Nethercliff Hall Road  
Great Falls, Virginia 22066

- and -

State Administrators Office:  
Division of Securities and  
Retail Franchising  
1300 East Main Street, Ninth Floor  
Richmond, Virginia 23219

Washington

The Director of the Department  
of Financial Institutions  
Securities Division  
210-11th Avenue SW  
3rd Floor, Room 300  
Olympia, Washington 98504

- and -

Jack R. Davis  
1200 IBM Building  
Seattle, Washington 98101

West Virginia

John H. Friedman  
2930 Putman Avenue  
Hurricane, West Virginia 25526

Wisconsin

Agent For Service of Process:  
Administrator of Division of Securities  
101 East Wilson Street, 4th Floor  
Madison, Wisconsin 53702

- and -

Carol Shea  
S68 W22800 National Avenue  
Big Ben, Wisconsin 53103-0252

Wyoming

Judy Gilstrap  
912 South Cornwell  
Casper, Wyoming 82601

**SKATETIME SI LLC.**  
**FRANCHISE AGREEMENT**

EXHIBIT B TO THE DISCLOSURE DOCUMENT

THIS CONTRACT IS SUBJECT TO ARBITRATION



## TABLE OF CONTENTS

<u>PARAGRAPH</u>	<u>PAGE</u>
I. APPOINTMENT AND FRANCHISE FEE.....	2
II. TERM AND RENEWAL .....	4
III. BUSINESS LOCATION .....	5
IV. TRAINING AND ASSISTANCE .....	6
V. PROPRIETARY MARKS .....	7
VI. CONFIDENTIAL OPERATIONS MANUAL .....	9
VII. CONFIDENTIAL INFORMATION.....	10
VIII. MODIFICATION OF THE SYSTEM .....	11
IX. ADVERTISING .....	11
X. ROYALTY FEE.....	14
XI. ACCOUNTING AND RECORDS .....	15
XII. STANDARDS OF QUALITY AND PERFORMANCE .....	16
XIII. FRANCHISOR’S OPERATIONS ASSISTANCE .....	20
XIV. INSURANCE .....	23
XV. COVENANTS.....	25
XVI. DEFAULT AND TERMINATION .....	26
XVII. RIGHTS AND DUTIES OF PARTIES UPON EXPIRATION OR TERMINATION.....	29
XVIII. TRANSFERABILITY OF INTEREST .....	31
XIX. DEATH OR INCAPACITY OF FRANCHISEE.....	35
XX. RIGHT OF FIRST REFUSAL .....	36
XXI. OPERATION IN THE EVENT OF ABSENCE, INCAPACITY OR DEATH.....	37
XXII. INDEPENDENT CONTRACTOR AND INDEMNIFICATION .....	37
XXIII. APPROVALS .....	38
XXIV. NON-WAIVER.....	38
XXV. NOTICES .....	38
XXVI. COST OF ENFORCEMENT OR DEFENSE.....	39
XXVII. ENTIRE AGREEMENT.....	39
XXVIII. SEVERABILITY AND CONSTRUCTION.....	39
XXIX. APPLICABLE LAW.....	40
XXX. ARBITRATION .....	41
XXXI. “FRANCHISEE” DEFINED AND GUARANTY.....	41
XXXII. FORCE MAJEURE .....	42
XXXIII. CAVEAT .....	42
XXXIV. ACKNOWLEDGMENTS .....	42

### EXHIBITS

- A. DESIGNATED AREA MAP
- B. GUARANTY AND ASSUMPTION OF OBLIGATIONS

**SKATETIME SI LLC.**  
**FRANCHISE AGREEMENT**

This Franchise Agreement (“this Agreement”), made this \_\_\_ day of, \_\_\_\_\_ by and between SKATETIME SI LLC., a corporation formed and operating under the laws of the State of Illinois and having its principal place of business at 4794 Colt Rd. Rockford IL 61109 (“Franchisor”), and \_\_\_\_\_ at \_\_\_\_\_ City \_\_\_\_\_ St \_\_\_\_\_ Zip \_\_\_\_\_ (“Franchisee”).

**WITNESSETH:**

WHEREAS, Franchisor and its affiliate, over a period of time and as the result of the expenditure of time, expertise, effort and money, have developed and own a System (“System”), identified by the Mark “SKATETIME” relating to the establishment, development and operation of (i) five (5) to ten (10) school day roller skating programs, all targeted for students in grades kindergarten (“K”) through twelfth (12th); (ii) providing instruction on the use of roller skates and lesson plans; and (iii) maintaining an inventory of proprietary roller skates (“Proprietary Products”) for the use of students; all of which may be changed, improved or further developed by Franchisor from time to time (“Franchised Business”); and

WHEREAS, the distinguishing characteristics of the System include, without limitation, distinctive designs, layout, decor and color scheme; exclusively designed signage, decorations, equipment, furnishings and materials; specialized educational materials and equipment; videos; the SKATETIME Confidential Operations Manual (“Manual”); the Trademarked Products (if developed); the Proprietary Products; the SKATETIME Proprietary Software (“Software”); uniform operating methods, procedures and techniques; other confidential operations procedures; and methods and techniques for inventory and cost controls, record keeping and reporting, personnel management and training, purchasing, marketing, sales promotion and advertising, all of which may be changed, improved and further developed by Franchisor from time to time; and

WHEREAS, SKATETIME SI LLC. is the owner of the right, title and interest together with all the goodwill connected thereto in and to the trade name, service mark and trademark “SKATETIME”, associated logos, commercial symbols and such other trade names, service marks and trademarks as are now designated (and may hereinafter be designated by Franchisor in writing) as part of the System (“Mark[s]”), and has granted Franchisor the right to use the Marks and sublicense use of the Marks to franchisees; and

WHEREAS, Franchisor and its subsidiaries (if any) or affiliates (“Related Entities”) continue to develop, use and control the Marks for the benefit and use of Franchisor and its franchisees in order to identify for the public the source of the products and services marketed thereunder and to represent the System’s high standards of operations, quality, products, appearance and service; and

WHEREAS, Franchisor grants to certain qualified persons franchises to own and operate SKATETIME businesses providing products and services authorized and approved by Franchisor in utilizing the System and Marks; and

WHEREAS, Franchisee desires to operate a Franchised Business under the System and wishes to obtain a franchise from Franchisor for that purpose, as well as to receive the training and other assistance provided by Franchisor in connection therewith; and

WHEREAS, Franchisee understands and acknowledges the importance of Franchisor's high and uniform standards of quality and service and the necessity of operating the Franchised Business in conformity with Franchisor's standards and specifications; and

WHEREAS, Franchisor expressly disclaims the making of and Franchisee acknowledges that it has not received nor relied upon any warranty or guaranty, express or implied, as to the revenues, profits or success of the business venture contemplated by this Agreement; and

WHEREAS, Franchisee acknowledges that it has read this Agreement and Franchisor's Uniform Franchise Offering Circular and all exhibits thereto upon which it has exclusively relied and that it has no knowledge of any representations by Franchisor or its officers, directors, shareholders, employees or agents that are contrary to the statements made in Franchisor's Uniform Franchise Offering Circular or to the terms herein.

NOW, THEREFORE, the parties, in consideration of the undertakings and commitments of each party to the other party, hereby agree as follows:

I. APPOINTMENT AND FRANCHISE FEE

A. Franchisor hereby grants to Franchisee, upon the terms and conditions herein contained, the right, franchise and privilege to conduct the Franchised Business in accordance with the System, as it may be changed, improved and further developed from time to time, including the use of the trade name "SKATETIME" and the other Marks, and Franchisee undertakes the obligation to operate such Franchised Business strictly in accordance with the System as it may be changed, improved and further developed from time to time, from one (1) location only, such location to be:

1. \_\_\_\_\_ ("Premises"); or

2. From one (1) location to be designated, as provided in Paragraph III. hereof within the following area: \_\_\_\_\_. Provided, however, that when a location has been designated and approved by the parties, said location shall be deemed to have been designated in Paragraph I.A.1., as if originally set forth therein.

B. Franchisor shall not, so long as this Agreement is in force and effect and Franchisee is not in default under any of the terms hereof, enfranchise or operate any other SKATETIME Franchised Business within the following area: \_\_\_\_\_ (“Designated Area”). The determination of the Designated Area shall be made and agreed upon between Franchisor and Franchisee. The Designated Area selected is described in writing and on a map attached hereto as Exhibit A and made a part of this Agreement. However, Franchisor has the right to grant such other franchises outside of the Designated Area as Franchisor, in its sole and exclusive discretion, deems appropriate.

1. Although neither Franchisor nor any Related Entity of Franchisor shall operate a SKATETIME Franchised Business within the Designated Area, Franchisor or any Related Entity reserve the right, both within and outside of the Designated Area, to offer and sell at wholesale, retail or through any other distribution system, products and services which comprise or may in the future comprise a part of the System including products which may be resold at retail or through any other distribution channel to the general public by such entities.

2. Franchisor and any Related Entity further reserve the right, both within and outside the Designated Area, to sell at both wholesale and retail all products and services which do not comprise a part of the System. Franchisor or any Related Entity also reserve the right, within and outside the Designated Area, to establish businesses operating under a format and trademarks and service marks distinct from the SKATETIME System.

3. Franchisee shall engage only in the retail sale of school roller skating programs and other System products and services and Franchisee agrees not to engage in the wholesale sale and/or distribution of any product offered for sale through the Franchised Business, except if authorized in writing by Franchisor. Franchisee shall not actively promote or solicit business outside of its Designated Area without Franchisor’s prior written permission. “Wholesale Sale and/or Distribution” shall mean any sale and/or distribution of product of Franchisee to a third party for resale, retail sale or further distribution by such third party.

C. In consideration of the franchise granted herein, Franchisee shall pay to Franchisor upon execution of this Agreement, an initial Franchise Fee (“Franchise Fee”) of Twenty Thousand Dollars and no Cents (20,000.00). Said Franchise Fee shall be deemed fully earned and non-refundable upon execution of this Agreement as consideration for expenses incurred by Franchisor in furnishing assistance and services to Franchisee and for Franchisor’s lost or deferred opportunity to franchise others, except as may be otherwise specifically provided in this Agreement and/or any Exhibit attached hereto.

D. Franchisee acknowledges that because complete and detailed uniformity under many varying conditions may not be possible or practical, Franchisor specifically reserves the right and privilege, at its sole discretion and as it may deem in the best interests of all concerned in any specific instance, to vary standards for any System franchisee based upon the peculiarities of the particular site or circumstance, population of trade area, density of population, business potential, existing business practices or any other condition which Franchisor deems to be of

importance to the successful operation of such franchisee's business. Franchisee shall not be entitled to require Franchisor to disclose or grant to Franchisee a like or similar variation hereunder.

E. In consideration of Franchisor's agreement not to grant another franchise in Franchisee's Designated Area, Franchisee shall at all times use its best efforts to promote and increase the sales and service of SKATETIME roller skating programs and to effect the widest and best possible distribution throughout the Designated Area, soliciting and servicing all potential customers for SKATETIME roller skating programs and services. Failure of Franchisee to devote its best efforts to adequately represent its SKATETIME Franchised Business in its Designated Area through its sales and service efforts shall be deemed just cause for termination.

## II. TERM AND RENEWAL

A. This Agreement shall be effective and binding from the date of its execution for an initial term of ten (10) years from the date of this Agreement.

B. Franchisee shall have the right to renew this franchise at the expiration of the initial term of the franchise. Franchisee shall have the right to renew the franchise for a total of two (2) additional successive terms of five (5) years each, provided that all of the following conditions have been fulfilled:

1. Franchisee has, during the entire term of this Agreement and any subsequent renewals, complied with all its provisions;

2. Franchisee maintains possession of the Franchised Business and by the expiration date of this Agreement has brought the Franchised Business into full compliance with the specifications and standards then applicable for a new or renewing Franchised Business and presents evidence satisfactory to Franchisor that it has the right to remain in possession of the Premises for the duration of any renewal term; or, in the event Franchisee is unable to maintain possession of the Premises, or in the judgment of Franchisor the Franchised Business should be relocated, Franchisee secures substitute premises approved by Franchisor, in its sole discretion, and has, at Franchisee's sole cost and expense (with respect to which Franchisor has not made any estimate or other representation), furnished, stocked, equipped, remodeled, redesigned, modernized or redecorated such premises to bring the Franchised Business at its previous or substitute premises into full compliance with the then-current specifications and standards;

3. Franchisee has given notice of renewal to Franchisor as provided below;

4. Franchisee has satisfied all monetary obligations owed by Franchisee to Franchisor and Related Entities and has timely met these obligations throughout the term of this Agreement;

5. Franchisee has executed upon renewal Franchisor's then-current form of the Franchise Agreement or has executed renewal documents at Franchisor's election (with appropriate modifications to reflect the fact that the Franchise Agreement relates to the grant of a renewal franchise), which Franchise Agreement shall

supersede in all respects this Agreement, and the terms of which may differ from the terms of this Agreement including, without limitation, a different percentage Continuing Services and Royalty Fee (“Royalty Fee”), advertising contribution or territorial grant; provided, however, Franchisee shall not be required to pay the then-current Franchise Fee or its equivalent;

6. Franchisee has complied with Franchisor’s then-current qualification and training requirements; and

7. Franchisee has executed a general release, in the then-current form prescribed by Franchisor, of any and all claims against Franchisor and its affiliates, their respective officers, directors, agents, shareholders and employees.

C. If Franchisee desires to renew this franchise at the expiration of this Agreement, Franchisee shall give Franchisor written notice of its desire to renew at least six (6) months, but not more than twelve (12) months, prior to the expiration of the term of this Agreement. Within ninety (90) days after its receipt of such timely notice, Franchisor shall furnish Franchisee with written notice of: (i) reasons which could cause Franchisor not to grant a renewal to Franchisee including any deficiencies which require correction and a schedule for correction thereof by Franchisee; and (ii) Franchisor’s then-current requirements relating to the image, appearance, decoration, furnishing, equipping and stocking of the Franchised Business, and a schedule for effecting such upgrading or modifications in order to bring the Franchised Business in compliance therewith, as a condition of renewal. Renewal of the franchise shall be conditioned upon Franchisee’s compliance with such requirements and continued compliance with all the terms and conditions of this Agreement up to the date of termination, provided, however, that in the event Franchisee is diligently and in good faith curing any deficiencies as required by Franchisor, the term of this Agreement shall be extended for a period of time equal to the number of days required to cure such deficiency as determined by Franchisor.

D. Franchisor shall give Franchisee written notice of its election not to renew the franchise three (3) months prior to the expiration of the initial term of this Agreement or any renewal term. Such notice shall specify the reasons for non-renewal.

### III. BUSINESS LOCATION

A. Franchisee may operate the Franchised Business only at the location specified in Paragraph 1. hereof. If the lease for the site of the Franchised Business expires or terminates without fault of Franchisee or if the site is destroyed, condemned or otherwise rendered unusable or as otherwise may be agreed upon in writing by Franchisor and Franchisee, Franchisor may, in its sole discretion, grant permission for relocation of the Premises at a location and site acceptable to Franchisor. Any relocation will be at Franchisee’s sole expense and Franchisor will have the right to charge Franchisee up to FIVE HUNDRED DOLLARS (\$500.00) for any costs incurred by Franchisor including, but not limited to, legal and accounting fees incurred in providing assistance.

B. Franchisee will be solely responsible for purchasing or leasing a suitable site for the Franchised Business except that Franchisee may operate its Franchised Business from Franchisee's principal residence with Franchisor's prior written approval. If the franchise location is not designated above, Franchisor will use reasonable efforts to help analyze Franchisee's market area, to help determine site feasibility and to assist in the designation of the franchise location. While Franchisor will utilize its experience and expertise in approval of a location, nothing contained in this Agreement will be interpreted as a guarantee of success for said location nor will any site recommendation or approval made by Franchisor be deemed a representation that any particular site is available for use as a Franchised Business. Prior to the acquisition by lease or purchase of any site for the Premises, Franchisee will submit a description of the proposed site to Franchisor, together with a letter of intent or other evidence satisfactory to Franchisor which confirms Franchisee's favorable prospects for obtaining the proposed site. Franchisor will afterwards approve or disapprove the proposed site in the exercise of its sole discretion and so advise Franchisee in writing within twenty (20) business days after receiving Franchisee's written proposal.

C. Promptly after obtaining possession of the site for the Franchised Business, or if Franchisee will use Franchisee's principal residence, Franchisee will: (i) obtain all required zoning changes; all required building, utility, sign permits, licenses and any other required permits and licenses; (ii) purchase or lease equipment, fixtures, furniture and signs as provided in this Agreement; (iii) complete the construction and/or remodeling, equipment, fixture, furniture and interior and exterior sign installation and decorating of the Franchised Business in full and strict compliance with plans and specifications therefor approved by Franchisor and all applicable ordinances, building codes and permit requirements; and (iv) otherwise complete development of and have the Franchised Business ready to open and begin the conduct of its business in accordance with Paragraph XII. hereof.

#### IV. TRAINING AND ASSISTANCE

A. Beginning one (1) month after this Agreement is executed, Franchisor shall make training available to Franchisee. Training for additional individuals shall be provided at the sole discretion of Franchisor, and at Franchisor's standard rate. Franchisee shall satisfactorily complete the initial training program prior to commencement of business operations. The initial training program shall occur at Franchisor's headquarters or other Franchisor-designated location. The initial training program shall be approximately four (4) days in duration and shall cover material aspects of the operation of the Franchised Business including, without limitation, administrative, operational and sales/marketing matters. All expenses incurred by Franchisee and its employees in attending such program including, without limitation, travel costs, room and board expenses, and employees' salaries shall be the sole responsibility of Franchisee.

B. For approximately five (5) days within one (1) month after the commencement of operations of the Franchised Business, Franchisor shall furnish to Franchisee, at the Premises and at Franchisor's expense, one (1) of Franchisor's representatives for the purpose of facilitating the opening of Franchisee's Franchised Business. During this period, such representative shall also assist Franchisee in establishing and standardizing procedures and techniques essential to the operation of the Franchised Business and shall assist in training personnel. Should Franchisee request

additional assistance from Franchisor in order to facilitate the opening of the Franchised Business, or should Franchisor deem it necessary to provide such assistance, Franchisee shall reimburse Franchisor for the expense of Franchisor providing such additional assistance at the rate of THREE HUNDRED FIFTY DOLLARS (\$350.00) per day, or the then-current rates published in the Manual, plus travel and lodging expenses for Franchisor or its representative.

C. If Franchisor determines, in its sole discretion, that Franchisee is unable to satisfactorily complete the initial training program at Franchisor's headquarters, Franchisor shall have the right to require that Franchisee successfully complete additional training or to terminate this Agreement in the manner herein provided. If this Agreement is terminated pursuant to this Paragraph IV., Franchisor shall return to Franchisee the Franchise Fees paid by Franchisee to Franchisor minus the expenses incurred by Franchisor as of such date for providing training to Franchisee and other expenses incurred by Franchisor not to exceed fifty percent (50%) of the Franchise Fee. Upon return of said amount, Franchisor shall be fully and forever released from any claims or causes of action Franchisee may have pursuant to this Agreement and Franchisee shall have no further right, title or interest in the Marks or the System and any rights shall automatically revert to Franchisor. Notwithstanding the foregoing, Franchisee shall be bound by all provisions regarding confidentiality as set forth in Paragraphs V., VI., VII. and XV. of this Agreement.

D. If Franchisee designates new or additional managers after the initial training program, Franchisor shall provide training to such managers to the extent that Franchisor can reasonably accommodate such managers in Franchisor's regularly scheduled training course. Additional managers employed by Franchisee shall be trained by Franchisor at the rate of THREE HUNDRED FIFTY DOLLARS (\$350) per day, or the then-current rates published by Franchisor in the Manual. Franchisee shall be responsible for all expenses incurred by Franchisee or Franchisee's employees in attending such additional training including, without limitation, travel costs, room and board expenses and employees' salaries.

E. Franchisor from time to time may provide and, if it does, may require that previously-trained and experienced franchisees and their managers or employees attend and successfully complete continuing education and training programs or seminars to be conducted at such location as may be designated by Franchisor. Attendance at such continuing educational training programs or seminars shall be at Franchisee's sole expense; provided, however, that attendance shall not be required at more than one (1) such program in any calendar year and shall not collectively exceed three (3) business days in duration during any calendar year.

V. PROPRIETARY MARKS

A. Franchisee acknowledges that SKATETIME SI LLC. is the owner of the Marks and that Franchisor is the licensee of the Marks with the right to sublicense the Franchisee. Franchisee's right to use the Marks is derived solely from this Agreement and is limited to the conduct of business by Franchisee pursuant to and in compliance with this Agreement and all applicable standards, specifications and operating procedures prescribed by Franchisor from time to time during the term of this Agreement. Any unauthorized use of the Marks by Franchisee is a breach of this Agreement and an infringement of the rights of Franchisor in and to the Marks. Franchisee acknowledges that all usage of the Marks by Franchisee and any goodwill established by Franchisee's use of the Marks shall inure to the



exclusive benefit of Franchisor and that this Agreement does not confer any goodwill or other interests in the Marks upon Franchisee. Franchisee shall not, at any time during the term of this Agreement or after its termination or expiration, contest the validity, strength, enforceability or ownership of any of the Marks or assist any other person in contesting the validity, strength, enforceability or ownership of any of the Marks.

B. Franchisee shall not use any Mark or portion of any Mark as part of any corporate or trade name, with any prefix, suffix or other modifying words, terms, designs or symbols or in any modified or other confusingly similar form, nor may Franchisee use any Mark or any modification or other confusingly similar form thereof in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized in writing by Franchisor. While this Agreement is in effect, Franchisee may, however, use “SKATETIME” as a fictitious or assumed name and shall obtain such fictitious or assumed name registrations as may be required under applicable law, at Franchisee’s expense. In no event, however, shall this right to use be considered a specific grant of any ownership rights in the Marks. Franchisee shall not use any of the Marks in any manner which has not been specified or approved by Franchisor.

C. Franchisee shall promptly notify Franchisor of any claim, demand or cause of action based upon or arising from any attempt by any other person, firm or corporation to use the Marks or any confusingly similar form thereof. Franchisee shall also notify Franchisor of any action, claim or demand against Franchisee relating to the Marks within ten (10) days after Franchisee receives notice of said action, claim or demand. Upon receipt of timely notice of any action, claim or demand against Franchisee relating to the Marks, Franchisor shall have the sole right to defend any such action. Franchisor shall have the exclusive right to contest or bring action against any third party regarding the third party’s use of any of the Marks and shall exercise such right in its sole discretion. In any defense or prosecution of any litigation relating to the Marks or components of the System undertaken by Franchisor, Franchisee shall cooperate with Franchisor and execute any and all documents and take all actions as may be desirable or necessary in the opinion of Franchisor’s counsel, to carry out such defense or prosecution. Both parties shall make every effort consistent with the foregoing to protect, maintain and promote the Marks, including the trade name “SKATETIME” and its distinguishing characteristics (and the other service marks, trademarks, slogans, etc., associated with the System) as standing for the System and only the System. **FRANCHISOR MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE USE, EXCLUSIVE OWNERSHIP, VALIDITY OR ENFORCEABILITY OF THE MARKS.**

D. If it becomes advisable at any time in Franchisor’s sole discretion, for Franchisor and/or Franchisee to modify or discontinue use of any Mark, and/or use one or more additional or substitute trade names, trademarks, service marks or other commercial symbols, Franchisee shall comply with Franchisor’s directions within a reasonable time after notice to Franchisee by Franchisor, and Franchisor shall have no liability or obligation whatsoever with respect to Franchisee’s modification or discontinuance of any Mark.

E. In order to preserve the validity and integrity of the Marks and copyrighted materials licensed herein and to ensure that Franchisee is properly employing the same in the operation of its Franchised Business, Franchisor or its agents shall have the right of entry and inspection of the Premises at all reasonable times and, additionally, shall

have the right to observe the manner in which Franchisee is rendering its SKATETIME services and conducting its operations, to confer with Franchisee's employees and customers, and, at Franchisee's expense, to select or request Franchisee to provide samples of products, inventory, equipment, advertising and other items, materials and supplies for inspection and evaluation purposes to make certain that the services, products, inventory, materials, supplies, equipment and operations are satisfactory and meet the quality control provisions and performance standards established by Franchisor.

F. Franchisee shall not establish a Web site on the Internet using any domain name containing the words "Skatetime" or any variation thereof without prior written consent from Franchisor. Franchisor retains the sole right to advertise on the Internet and create a Web site using the "Skatetime" domain name. Franchisee acknowledges that Franchisor is the owner of all right, title and interest in and to such domain names as Franchisor shall designate in the Manual. Franchisor retains the right to pre-approve Franchisee's use of linking and framing between Franchisor's Web pages and all other Web sites. If Franchisor requests, Franchisee will, within five (5) days, dismantle any frames and links between Franchisee's Web pages and any other Web sites.

## VI. CONFIDENTIAL OPERATIONS MANUAL

A. While this Agreement is in effect, Franchisor shall loan to Franchisee one (1) or more copies of the Manual containing mandatory and suggested specifications, standards, operating procedures and rules prescribed from time to time by Franchisor for SKATETIME businesses and information relative to other obligations of Franchisee hereunder and the operation of its Franchised Business. Franchisor shall have the right to add to and otherwise modify the Manual from time to time to reflect changes in the specifications, standards, operating procedures and rules prescribed by Franchisor for SKATETIME businesses, provided that no such addition or modification shall alter Franchisee's fundamental status and material rights under this Agreement. Franchisee shall immediately upon notice adopt any such changes.

B. The Manual shall at all times remain the sole property of Franchisor and shall promptly be returned, upon the expiration or other termination of this Agreement. Franchisee shall not make any disclosure, duplication or other unauthorized use of any portion of the Manual.

C. The Manual contains proprietary information of Franchisor and shall be kept confidential by Franchisee both during the term of this Agreement and after its expiration or termination. Franchisee shall at all times ensure that its copy of the Manual be available at the Premises in a current and up-to-date manner. At all times that the Manual is not in use by authorized personnel, Franchisee shall maintain the Manual in a locked receptacle at the Premises and shall only grant authorized personnel, as defined in the Manual, access to the key or lock combination of such receptacle. In the event of any dispute as to the contents of the Manual, the terms of the master copy of the Manual maintained by Franchisor at Franchisor's home office shall be controlling.

VII. CONFIDENTIAL INFORMATION

A. Franchisee acknowledges that its entire knowledge of the operation of the Franchised Business is and shall be derived from information disclosed to Franchisee by Franchisor and that certain of such information is proprietary, confidential and a trade secret of Franchisor. In addition, any improvements developed by Franchisee pursuant to Franchisee's operation of the Franchised Business shall constitute proprietary information of Franchisor. "Trade Secrets" refer to the whole or any portion of know-how, knowledge, methods, specifications, processes, procedures and/or improvements regarding the Franchised Business and the System that is valuable and secret in the sense that it is not generally known to competitors of Franchisor. Franchisee shall maintain the absolute confidentiality of all such proprietary information during and after the term of this Agreement and shall not use any such information in any other business or in any manner not specifically authorized or approved in writing by Franchisor.

B. Franchisee shall divulge such confidential information only to the extent and only to such of its employees as must have access to it in order to operate the Franchised Business. Any and all information, knowledge and know-how including, without limitation, educational materials, program materials, equipment, techniques, business systems, supplier lists and other data, shall be deemed confidential for purposes of this Agreement, except information which Franchisee can demonstrate lawfully came to its attention prior to disclosure thereof by Franchisor; or which, at the time of disclosure by Franchisor to Franchisee, had lawfully become a part of the public domain, through publication or communication by others.

C. Due to the special nature of the confidential information, Marks and Manual of Franchisor, Franchisee acknowledges that Franchisor is entitled to seek immediate equitable remedies including, but not limited to, restraining orders and injunctive relief in order to safeguard such proprietary, confidential and special information of Franchisor and that money damages alone would be an insufficient remedy with which to compensate Franchisor for any breach of the terms of Paragraphs V., VI. and VII. of this Agreement. Furthermore, all employees of Franchisee having access to the confidential and proprietary information of Franchisor shall be required to execute confidentiality agreements in a form acceptable to Franchisor.

D. Franchisee and Franchisor acknowledge and agree, as follows:

1. Franchisor may authorize Franchisee to use certain copyrighted or copyrightable works ("Copyrighted Works");

2. The Copyrighted Works are the valuable property of Franchisor, and any Related Entities;  
and

3. Franchisee's rights to use the Copyrighted Works are granted solely on the condition that Franchisee complies with the terms of this Paragraph VII.

E. Franchisee acknowledges and agrees that Franchisor owns or is the licensee of the owner of the Copyrighted Works and shall further create, acquire or obtain licenses for certain copyrights in various works of authorship used in connection with the operation of the Franchised Business including, but not limited to, all categories of works eligible for protection under the United States copyright law, all of which shall be deemed to be Copyrighted Works under this Agreement. Such Copyrighted Works include, but are not limited to, the Manual, advertisements, promotional materials, posters and signs, and may include all or part of the Marks, Software, trade dress and other portions of the System. Franchisor intends that all works of authorship related to the System, which are created in the future, shall be owned by it or its affiliates.

F. If Franchisee develops any new program, project, work of art or other material in the course of operating the Franchised Business and Franchisor approves the use and sale of this service in the Franchised Business, this new program, project, work of art or other material shall automatically become the property of Franchisor as though Franchisor had developed the program, project, work of art or other material itself (“Work for Hire”).

VIII. MODIFICATION OF THE SYSTEM

Franchisee acknowledges that from time to time hereafter Franchisor may change or modify the System presently identified by the Marks, including the adoption and use of new or modified trade names, trademarks, service marks or copyrighted materials, new computer systems, new equipment or new techniques and that Franchisee shall be required to accept, use and display for the purpose of this Agreement any such changes in the System as if they were part of this Agreement at the time of execution hereof. Franchisee shall make such expenditures, during the first term of the franchise, subject to the Consumer Price Index, as published by the United States Department of Labor, Bureau of Labor Statistics (“CPI”), as are reasonably required by such modifications in the System, not to exceed FIFTY THOUSAND DOLLARS (\$50,000.00). Franchisee shall not change, modify or alter the System in any way, except as directed by Franchisor.

IX. ADVERTISING

Recognizing the value of advertising and the importance of the standardization of advertising and promotion to the furtherance of the goodwill and the public image of the Franchised Business, Franchisee agrees as follows:

A. Franchisee shall submit to Franchisor or its designated agency, for its prior approval, all promotional materials and advertising to be used by Franchisee including, but not limited to, newspapers, radio and television advertising, specialty and novelty items, signs and boxes. In the event written disapproval of said advertising and promotional material is not given by Franchisor to Franchisee within twenty (20) days from the date such materials are received by Franchisor, said materials shall be deemed approved. Failure by Franchisee to conform with the provisions herein and subsequent nonaction by Franchisor to require Franchisee to cure or remedy this failure and default shall not be deemed a waiver of such default or future or additional failures and defaults of any other provision of this

Agreement. The submission of advertising to Franchisor for approval shall not affect Franchisee's right to determine the prices at which Franchisee sells its products or services.

B. Prior to commencement of operations, Franchisee shall spend a minimum of ONE THOUSAND FIVE HUNDRED DOLLARS (\$1,500.00) for newspaper, direct mail advertising or promotional items through other media to promote the Franchised Business ("Grand Opening Advertising"). Franchisor shall provide guidelines for conducting such Grand Opening Advertising.

C. Franchisor may develop the SKATETIME systemwide Advertising and Development Fund ("Advertising Fund") and Franchisee may be required to contribute to the Advertising Fund an amount not to exceed one percent (1%) of Franchisee's Total Income, as defined in Paragraph X.A. Franchisee's required payments to the Advertising Fund shall be made at the same time, in the same manner as, and in addition to the Royalty Fee provided in Paragraph X. herein. Such payments shall be made in addition to and exclusive of any sums that Franchisee may be required to spend on local advertising and promotion. The Advertising Fund shall be maintained and administered by Franchisor or its designee, as follows:

1. Franchisor shall direct all advertising programs with sole discretion over the creative concepts, materials and media used in such programs and the placement and allocation thereof. Franchisor or its designee shall make such expenditures for advertising and promotion in Franchisee's area of dominant influence which are equivalent or proportionate to Franchisee's contribution. However, Franchisor cannot and does not ensure that any particular franchisee shall benefit directly or pro rata from the placement of advertising.

2. For each SKATETIME business operated by Franchisor or its Related Entities similar to the Franchised Business, Franchisor and its Related Entities shall make contributions to the Advertising Fund equivalent to the contributions required of Franchised Businesses within the System.

3. The monies may be used to meet any and all costs of maintaining, administering, directing and preparing advertising (including, without limitation, the cost of preparing and conducting television, radio, magazine and newspaper advertising campaigns and other public relations activities, travel expenses for management in establishing regional and/or national promotional events; employing advertising agencies to assist therein; paying salaries for employees who develop marketing materials or provide or engage in promotional activities for use in the System; and providing promotional brochures and other marketing materials to franchisees in the System). All sums paid by Franchisee to the Advertising Fund shall be maintained in a separate account from the other monies of Franchisor and shall not be used to defray any of Franchisor's general operating expenses, except for such reasonable administrative costs and overhead, if any, as Franchisor may incur in activities reasonably related to the administration or direction of the Advertising Fund and advertising programs including, without limitation, conducting market research, preparing marketing and advertising materials, and collecting and accounting for assessments for the Advertising Fund.

4. Although Franchisor intends the Advertising Fund to be of perpetual duration, Franchisor maintains the right to terminate the Advertising Fund. The Advertising Fund shall not be terminated, however, until all monies in the Advertising Fund have been expended for advertising and promotional purposes.

5. An accounting of the operation of the Advertising Fund shall be prepared annually and shall be made available to Franchisee upon request. Franchisor reserves the right, at its option, to require that such annual accounting include an audit of the operation of the Advertising Fund prepared by an independent certified public accountant selected by Franchisor and prepared at the expense of the Advertising Fund.

6. Once contributions to the Advertising Fund are made by Franchisee, all such monies shall be used as herein required and shall not be returned to Franchisee.

D. During the initial term of this Agreement, Franchisor may require Franchisee to spend up to FOUR THOUSAND DOLLARS (\$4,000.00) annually on local advertising and promotion. Such expenditures shall be made directly by Franchisee, subject to approval and direction by Franchisor or Franchisor's designated advertising agency. Within thirty (30) days of the end of each calendar month, Franchisee shall furnish to Franchisor, in a manner approved by Franchisor, an accurate accounting of Franchisee's expenditures on local advertising and promotion for the preceding calendar month just ended. Franchisor shall provide guidelines for local advertising and any deviation from such guidelines requires the prior approval of Franchisor.

E. From time to time, Franchisor may designate a local, regional or national Advertising Coverage Area in which Franchisee's business and at least one (1) other SKATETIME business is located for purposes of developing a cooperative local, regional or national advertising or promotional program. If directed by Franchisor, Franchisee agrees to participate in and contribute to such cooperative advertising and promotional programs in Franchisee's Advertising Coverage Area in addition to such contributions and expenditures as required pursuant to Paragraphs IX.B. and C. The cost of the program shall be allocated among locations in such area and each Franchisee's share shall be in proportion to its sales during the preceding twelve (12) month period, or portion of said period. Said contributions to cooperative advertising promotional programs shall be credited toward the local advertising and promotional expenditure required in Paragraph IX.D. "Advertising Coverage Area" shall be defined as the area covered by the particular advertising medium (television, radio or other medium) as recognized in the industry. At the time a program is submitted, Franchisor shall submit a list to Franchisee of all operating businesses within the Advertising Coverage Area.

F. Franchisee shall maintain a business telephone, and Franchisor, in its sole discretion, may require Franchisee to, advertise continuously in the classified or Yellow Pages of the local telephone directory under listings specified by Franchisor or any such other listings as deemed appropriate by Franchisor using mats of the type and size approved in advance by Franchisor. When more than one (1) SKATETIME business serves a metropolitan area, classified advertisements shall list all SKATETIME businesses operating within the distribution area of such classified

directories, and Franchisee shall contribute its equal share in the cost of such advertisement. The expenditures for such advertising shall be credited toward the local advertising requirements pursuant to Paragraph IX.D. of this Agreement.

G. Franchisee shall not use in advertising or any other form of promotion, the copyrighted materials, trademarks, service marks or commercial symbols of Franchisor without appropriate notices which may be required by applicable laws or as Franchisor may from time to time direct including, without limitation, ©, ®, or other copyright or trademark registration notices or the designations <sup>TM</sup> or <sup>SM</sup> where applicable or an indication that the name “SKATETIME” and the Mark are the trade names, trademarks and service marks of Franchisor.

X. ROYALTY FEE

A. Franchisee shall pay without offset, credit or deduction of any nature to Franchisor, so long as this Agreement shall be in effect, a Royalty Fee (“Royalty Fee”) equal to seven percent (7%) of the Total Income derived from the Franchised Business. Said fee shall be paid monthly in the manner specified below or as otherwise prescribed in the Manual.

1. Each month, Franchisee shall submit to Franchisor on a form approved by Franchisor, a correct statement, signed by Franchisee, of Franchisee’s Total Income for the period just ended. Each statement of Total Income shall be accompanied by monies representing Franchisee’s calculation of the Royalty Fee payment based on the Total Income reported in the statement so submitted and a sales report for the preceding period just ended. Franchisee shall make available to Franchisor all original books and records that Franchisor may deem necessary to ascertain Franchisee’s Total Income for reasonable inspections at reasonable times.

2. The term “Total Income”, as used herein and throughout this Agreement, shall mean and include the total of all revenues and income from any and all roller skating programs and products and services provided to customers of Franchisee or any other source, whether or not sold or performed at or from the Franchised Business, and whether received in cash, in services, in kind, from barter and/or exchange, on credit (whether or not payment is received therefor) or otherwise. There shall be deducted from Total Income for purposes of said computation (but only to the extent they have been included) the amount of all sales tax receipts or similar tax receipts which, by law, are chargeable to customers, if such taxes are separately stated when the customer is charged and if such taxes are paid to the appropriate taxing authority. There shall be further deducted from Total Income the amount of any documented refunds, chargebacks, credits and allowances given in good faith to customers by Franchisee. All barter and/or exchange transactions pursuant to which Franchisee furnishes services and/or products in exchange for goods or services to be provided to Franchisee by a vendor, supplier or customer shall, for the purpose of determining Total Income, be valued at the full retail value of the goods and/or services so provided to Franchisee.

B. All Royalty Fees, advertising contributions, amounts due for purchases by Franchisee from Franchisor, and other amounts which Franchisee owes to Franchisor shall bear interest after due date at the highest applicable legal rate for open account business credit, not to exceed one and one-half percent (1.5%) per month.

Franchisee acknowledges that this Paragraph X. shall not constitute agreement by Franchisor to accept such payments after same are due or a commitment by Franchisor to extend credit to, or otherwise finance Franchisee's operation of, the Franchised Business. Further, Franchisee acknowledges that its failure to pay all amounts when due shall constitute grounds for termination of this Agreement, as provided in Paragraph XVI. hereof, notwithstanding the provisions of this Paragraph X.

C. Notwithstanding any designation by Franchisee, Franchisor shall have the sole discretion to apply any payments by Franchisee to any past due indebtedness of Franchisee for Royalty Fees, advertising contributions, purchases from Franchisor, interest or any other indebtedness, in such amounts and in such order as Franchisor shall determine.

D. Franchisor may require that all Royalty Fees, advertising contributions, amounts due for purchases by Franchisee from Franchisor and other amounts which Franchisee owes to Franchisor be paid through an Electronic Depository Transfer Account ("Electronic Depository Transfer Account") as further described in the Manual. If directed by Franchisor, Franchisee shall set up an Electronic Depository Transfer Account and Franchisor shall have access to such account for the purpose of receiving payment for Royalty Fees, advertising contributions, amounts due for purchases by Franchisee from Franchisor and any other amounts which Franchisee owes to Franchisor. Franchisee shall make deposits to the account sufficient to cover amounts owed to Franchisor for Royalty Fees, advertising contributions, and other monies owed to Franchisor. Deposits for all other amounts owed to Franchisor shall be in accordance with the procedures set forth in the Manual.

#### XI. ACCOUNTING AND RECORDS

A. Franchisee shall maintain during the term of this Agreement, and shall preserve for the time period specified in the Manual, full, complete and accurate books, records and accounts in accordance with the standard accounting system prescribed by Franchisor in the Manual or otherwise in writing. Franchisee shall retain during the term of this Agreement and for three (3) years thereafter all books and records related to the Franchised Business including, without limitation, sales checks, purchase orders, invoices, payroll records, check stubs, sales tax records and returns, cash receipts and disbursement journals, general ledgers and any other financial records designated by Franchisor or required by law.

B. Franchisee shall supply to Franchisor on or before the twentieth (20th) day of the following calendar quarter in a form approved by Franchisor, a balance sheet as of the end of the last preceding calendar quarter and a profit and loss statement for such quarter and Franchisee's fiscal year-to-date. Additionally, Franchisee shall, at its expense, submit to Franchisor within ninety (90) days of the end of each fiscal year during the term of this Agreement, a profit and loss statement for such fiscal year and a balance sheet as of the last day of such fiscal year, prepared on an accrual basis including all adjustments necessary for fair presentation of the financial statements. Such financial statements shall be certified to be true and correct by Franchisee. Franchisor requires, at Franchisee's expense, annual



financial statements, prepared in accordance with generally accepted accounting standards, reviewed or audited by an independent certified public accountant.

C. Franchisee shall submit to Franchisor such other periodic reports, forms and records in the manner and at the time as specified in the Manual or as Franchisor shall otherwise require in writing from time to time.

D. Franchisor or its designated agents shall have the right at all reasonable times to examine and copy, at its expense, Franchisee's books, records and tax returns. Franchisor shall also have the right, at any time, to have an independent audit made of Franchisee's books and records at Franchisor's expense. If an inspection should reveal that any payments due to Franchisor have been understated in any report to Franchisor, then Franchisee shall immediately pay to Franchisor the amount understated upon demand, in addition to interest from the date such amount was due until paid, at the maximum rate permitted by law. If an inspection discloses an understatement in any report of two percent (2%) or more, Franchisee shall, in addition, reimburse Franchisor for any and all costs and expenses connected with the inspection (including, without limitation, reasonable accounting and attorneys' fees). The foregoing remedies shall be in addition to any other remedies Franchisor may have.

E. Franchisee acknowledges that nothing contained herein constitutes Franchisor's agreement to accept any payments after same are due or a commitment by Franchisor to extend credit to or otherwise finance Franchisee's operation of the Franchised Business. Further, Franchisee acknowledges that its failure to pay all amounts when due shall constitute a material default and grounds for termination of this Agreement.

## XII. STANDARDS OF QUALITY AND PERFORMANCE

A. Franchisee shall comply with all requirements set forth in this Agreement, the Manual and other written policies supplied to Franchisee by Franchisor. Mandatory specifications, standards, operating procedures and rules prescribed from time to time by Franchisor in the Manual or otherwise communicated to Franchisee in writing, shall constitute provisions of this Agreement as if fully set forth herein and shall be reasonably applied to all franchisees. All references herein to this Agreement shall include all such mandatory specifications, standards and operating procedures and rules. Franchisee shall comply with the entire System including, but not limited to, the provisions of this Paragraph XII.

B. Franchisee shall commence operation of the Franchised Business not later than three (3) months after execution of this Agreement, unless otherwise agreed upon in writing by Franchisor. Prior to such opening, Franchisee shall have complied with all Franchisor's pre-opening standards and specifications. If Franchisee for any reason fails to commence operation as herein provided, such failure shall be considered a default and Franchisor may terminate this Agreement as herein provided and may retain up to one hundred percent (100%) of Franchisee's Franchise Fee for the costs and expenses incurred by Franchisor.

C. Franchisee shall maintain the condition and appearance of the skates, storage cabinets, racks and any other equipment specified by Franchisor, consistent with Franchisor's standards and governing law. Franchisee shall maintain the skates, storage cabinets, racks and any other equipment specified by Franchisor, as is from time to time required to maintain or improve the appearance and efficient operation of the Franchised Business including, but not limited to, replacement of worn out or obsolete fixtures and signs, and repair of the skates, storage cabinets, racks and any other equipment specified by Franchisor. If at any time, in Franchisor's judgment, the general state of repair or the appearance of the skates, storage cabinets, racks and any other equipment specified by Franchisor, fixtures, signs or decor does not meet Franchisor's standards therefor, Franchisor shall so notify Franchisee, specifying the action to be taken by Franchisee to correct such deficiency. If Franchisee fails or refuses to initiate within thirty (30) days after receipt of such notice, and thereafter continue, a bona fide program to complete any required maintenance, Franchisor shall have the right, in addition to all other remedies, to enter upon the Premises and effect such maintenance on behalf of Franchisee and Franchisee shall pay the entire costs thereof on demand.

D. Franchisee shall not replace or alter the Proprietary Products, cabinets, storage racks, fixtures or signs of the Franchised Business without the prior written approval by Franchisor.

E. Franchisee shall offer for sale, use, sell and provide at the Franchised Business all types of products and services that Franchisor from time to time authorizes and shall not offer for sale or sell or provide through the Franchised Business any other category of services, merchandise or products or use the Premises for any purpose other than the operation of the Franchised Business in full compliance with this Agreement. Franchisee shall not offer for sale, at retail or wholesale, any roller skates or related merchandise unless Franchisor provides its consent.

F. From time to time, Franchisor shall provide to Franchisee a list of approved manufacturers, suppliers and distributors authorized for the Franchised Business ("Approved Suppliers List") and a list of approved inventory, products, fixtures, furniture, equipment, signs, stationery, supplies and other items or services necessary to operate the Franchised Business ("Approved Supplies List"). Franchisor may revise the Approved Supplies List and Approved Suppliers List from time to time in its sole discretion. If Franchisee proposes to offer for sale or use through the Franchised Business any brand of product, or other material or supply which is not on the Approved Supplies List or to purchase any product from a supplier that is not on the Approved Suppliers List, Franchisee shall first notify Franchisor and shall upon request by Franchisor submit samples and such other information as Franchisor requires for examination and/or testing or to otherwise determine whether such product, material or supply, or such proposed supplier meets its specifications and quality standards. A charge not to exceed THREE HUNDRED DOLLARS (\$300.00) for the cost of the inspection and evaluation and the actual cost of the test shall be paid by Franchisee or the supplier. Franchisor reserves the right to re-inspect the facilities and products of any supplier of an approved item and to revoke its approval of any item or supplier which fails to continue to meet any of Franchisor's criteria or which refuses to allow re-inspection.

G. All inventory, products and materials, and other items and supplies used in the operation of the Franchised Business which are not specifically required to be purchased in accordance with Franchisor's Approved

Supplies List and Approved Suppliers List shall conform to the specifications and quality standards established by Franchisor from time to time.

H. Franchisor may, in the future, develop certain Trademarked Products (“Trademarked Products”) consisting of specially developed or private labeled merchandise and products bearing the Marks. At such time as Franchisor introduces the Trademarked Products into the System, Franchisee acknowledges that Franchisee shall be required to carry a thirty (30) day supply and maintain a representative inventory of such Trademarked Products as required by the Manual, and Franchisee shall maintain, carry and promote such Trademarked Products for use in servicing the general public in order to meet customer demand as designated by Franchisor. If developed, Franchisee shall, throughout the term of this Agreement, purchase Trademarked Products from Franchisor, Franchisor’s Related Entities or other designated sources which manufacture the Trademarked Products to Franchisor’s precise specifications.

I. If directed by Franchisor, Franchisee shall require all employees of Franchisee to wear uniforms bearing the Marks and as specified in the Manual.

J. Prior to commencement of operations, Franchisee shall secure a pickup truck, cabinets and storage racks as specified in the Manual. Each vehicle acquired by Franchisee must be licensed and insured and equipped. Notwithstanding Franchisor’s right to modify or change the System pursuant to Paragraph VIII., Franchisee shall make additional investments for additional equipment such as vehicles, skates, storage cabinets, and racks. Subject to the CPI, Franchisor shall not require an additional investment exceeding FIFTY THOUSAND DOLLARS (\$50,000.00) over the initial term of the franchise as specified in Paragraph II.A. of this Agreement.

K. Franchisee, at its expense, shall secure and maintain in force all required licenses, permits and certificates relating to the operation of the Franchised Business and shall operate the Franchised Business in full compliance with all applicable laws, ordinances and regulations including, without limitation, all government regulations relating to occupational hazards and health, consumer protection, trade regulation, workers’ compensation, unemployment insurance and withholding and payment of federal and state income taxes, social security taxes and sales, use and property taxes. Franchisee shall refrain from any merchandising, advertising or promotional practice which is unethical or may be injurious to the business of Franchisor and/or other Franchised Businesses or to the goodwill associated with the Marks.

L. In order to maintain the high image and quality standards of Franchisor’s programs and materials, Franchisee agrees to provide sufficient and competent management and staff personnel at the Franchised Business. Franchisee and all employees must meet any local, state and national licensing and certification requirements as well as any applicable statutes that may apply to the Franchised Business. Training of employees is the sole responsibility of Franchisee and all instructors must be adequately trained in accordance with the training specifications set forth by Franchisor from time to time.

M. Franchisee agrees to maintain a high moral and ethical standard in the operation and conduct of the Franchised Business so as to create and maintain goodwill among the public for the Marks and supervise and evaluate the performance of Franchisee's professional and other staff to ensure that each renders competent, efficient and quality service.

N. Franchisee shall maintain a current listing of the names and addresses of all customers of the Franchised Business in providing SKATETIME services. Franchisee shall supply said list to Franchisor and update the client listing and provide updated client lists to Franchisor upon request by Franchisor. Franchisee agrees and acknowledges that said listing of names and addresses of all clients of the Franchised Business is Franchisor's sole and exclusive property, and shall be confidential information of Franchisor. Franchisee shall maintain the confidentiality of said information and shall not disclose, provide, sell or otherwise disclose the client list or contents thereof to any person or entity other than Franchisor, in accordance with the provisions of Paragraph VII. of this Agreement.

O. The Franchised Business shall at all times be under the direct supervision of Franchisee. Franchisee shall keep Franchisor informed at all times of the identity of any employee(s) acting as managers of the Franchised Business. To the extent that Franchisor can reasonably accommodate Franchisee's managers in Franchisee's regularly scheduled training course, Franchisor may make training available, as is reasonable and necessary. In no event shall Franchisor be under any obligation to provide individual training to Franchisee's managers. Franchisee shall, at all times, faithfully, honestly and diligently perform its obligations hereunder and shall not engage in any business or other activities that shall conflict with its obligations hereunder.

P. At such time that more than one (1) franchisee conducts a Franchised Business in any given region (the boundaries of such region to be determined in the sole and absolute discretion of Franchisor), Franchisor may form a SKATETIME Regional Advisory Council ("Council"). Franchisee shall participate in all Council programs approved by Franchisor for Franchisee's particular Council. The purposes of the Council(s) include, but are not limited to, exchanging ideas and problem-solving methods, advising Franchisor on expenditures for regional advertising, providing back-up support and staffing for political influence and coordinating System franchisee efforts. Franchisee shall pay all Council assessments levied by the Council, and Franchisor has the right to enforce this obligation. Amounts and expenditures may vary from time to time and due to variations in Council participation and costs as determined by a particular Council and as approved by Franchisor. Although Franchisee shall pay such Council assessments, such assessments shall in no way diminish Franchisee's rights and the benefit of the bargain under this Agreement.

Q. Franchisee shall notify Franchisor in writing within five (5) days of any written threat or the actual commencement of any action, suit or proceeding or of the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality which may adversely affect the operation or financial condition of the Franchised Business.

R. Company may, in the future, license or develop and custom design Software for conducting inventory control, accounting and related activities. If developed, the Software will be proprietary to and confidential information of Company. Company has determined that it will not be able to practically alter the Software and System to accommodate each and every franchisee of the System; therefore, at such time as Company introduces the Software into the System (if ever), you will utilize the Software in the operation of the Franchised Business and comply with all specifications and standards prescribed by Company regarding the Software, as will be provided from time to time in the Manual. This proprietary software will be in an ongoing development and testing state and upgrades may be implemented into the System at Company's discretion. If developed, Company or its designee will provide ongoing service and support to you regarding the Software and Company will lease such software to you at the then-current rates published by Company, but not in excess of FIVE HUNDRED DOLLARS (\$500.00).

S. Franchisor reserves that right, in its sole discretion, to require Franchisee to also offer the rental of inline skates through the Franchised Business.

T. Franchisor has developed and/or specially designed Proprietary Products for Franchisee to use as part of the operation of the Franchised Business. Franchisee acknowledges that it shall carry an adequate supply and maintain a representative inventory of such Proprietary Products as required by Franchisor. Franchisee shall use its best efforts to maintain, carry and promote such Proprietary Products in order to meet customer demand. Franchisor reserves the right to develop, in the future, additional Proprietary Products which Franchisee shall be required to offer through the Franchised Business.

### XIII. FRANCHISOR'S OPERATIONS ASSISTANCE

A. Franchisor may from time to time advise or offer guidance to Franchisee relative to prices for the services and products offered for sale by the Franchised Business that in Franchisor's judgment, constitute good business practice. Such guidance shall be based on the experience of Franchisor and its franchisees in operating the Franchised Business and an analysis of the costs of such products and prices charged for competitive products and services. Franchisee shall not be obligated to accept any such advice or guidance and shall have the sole right to determine the prices to be charged by the Franchised Business and no such advice or guidance shall be deemed or construed to impose upon Franchisee any obligation to charge any fixed, minimum or maximum prices for any product offered for sale by the Franchised Business.

B. Prior to commencement of operations, Franchisor will provide site selection guidelines, if Franchisee does not operate from a home office.

C. Upon commencement of operation of the Franchised Business and during the term of this Agreement, Franchisor may provide the following to Franchisee:

1. A comprehensive list of established sources of equipment, supplies and goods necessary for the operation of the Franchised Business and provide specifications for such products;
2. Coordination of product distribution for local, regional and national suppliers;
3. Regulation of quality standards and products in conformance throughout the network of Franchised Businesses;
4. Coordination of advertising materials and strategies;
5. Franchisor will supply consumer marketing plans and materials for use at the local or regional level; and
6. Negotiation of group rates for purchases of products and materials as Franchisor, in its sole discretion, deems necessary and appropriate.

D. Franchisor may furnish Franchisee with such assistance in connection with the operation of the Franchised Business as is reasonably determined to be necessary by Franchisor from time to time. Operations assistance may consist of advice and guidance with respect to:

1. Proper utilization of procedures by the Franchised Business regarding the services to be offered from the Franchised Business as approved by Franchisor;
2. Purchase of equipment, materials and supplies;
3. The institution of proper administrative, bookkeeping, accounting, inventory control, supervisory and general operating procedures for the effective operation of the Franchised Business;
4. Advertising and promotional programs; and
5. Ongoing research and development of new procedures and techniques, new products and materials and other enhancements to the System.

E. A representative of Franchisor shall make periodic visits to the Franchised Business, including on-site visits, for the purposes of consultation, assistance and guidance of Franchisee in all aspects of the operation and management of the Franchised Business. Franchisor or Franchisor's representatives who visit at the Franchised Business may prepare, for the benefit of both Franchisor and Franchisee, written reports with respect to such visits outlining any suggested changes or improvements in the operations of the Franchised Business and detailing any defaults in such operations which become evident as a result of any such visit. A copy of each such written report shall

be provided to both Franchisor and Franchisee. Franchisor shall advise Franchisee of problems arising out of the operation of the Franchised Business as disclosed by reports submitted to Franchisor by Franchisee or by inspections conducted by Franchisor of the Franchised Business.

F. Should Franchisee request additional training or operations assistance from Franchisor and Franchisor grants such request in its sole discretion, or should Franchisor deem it necessary to provide such assistance, Franchisee shall reimburse Franchisor for the expense of Franchisor providing such additional assistance at the rate of THREE HUNDRED FIFTY DOLLARS (\$350.00) per day, or the then-current rates published in the Manual, plus travel and lodging expenses for Franchisor or its representative.

G. All of the specifications, Approved Suppliers Lists, Approved Supplies Lists, training and operations manuals to be provided by Franchisor to Franchisee pursuant to this Agreement shall be delivered upon Franchisee's successful completion of the initial training program.

H. Franchisor agrees to license to Franchisee the Software. For purposes of this Agreement, "Software" means any and all computer software, programs, source codes, object codes, executable codes and related items, created by employees of Franchisor, acquired by Franchisor by assignment, license or other means, or otherwise designated as stored in electronic, digital or other forms associated with the foregoing or the Franchised Business, for use in or relating to the operation of the Franchised Business, including, but not limited to, the computer software, programs, data and client lists. Franchisee agrees to use the Software in the operation of the Franchised Business and acknowledges its importance to the System. Franchisee shall use the Software only in the form provided by Franchisor, as modified from time to time by Franchisor, and shall not modify, or have modified, the Software, without the prior written authorization of Franchisor. Any consent or authorization given under the preceding sentence shall be deemed revoked upon termination of this Agreement. Franchisee agrees to be trained on the Software prior to use.

I. Franchisee agrees to pay a one-time Software License Fee ("License Fee") of FIVE HUNDRED DOLLARS (\$500.00) and an annual maintenance fee ("Maintenance Fee") of TWO HUNDRED DOLLARS (\$200.00).

J. Except as otherwise provided in this Agreement, nothing in this Agreement shall be construed as an assignment or grant to Franchisee of any right, title or interest in or to the Software, it being understood that all rights relating thereto are reserved by Franchisor. Franchisee recognizes the great value associated with the Software and acknowledges that the Software, and all rights therein, belong exclusively to Franchisor, an affiliate of Franchisor or its licensor. Franchisee agrees to use the Software in full compliance with rules prescribed from time to time by Franchisor. Franchisee hereby agrees that its every use of the Software shall inure to the benefit of Franchisor and that Franchisee shall not at any time acquire rights in the Software by virtue of any use it may make of the Software. Franchisee agrees that it will not, while this Agreement is in effect and thereafter, attack any rights of Franchisor in and to the Software, or attack the validity of this license for the use of the Software or do anything which would jeopardize or diminish Franchisor's rights in the Software.

K. Franchisee shall immediately notify Franchisor of any infringement or challenge to Franchisee's or Franchisor's use of the Software or claim by any person of any rights in the Software. Franchisee acknowledges and agrees that the Software is proprietary and confidential, that the Software is a trade secret and is disclosed to Franchisee (and the Franchised Business is granted to Franchisee) solely on the condition that Franchisee agrees, and Franchisee does hereby agree, during the term of this Agreement, and thereafter, not to use the Software in any other business or capacity; maintain the absolute confidentiality of the Software; not to make unauthorized copies of any portion of the Software and to adopt and implement all reasonable procedures prescribed from time to time by Franchisor to prevent unauthorized use or disclosure of the Software, as described above, including, without limitation, restrictions on disclosure thereof to and by officers, directors, employees, agents, sales persons and to similar persons of Franchisee and to require each such person who has access to the Software to execute a nondisclosure agreement, as may be required by Franchisor.

L. Franchisee agrees that if it becomes advisable at any time, in the sole discretion of Franchisor, for Franchisee to modify or discontinue the use of any or all of the Software and/or use one (1) or more additional or substitutes for any or all of the Software, Franchisee agrees to do so without any obligation on the part of Franchisor with respect thereto.

#### XIV. INSURANCE

A. Franchisee shall procure at its expense and maintain in full force and effect during the term of this Agreement, an insurance policy or policies protecting Franchisee and Franchisor and its officers, directors, partners and employees, against any loss, liability, personal injury, death, property damage or expense whatsoever arising or occurring upon or in connection with the Franchised Business, as Franchisor may reasonably require for its own and Franchisee's protection. Franchisor shall be named an additional insured in such policy or policies. Such insurance is limited to its "conditions, provisions and exclusions" and does not necessarily include any expense whatsoever arising or occurring upon or in connection with the Franchised Business.

B. Such policy or policies shall be written by a licensed insurance company licensed in the state in which Franchisee operates and having at least an "A" Rating Classification as indicated in Best's Key Rating Guide in accordance with standards and specifications set forth in the Manual or otherwise in writing, and shall include, at a minimum (except as different coverages and policy limits may reasonably be specified for all franchisees from time to time by Franchisor in the Manual or otherwise in writing), the following:

1. "All Risks" or "Special" form coverage insurance on all furniture, fixtures, equipment, supplies and other property used in the operation of the Franchised Business (which coverage shall include flood and/or earthquake coverage where there are known exposures to either peril, and theft insurance) for full repair as well as replacement value of the equipment, improvements and betterments, except that an appropriate deductible clause shall be permitted, not to exceed ONE THOUSAND DOLLARS (\$1,000.00).



2. Workers' Compensation and Employer's Liability insurance as well as such other insurance as may be required by statute or rule of the state or county in which the Franchised Business is located and operated.

3. Comprehensive General Liability insurance, including a per premises aggregate with the following coverages: broad form contractual liability; personal injury; products/completed operations; medical payments and fire damage liability; insuring Franchisor and Franchisee against all claims, suits, obligations, liabilities and damages, including attorneys' fees, based upon or arising out of actual or alleged personal injuries or property damage resulting from, or occurring in the course of, or on or about or otherwise relating to the Franchised Business, including General Aggregate coverage in the following limits:

<u>Recommended Coverage</u>	<u>Minimum Limits of Coverage</u>
General Aggregate .....	\$1,000,000.00
Products/Completed Operations Aggregate .....	\$1,000,000.00
Personal and Advertising Injury .....	\$1,000,000.00
Each Occurrence.....	\$1,000,000.00
Fire Damage (any one fire).....	\$50,000.00
School Liability Insurance.....	\$1,000,000.00

4. Business interruption insurance for actual losses sustained, for a twelve (12) month period minimum.

5. Automobile Liability Insurance, including owned, hired and non-owned vehicle coverage, with a combined single limit of at least ONE MILLION DOLLARS (\$1,000,000.00).

6. Student accident insurance coverage.

7. Such insurance and types of coverage as may be required by the terms of any lease for the Franchised Business or as may be required from time to time by Franchisor.

C. The insurance afforded by the policy or policies respecting liability shall not be limited in any way by reason of any insurance which may be maintained by Franchisor. Within ninety (90) days of the signing of this Agreement, but in no event later than the date on which Franchisee acquires an interest in the real property on which it shall develop and operate the Franchised Business, an Accord Form Certificate of Insurance showing compliance with the foregoing requirements shall be furnished by Franchisee to Franchisor for approval. Such certificate shall state that said policy or policies shall not be canceled or altered without at least thirty (30) days prior written notice to Franchisor and shall reflect proof of payment of premiums. Maintenance of such insurance and the performance by Franchisee of the obligations under this Paragraph XIV. shall not relieve Franchisee of liability under the indemnity provision set

forth in this Agreement. Minimum limits as required above may be modified from time to time, as conditions require, by written notice to Franchisee.

D. Should Franchisee, for any reason, not procure and maintain such insurance coverage as required by this Agreement, Franchisor shall have the right and authority (without, however, any obligation to do so) immediately to procure such insurance coverage and to charge same to Franchisee, which charges, together with a reasonable fee for expenses incurred by Franchisor in connection with such procurement, shall be payable by Franchisee immediately upon notice.

XV. COVENANTS

A. Unless otherwise specified, the term “Franchisee” as used in this Paragraph XV. shall include, collectively and individually, Franchisee as defined in Paragraph XXXI.

B. Franchisee covenants that during the term of this Agreement, except as otherwise approved in writing by Franchisor, Franchisee (if Franchisee is an individual), a shareholder of a beneficial interest of ten percent (10%) or more of the securities of Franchisee (if Franchisee is a corporation), a member, manager or governor owning ten percent (10%) or more of the membership interests of Franchisee (if Franchisee is a limited liability company), a general partner of Franchisee (if Franchisee is a partnership) or Franchisee’s full-time director shall devote full-time energy and best efforts to the management and operation of the Franchised Business.

C. Franchisee covenants that during the term of this Agreement, except as otherwise approved in writing by Franchisor, Franchisee shall not, either directly or indirectly, for himself, or through, on behalf of or in conjunction with any person, persons, partnership, corporation, limited liability company or other entity:

1. Divert or attempt to divert any business or customer of the Franchised Business to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System.

2. Employ or seek to employ any person who is at that time employed by Franchisor, or by any other franchisee of Franchisor, or otherwise directly or indirectly induce or seek to induce such person to leave his or her employment thereat.

3. Own, maintain, engage in or have any interest in any business (including any business operated by Franchisee prior to entry into this Agreement) specializing, in whole or in part, in offering or providing school roller skating programs or any other business which sells or offers to sell services the same as, or similar to, those sold in the System.

D. Franchisee specifically acknowledges that, pursuant to this Agreement, Franchisee shall receive valuable training and confidential information including, without limitation, information regarding the promotional, operational, sales and marketing methods and techniques of Franchisor and the System. Accordingly, Franchisee covenants that, except as otherwise approved in writing by Franchisor, Franchisee shall not, for a period of one (1) year after the expiration or termination of this Agreement, regardless of the cause of termination, either directly or indirectly, for himself, or through, on behalf of or in conjunction with any person, persons, partnership, limited liability company, corporation or other entity, own, maintain, engage in, consult with or have any interest in any business engaged primarily in offering and providing school roller skating programs the same as, or similar to, the type sold in the System:

1. Within the Metropolitan Statistical Area, as that term is defined by the United States Census Bureau (“MSA”) in which the Franchised Business is located; or
2. Within a radius of twenty-five (25) miles of the Franchised Business; or
3. Within a radius of twenty-five (25) miles of the location of any other business using the System, whether franchised or owned by Franchisor.

E. Each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Paragraph XV. is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Franchisee shall be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Paragraph XV.

F. Franchisee understands and acknowledges that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Paragraphs XV.C. and D. in this Agreement or any portion thereof, without Franchisee’s consent, effective immediately upon receipt by Franchisee of written notice thereof. Franchisee shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Paragraph XXVII. hereof.

G. Franchisor shall have the right to require all of Franchisee’s officers, directors, shareholders, general partners, limited partners, personnel performing managerial or supervisory functions and all personnel receiving training from Franchisor to execute similar covenants in a form satisfactory to Franchisor.

XVI. DEFAULT AND TERMINATION

A. If Franchisee is in substantial compliance with this Agreement and Franchisor materially breaches this Agreement and fails to cure such breach within a reasonable time after written notice thereof is delivered to

Franchisor, Franchisee may terminate this Agreement. Such termination shall be effective thirty (30) days after delivery of notice to Franchisor that such breach has not been cured and Franchisee elects to terminate this Agreement. A termination of this Agreement by Franchisee for any reason other than breach of this Agreement by Franchisor and Franchisor's failure to cure such breach within a reasonable time after receipt of written notice thereof shall be deemed a termination by Franchisee without cause.

B. This Agreement shall terminate automatically upon delivery of notice of termination to Franchisee if Franchisee or its owner(s), officer(s) or director(s):

1. Fails to satisfactorily complete the training program as provided in Paragraph IV. of this Agreement;
2. Has made any material misrepresentation or omission in its application for the franchise;
3. Is convicted of or pleads no contest, where such plea is applicable, to a felony or other crime or offense that is likely to adversely affect the reputation of Franchisee or the Franchised Business;
4. Makes any unauthorized use, disclosure or duplication of any portion of the Manual or duplicates, discloses or makes any unauthorized use of any trade secret or confidential information provided to Franchisee by Franchisor;
5. Abandons, fails or refuses to actively operate the Franchised Business for five (5) business days in any twelve (12) month period, unless the Franchised Business has been closed for a purpose approved by Franchisor or due to force majeure, or fails to relocate to approved premises within an approved period of time following expiration or termination of the lease for the Premises;
6. Surrenders or transfers control of the operation of the Franchised Business, makes an unauthorized direct or indirect assignment of the franchise or an ownership interest in Franchisee or fails or refuses to assign the franchise or the interest in Franchisee of a deceased or disabled controlling owner thereof as herein required;
7. Submits to Franchisor on two (2) or more separate occasions at any time during the term of the franchise any reports or other data, information or supporting records which understate by more than two percent (2%) the Royalty Fees for any period of, or periods aggregating, three (3) or more accounting periods, and Franchisee is unable to satisfactorily demonstrate to Franchisor that such understatements resulted from inadvertent error;
8. Materially misuses or makes an unauthorized use of any Marks or commits any act which can reasonably be expected to impair the goodwill associated with any Marks;

9. Fails on five (5) or more separate occasions within any period of twelve (12) consecutive weeks to submit when due reports or other information or supporting records, to pay when due the Royalty Fees, advertising contributions, amounts due for purchases from Franchisor or Franchisor's Related Entities or other payments due to Franchisor or Franchisor's Related Entities, or otherwise fails to comply with this Agreement whether or not such failures to comply are corrected after notice thereof is delivered to Franchisee;

10. If Franchisee shall be adjudicated a bankrupt, becomes insolvent, commits any affirmative act of insolvency or files any action or petition of insolvency, or if a receiver (permanent or temporary) of its property or any part thereof is appointed by a court of competent authority, if it makes a general assignment for the benefit of its creditors, or if a final judgment remains unsatisfied of record for thirty (30) days or longer (unless supersedeas bond is filed), if execution is levied against Franchisee's business or property, or if suit to foreclose any lien or mortgage against its Premises or equipment is instituted against Franchisee and not dismissed within thirty (30) days or is not in the process of being dismissed; provided, however, that Franchisor reserves the right to be named as trustee or receiver in any voluntary petition for bankruptcy or insolvency filed by Franchisee.

C. This Agreement shall terminate without further action by Franchisor or notice to Franchisee if Franchisee or Franchisee's owner:

1. Fails or refuses to make payments of any amounts due Franchisor or Franchisor's Related Entities for Royalty Fees, advertising contributions, purchases from Franchisor, or any other amounts due to Franchisor or Franchisor's Related Entities, and does not correct such failure or refusal within ten (10) business days after written notice of such failure is delivered to Franchisee;

2. Fails or refuses to comply with any other provision of this Agreement, or any mandatory specification, standard or operating procedure prescribed in the Manual or otherwise in writing and does not correct such failure within thirty (30) days (or provide proof acceptable to Franchisor that it has made all reasonable efforts to correct such failure and shall continue to make all reasonable efforts to cure until a cure is effected, if such failure cannot reasonably be corrected within thirty [30] days) after written notice of such failure to comply is delivered to Franchisee.

D. To the extent that the provisions of this Agreement provide for periods of notice less than those required by applicable law, or provide for termination, cancellation, non-renewal or the like other than in accordance with applicable law, such provisions shall, to the extent such are not in accordance with applicable law, not be effective, and Franchisor shall comply with applicable law in connection with each of these matters.

E. In addition to Franchisor's right to terminate this Agreement, and not in lieu of such right or any other rights against Franchisee, Franchisor, in the event that Franchisee shall not have cured a default under this Agreement within the twenty (20) business days after receipt of a written notice to cure from Franchisor, may, at its option, enter upon the Premises and exercise complete authority with respect to the operation of said business until

such time as Franchisor determines that the default of Franchisee has been cured and that there is compliance with the requirements of this Agreement. A designated representative of Franchisor may take over, control and operate said business, and Franchisee shall pay Franchisor a service fee of THREE HUNDRED DOLLARS (\$300.00) per day or the then-current fee as specified in the Manual, plus all travel expenses, room and board and other expenses reasonably incurred by such representative so long as it shall be required by the representative to enforce compliance herewith. If, as herein provided, Franchisor temporarily operates for Franchisee the Franchised Business, Franchisee shall indemnify Franchisor and any representative of Franchisor from any claims arising from the acts and omissions of Franchisor and its representative.

#### XVII. RIGHTS AND DUTIES OF PARTIES UPON EXPIRATION OR TERMINATION

Upon termination or expiration, this Agreement and all rights granted hereunder to Franchisee shall forthwith terminate, and:

A. Franchisee shall immediately cease to operate the Franchised Business under this Agreement, and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of Franchisor.

B. Upon demand by Franchisor, at Franchisor's discretion, Franchisee shall assign Franchisee's interest in any lease then in effect for the Premises to Franchisor, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within fifteen (15) days after termination or expiration of this Agreement.

C. Franchisee shall immediately and permanently cease to use, by advertising or in any manner whatsoever, any confidential methods, procedures and techniques associated with the System; the Marks, any distinctive forms, slogans, signs, symbols, logos or devices associated with the System. In particular, Franchisee shall cease to use, without limitation, all signs, advertising materials, stationery, forms and any other articles which display the Marks associated with the System.

D. Franchisee shall take such action as may be necessary to cancel or assign to Franchisor or its designee, at Franchisor's option, any fictitious or assumed name rights or equivalent registration filed with state, city or county authorities which contains the name "SKATETIME" or any other service mark or trademark associated with the System, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within thirty (30) days after termination or expiration of this Agreement.

E. In the event Franchisee continues to operate or subsequently begins to operate any other business, Franchisee shall not use any reproduction, counterfeit, copy or colorable imitation of the Marks either in connection with such other business or the promotion thereof, which is likely to cause confusion, mistake or deception, or which is likely to dilute Franchisor's rights in and to the Marks and further, Franchisee shall not utilize any designation of origin

or description or representation which falsely suggests or represents an association or connection with Franchisor so as to constitute unfair competition. Franchisee shall make such modifications or alterations to the Premises operated hereunder (including, without limitation, the changing of the telephone number) immediately upon termination or expiration of this Agreement as may be necessary to prevent any association with Franchisor or the System and any business thereon subsequently operated by Franchisee or others, and shall make such specific additional changes thereto as Franchisor may reasonably request for that purpose including, without limitation, removal of all distinctive physical and structural features identifying the System. In the event Franchisee fails or refuses to comply with the requirements of this Paragraph XVII., Franchisor shall have the right to enter upon the Premises where the Franchised Business was conducted, without being guilty of trespass or any other tort, for the purpose of making or causing to be made such changes as may be required at the expense of Franchisee, which expense Franchisee shall pay upon demand.

F. Franchisee shall promptly pay all sums owing to Franchisor. In the event of termination for any default of Franchisee, such sums shall include all damages, costs and expenses, including reasonable attorneys' fees, incurred by Franchisor as a result of the default.

G. Franchisee shall pay to Franchisor all damages, costs and expenses, including reasonable attorneys' fees, incurred by Franchisor subsequent to the termination or expiration of the franchise herein granted in obtaining injunctive or other relief for the enforcement of any provisions of this Paragraph XVII. or Paragraph XV.

H. Franchisee shall immediately turn over to Franchisor all manuals, including the Manual, supplier lists, records, files, instructions, brochures, agreements, disclosure statements, and any and all other materials provided by Franchisor to Franchisee relating to the operation of the Franchised Business (all of which are acknowledged to be Franchisor's property).

I. Franchisor shall have the right, title and interest to any sign or sign faces bearing the Marks. Franchisee hereby acknowledges Franchisor's right to access the Premises should Franchisor elect to take possession of any said sign or sign faces bearing the Marks.

J. Franchisor shall have the right (but not the duty), to be exercised by notice of intent to do so within thirty (30) days after termination or expiration, to purchase for cash any or all signs, advertising materials and all items bearing Franchisor's Marks or any of the Franchised Business assets, at fair market value. If the parties cannot agree on fair market value within a reasonable time, the determination shall be made by arbitration in accordance with Paragraph XXX. of this Agreement. If Franchisor elects to exercise any option to purchase herein provided, it shall have the right to set off all amounts due from Franchisee under this Agreement, and the cost of the arbitration, if any, against any payment therefor.

K. Franchisee hereby acknowledges that all telephone and facsimile numbers, Internet addresses and electronic mail addresses and domain names used in the operation of the Franchised Business constitute assets of the Franchised Business; and upon termination or expiration of this Agreement, Franchisee shall assign to Franchisor or its

designee, all Franchisee's right, title and interest in and to Franchisee's telephone and facsimile numbers, Internet addresses and electronic mail addresses and domain names and shall notify the telephone company and all listing agencies of the termination or expiration of Franchisee's right to use any telephone and facsimile numbers, Internet addresses and electronic mail addresses and domain names and any regular, classified or other telephone directory listing associated with the Marks and authorize a transfer of same to or at the direction of Franchisor.

L. Franchisee shall comply with the covenants contained in Paragraph XV. of this Agreement.

M. All obligations of Franchisor and Franchisee which expressly or by their nature survive the expiration or termination of this Agreement shall continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied or by their nature expire.

#### XVIII. TRANSFERABILITY OF INTEREST

A. This Agreement and all rights hereunder can be assigned and transferred by Franchisor and, if so, shall be binding upon and inure to the benefit of Franchisor's successors and assigns; provided, however, that with respect to any assignment resulting in the subsequent performance by the assignee of the functions of Franchisor, the assignee shall:

1. At the time of such assignment, be financially responsible and economically capable of performing the obligations of Franchisor hereunder; and

2. Expressly assume and agree to perform such obligations. Specifically, and without limitation to the foregoing, Franchisee expressly agrees that Franchisor may sell its assets, Marks or System outright to a third party; may make a public offering of securities; may engage in a private placement of some or all of its securities; may merge, acquire other corporations or entities, or be acquired by another corporation or other entity; may undertake a refinancing, recapitalization, leveraged buy out or other economic or financial restructuring; and, with regard to any or all of the above sales, assignments and dispositions, Franchisee expressly and specifically waives any claims, demands or damages arising from or related to the loss of said Marks (or any variation thereof) and/or the loss of association with or identification of SKATETIME SI LLC. as Franchisor hereunder. Nothing contained in this Agreement shall require Franchisor to remain in the business in the event that Franchisor exercises its rights hereunder to assign its rights in this Agreement.

B. This Agreement and all rights hereunder may be assigned and transferred by Franchisee subject to the following conditions and requirements, and Franchisor's right of first refusal as set forth herein, and, if so assigned or transferred, shall be binding upon and inure to the benefit of Franchisee's successors and assigns:

1. No Franchisee, partner of Franchisee (if Franchisee is a partnership), member of Franchisee (if Franchisee is a limited liability company) or shareholder of Franchisee (if Franchisee is a corporation), without



Franchisor's prior written consent, by operation of law or otherwise shall sell, assign, transfer, convey, give away or encumber to any person, firm, corporation or other entity, all or any part of its interest in this Agreement or its interest in the franchise granted hereby or its interest in any proprietorship, partnership, limited liability company or corporation which owns any interest in the franchise, nor offer, permit or suffer the same to be sold, assigned, transferred, conveyed, given away or encumbered in any way to any person, firm, corporation, limited liability company or other entity. Franchisee may not, without the prior written consent of Franchisor, fractionalize any of the rights of Franchisee granted pursuant to this Agreement. The following restrictions on transferability also apply to any purported transfers through a shell, or through divorce or separation proceedings. Any purported assignment of any of Franchisee's rights herein not having the aforesaid consent shall be null and void and shall constitute a material default hereunder;

2. Franchisor shall not unreasonably withhold its consent to any transfer referenced in Paragraph XVIII.B.1. of this Agreement when requested; provided, however, that the following conditions and requirements shall first be met to the full satisfaction of Franchisor;

a) If Franchisee is an individual or partnership and desires to assign and transfer its rights to a corporation or limited liability company:

(1) Said transferee corporation or limited liability company shall be newly organized and shall agree that its activities shall be confined exclusively to acting as a SKATETIME Franchised Business as licensed under this Agreement;

(2) Franchisee shall be and shall remain the owner of the majority stock interest of the transferee corporation or majority membership interest of the transferee limited liability company;

(3) The individual Franchisee (or, if Franchisee is a partnership, one of the partners) shall be and shall remain the principal executive officer of the transferee corporation or limited liability company;

(4) The transferee corporation or limited liability company shall enter into a written assignment (in a form satisfactory to Franchisor) in which the transferee corporation or limited liability company assumes all of Franchisee's obligations hereunder;

(5) All shareholders of the transferee corporation or members of the transferee limited liability company shall enter into a written agreement, in a form satisfactory to Franchisor, jointly and severally guaranteeing the full payment and performance of the transferee corporation's or limited liability company's obligations to Franchisor under this Agreement;

(6) Each stock certificate of the transferee corporation shall have conspicuously endorsed upon it a statement that it is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon assignments by this Agreement;

(7) The operating agreement of the transferee limited liability company and certificates of membership interests (if any) shall be in writing and shall conspicuously state that all membership interests are held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon assignments by this Agreement;

(8) No new shares of common or preferred voting stock in the transferee corporation or membership interests (of whatever nature) in the transferee limited liability company shall be issued to any person, partnership, trust, foundation, limited liability company or corporation without obtaining Franchisor's prior written consent and then only upon disclosure of the terms and conditions contained herein being made to the prospective new holders of the stock or membership interests; and

(9) All accrued money obligations of Franchisee to Franchisee's suppliers, Franchisor, its subsidiaries or assignees, shall be satisfied prior to assignment or transfer.

b) If the transfer, other than such transfer as is authorized under Paragraph XVIII.B.2.a. of this Agreement, if consummated alone or together with other related previous, simultaneous or proposed transfers, would have the effect of transferring control of the franchise licensed herein to someone other than an original signatory of this Agreement:

(1) The transferee(s) shall be of good moral character and reputation and shall have a good credit rating and competent business qualifications reasonably acceptable to Franchisor. Franchisee shall provide Franchisor with such information as Franchisor may require to make such determination concerning each such proposed transferee;

(2) The transferee(s) or such other individual(s) as shall be the actual manager of the franchise shall have successfully completed and passed the training course then in effect for franchisees or shall have otherwise demonstrated to Franchisor's satisfaction, sufficient ability to operate the unit being transferred;

(3) The transferee(s) including all shareholders, officers, directors, members, managers, governors and partners of the transferee(s) shall jointly and severally execute any or all of the following, at Franchisor's sole discretion and as Franchisor shall direct:

(a) This Agreement and other standard ancillary agreements with Franchisor on the current standard forms being used by Franchisor, except that an additional Franchise Fee shall not be charged; and/or

(b) A written assignment from Franchisee in a form satisfactory to Franchisor, wherein transferee shall assume all of Franchisee's obligations hereunder;

(4) Approval by Franchisor of any transfer by Franchisee of the franchise herein granted or any of Franchisee's rights under this Agreement shall in no way be deemed a release by Franchisor of Franchisee's obligations pursuant to this Agreement. Consent by Franchisor to a transfer of the franchise shall not constitute or be interpreted as consent for any future transfer thereof;

(5) The term of said agreements required pursuant to Paragraph XVIII.B.2.b.(3) shall be for the unexpired term of this Agreement and for any extensions or renewals as provided herein;

(6) If transferee is a corporation or a limited liability company:

(a) Each stock certificate of the transferee corporation shall have conspicuously endorsed upon it a statement that it is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon assignments by this Agreement;

(b) The operating agreement of the transferee limited liability company and certificates of membership interests (if any) shall be in writing and shall conspicuously state that all membership interests are held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon assignments by this Agreement;

(c) No new shares of common or preferred voting stock in the transferee corporation or membership interests (of whatever nature) in the transferee limited liability company shall be issued to any person, partnership, trust, foundation, limited liability company, corporation or other entity without obtaining Franchisor's prior written consent and then only upon disclosure of the terms and conditions contained herein being made to the prospective new holders of the stock; and

(d) All shareholders of the transferee corporation or members of the limited liability company shall enter into a written agreement, in a form satisfactory to Franchisor, guaranteeing the performance of the transferee corporation of all obligations under this Agreement;

(7) All accrued money obligations of Franchisee to Franchisee's suppliers, to Franchisor or any of its Related Entities or assignee(s) of Franchisor, shall be satisfied prior to assignment or transfer, and Franchisee shall not be in default under the terms of this Agreement; and

(8) Franchisee, prior to the transfer, shall execute a general release, in a form prescribed by Franchisor, of any and all existing claims against Franchisor or any of its Related Entities, and their respective officers, directors, agents and employees, except such claims as are not permitted to be waived under applicable law.

3. Franchisee shall have fully paid and satisfied all of Franchisee's obligations to Franchisor, and the transferee or Franchisee shall have fully paid to Franchisor a transfer fee equal to fifty percent (50%) of the Franchise Fee being charged by Franchisor for start-up franchisees at the time of the transfer, for the training, supervision, administrative costs, overhead, counsel fees, accounting and other Franchisor expenses in connection with the transfer. This transfer fee shall not apply to an assignment of interest to a corporation or limited liability company under Paragraph XVIII.B.2.a. of this Agreement; and

4. No sale, assignment, transfer, conveyance, encumbrance or gift of any interest in this Agreement or in the franchise granted thereby, shall relieve Franchisee and the shareholders, members or partners participating in any transfer of the obligations of the covenants contained in Paragraph XV., except where Franchisor shall expressly authorize in writing.

C. Franchisee must promptly ("promptly" herein defined as within thirty [30] days of receipt of an offer to buy) give Franchisor written notice whenever Franchisee has received an offer to buy Franchisee's franchise. Franchisee must also give Franchisor written notice simultaneously with any offer to sell the franchise made by, for or on behalf of Franchisee. Franchisee shall indemnify Franchisor for Franchisee's failure to comply with this Paragraph XVIII.

D. Franchisee shall not, without prior written consent of Franchisor, place in, on or upon the location of the Franchised Business or in any communication media, any form of advertising, or list with any business, real estate broker, agent or attorney any information relating to the sale of the Franchised Business or the rights granted hereunder.

XIX. DEATH OR INCAPACITY OF FRANCHISEE

A. In the event of the death or incapacity of an individual Franchisee, or any partner of a Franchisee which is a partnership, any member of a limited liability company owning fifty-one percent (51%) or more of the membership interests of a franchisee which is a limited liability company or any shareholder owning fifty percent (50%) or more of the capital stock of a Franchisee which is a corporation, the heirs, beneficiaries, devisees or legal representative of said individual, partner or shareholders shall, within one hundred eighty (180) days of such event:

1. Apply to Franchisor for the right to continue to operate the franchise for the duration of the term of this Agreement and any renewals hereof, which right shall be granted upon the fulfillment of all of the conditions set forth in Paragraph XVIII.B.2.b. of this Agreement (except that no transfer fee shall be required); or

2. Sell, assign, transfer or convey Franchisee's interest in compliance with the provisions of Paragraphs XVIII.B. and XX. of this Agreement; provided, however, in the event a proper and timely application for the right to continue to operate has been made and rejected, the one hundred eighty (180) days to sell, assign, transfer or convey shall be computed from the date of said rejection. Franchisor's silence on an application made through the one hundred and eighty (180) days following the event of death or incapacity shall be deemed a rejection made on the last day of such period.

B. In the event of the death or incapacity of an individual franchisee, or any partner or shareholder or member of a Franchisee which is a partnership, corporation or limited liability company, where the aforesaid provisions of Paragraph XVIII. have not been fulfilled within the time provided, all rights granted to Franchisee under this Agreement shall, at the option of Franchisor, terminate forthwith and Franchisor shall have the option to purchase the Franchised Business in accordance with Paragraph XVII.J. herein.

C. For purposes of this Agreement, "incapacity" shall be defined as the inability of Franchisee to operate or oversee the operation of the Franchised Business on a regular basis by reason of any continuing physical, mental or emotional incapacity, chemical dependency or other limitation. Any dispute as to the existence of an incapacity as defined herein shall be resolved by majority decision of three (3) licensed medical physicians practicing in the MSA in which the Franchised Business is located, with each party selecting one (1) medical physician and the two (2) medical physicians so designated selecting the third medical physician. The determination of the majority of the three (3) medical physicians shall be binding upon the parties and all costs of making said determination shall be borne by the party against whom it is made.

XX. RIGHT OF FIRST REFUSAL

If Franchisee or its owners propose, in a single transaction or series of related transactions, to sell all or substantially all of the assets of the Franchised Business or a majority of the ownership interests in Franchisee in terms of voting power or value or propose to merge Franchisee with an entity in which the prior owners of Franchisee do not have such an ownership, Franchisee or its owners shall obtain and deliver a bona fide, executed written offer to purchase same to Franchisor, which shall, for a period of thirty (30) days from the date of delivery of such offer, have the right, exercisable by written notice to Franchisee or its owners, to purchase the Franchised Business or such ownership for the price and on the terms and conditions contained in such offer to Franchisor, provided that Franchisor may substitute cash for any form of payment proposed in such offer. If Franchisor does not exercise this right of first refusal, the offer may be accepted by Franchisee or its owners, subject to the prior written approval of Franchisor, as provided in Paragraph XVIII. hereof, provided that if such offer is not so accepted within one hundred twenty (120) days of the date thereof, Franchisor shall again have the right of first refusal herein described. Should a transferee franchisee assume the rights and obligations under this Agreement, such transferee franchisee shall likewise be subject to Franchisor's right of first refusal under terms and conditions as set forth herein. This right of first refusal is a continuing right of first refusal. Franchisor's failure to exercise its right of first refusal shall not be deemed a waiver of future rights of first refusal.

XXI. OPERATION IN THE EVENT OF ABSENCE, INCAPACITY OR DEATH

In order to prevent any interruption of the Franchised Business which would cause harm to said business and thereby depreciate the value thereof, in the event that Franchisee is absent or incapacitated by reason of illness or death and is not, therefore, in the sole judgment of Franchisor, able to operate the Franchised Business, Franchisee authorizes Franchisor to operate said business for so long as Franchisor deems necessary and practical, and without waiver of any other rights or remedies Franchisor may have under this Agreement; provided, however, that Franchisor shall not be obligated to so operate the Franchised Business. All monies from the operation of the business during such period of operation by Franchisor shall be kept in a separate account and the expenses of the business, including a service fee of THREE HUNDRED DOLLARS (\$300.00) per day, or the then-current fee as published in the Manual and expenses for Franchisor's representative, shall be charged to said account. If, as herein provided, Franchisor temporarily operates for Franchisee the business licensed herein, Franchisee shall indemnify Franchisor and any representative of Franchisor who may act hereunder, from any and all claims arising from the acts and omissions of Franchisor and its representative.

XXII. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

A. This Agreement does not constitute Franchisee as an agent, legal representative, joint venturer, partner, employee or servant of Franchisor for any purpose whatsoever. Franchisee may not represent to third parties that it is an agent of Franchisor and it is understood between the parties hereto that Franchisee shall be an independent contractor and is in no way authorized to make any contract, agreement, warranty or representation on behalf of Franchisor, or to create any obligation, express or implied, on behalf of Franchisor.

B. Franchisee shall prominently display, by posting of a sign within public view, on or in the Premises, a statement that clearly indicates that the Franchised Business is independently owned and operated by Franchisee as a SKATETIME Franchised Business of Franchisor and not as an agent thereof.

C. Franchisee shall defend at its own cost and indemnify Franchisor, its shareholders, directors, officers, employees and agents, from and against any and all losses, costs, expenses (including attorneys' fees), damages and liabilities, however caused, resulting directly or indirectly from or pertaining to the use, condition or construction, equipping, decorating, maintenance or operation of the Franchised Business, including the sale of any service or merchandise sold from the Franchised Business. Such losses, claims, costs, expenses, damages and liabilities shall include, without limitation, those arising from latent or other defects in the Franchised Business, whether or not discoverable by Franchisor, and those arising from the death or injury to any person or arising from damage to the property of Franchisee or Franchisor, their agents or employees, or any third person, firm or corporation, whether or not such losses, claims, costs, expenses, damages or liabilities were actually or allegedly caused wholly or in part through the active or passive negligence of Franchisor or any of its agents or employees or resulted from any strict liability imposed on Franchisor or any of its agents or employees.

D. Franchisor shall not, by virtue of any approvals, advice or services provided to Franchisee, assume responsibility or liability to Franchisee or any third parties to which Franchisor would not otherwise be subject.

XXIII. APPROVALS

A. Whenever this Agreement requires the prior approval or consent of Franchisor, Franchisee shall make a timely written request to Franchisor therefor, and, except as otherwise provided herein, any approval or consent granted must be in writing to be binding upon Franchisor.

B. Franchisor makes no warranties or guarantees upon which Franchisee may rely and assumes no liability or obligation to Franchisee or any third party to which it would not otherwise be subject, by providing any waiver, approval, advice, consent or services to Franchisee in connection with this Agreement, or by reason of any neglect, delay or denial of any request therefor.

XXIV. NON-WAIVER

No failure of Franchisor to exercise any power reserved to it hereunder, or to insist upon strict compliance by Franchisee with any obligation or condition hereunder, and no custom or practice of the parties in variance with the terms hereof, shall constitute a waiver of Franchisor's right to demand exact compliance with the terms hereof. Waiver by Franchisor of any particular default by Franchisee shall not be binding unless in writing and executed by the party sought to be charged and shall not affect or impair Franchisor's right with respect to any subsequent default of the same or of a different nature; nor shall any delay, waiver, forbearance or omission of Franchisor to exercise any power or rights arising out of any breach or default by Franchisee of any of the terms, provisions or covenants hereof, affect or impair Franchisor's rights nor shall such constitute a waiver by Franchisor of any right hereunder or of the right to declare any subsequent breach or default. Subsequent acceptance by Franchisor of any payment(s) due to it hereunder shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement.

XXV. NOTICES

Any and all notices required or permitted under this Agreement shall be in writing from a party to this Agreement or its attorney and shall be personally delivered or mailed by certified mail, return receipt requested, to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other party:

Notices to Franchisor:

**SKATETIME SI LLC.**  
**4794 Colt Rd., Rockford IL 61109**  
**Rockford IL. 61104**  
Facsimile No.: **815.708.7201**

Courtesy Copy to:

**Clint Briggs**

**P.O. Box 24115, Christiansted USVI 00824**

Facsimile No.: **815.787.7384**

Notices to Franchisee:

\_\_\_\_\_

Facsimile No.: \_\_\_\_\_

Courtesy Copy to:

\_\_\_\_\_

Facsimile No.: \_\_\_\_\_

Any notice by certified mail shall be deemed to have been given at the date and time of mailing.

XXVI. COST OF ENFORCEMENT OR DEFENSE

If a claim for amounts owed by Franchisee to Franchisor is asserted in any legal proceeding before a court of competent jurisdiction, or if Franchisor or Franchisee is required to enforce this Agreement in a judicial proceeding, the prevailing party shall be entitled to reimbursement of its costs, including reasonable accounting and legal fees, in connection with such proceeding.

XXVII. ENTIRE AGREEMENT

This Agreement, any exhibit attached hereto, and the documents referred to herein, shall be construed together and constitute the entire, full and complete agreement between Franchisor and Franchisee concerning the subject matter hereof, and supersede all prior agreements. No other representation has induced Franchisee to execute this Agreement, and there are no representations, inducements, promises or agreements, oral or otherwise, between the parties not embodied herein, which are of any force or effect with reference to this Agreement or otherwise. No amendment, change or variance from this Agreement (other than amendments to the Manual or other matters with respect to which Franchisor has reserved the unilateral right to amend) shall be binding on either party unless executed in writing by both parties.

XXVIII. SEVERABILITY AND CONSTRUCTION

A. Each Paragraph, part, term and/or provision of this Agreement shall be considered severable, and if, for any reason, any Paragraph, part, term and/or provision herein is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation, such shall not impair the operation of or affect the remaining portions, sections, parts, terms and/or provisions of this Agreement, and the latter shall continue to be given full force

\_\_\_\_\_



and effect and bind the parties hereto; and said invalid sections, parts, terms and/or provisions shall be deemed not part of this Agreement; provided, however, that if Franchisor determines that said finding of illegality adversely affects the basic consideration of this Agreement, Franchisor may, at its option, terminate this Agreement.

B. Anything to the contrary herein notwithstanding, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Franchisor or Franchisee and such of their respective successors and assigns as may be contemplated by this Agreement, any rights or remedies under or by reason of this Agreement.

C. Franchisee shall be bound by any promise or covenant imposing the maximum duty permitted by law which is contained within the terms of any provision hereof, as though it were separately stated in and made a part of this Agreement, that may result from striking from any of the provisions hereof any portion or portions which a court may hold to be unreasonable and unenforceable in a final decision to which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order.

D. All captions herein are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof. The singular usage includes the plural and the masculine and neuter usages include the other and the feminine.

E. The recitals set forth in this Agreement are specifically incorporated into the terms of this Agreement and hereby constitute a part thereof.

**XXIX. APPLICABLE LAW**

**A. THIS AGREEMENT AND THE RIGHTS OF THE PARTIES HEREUNDER TAKE EFFECT UPON ACCEPTANCE AND EXECUTION BY FRANCHISOR AND SHALL BE INTERPRETED AND CONSTRUED UNDER THE LAWS OF ILLINOIS, WHICH LAWS SHALL PREVAIL IN THE EVENT OF ANY CONFLICT OF LAW, EXCEPT TO THE EXTENT GOVERNED BY FEDERAL LAW INCLUDING, WITHOUT LIMITATION, THE UNITED STATES TRADEMARK ACT OF 1946, AS AMENDED (LANHAM ACT, 15 U.S.C. SECTIONS 1051 ET SEQ.).**

**B. FRANCHISEE ACKNOWLEDGES THAT THIS AGREEMENT IS ENTERED INTO IN WHITESIDE COUNTY, ILLINOIS, AND THAT ANY ACTION SOUGHT TO BE BROUGHT BY EITHER PARTY, EXCEPT THOSE CLAIMS REQUIRED TO BE SUBMITTED TO ARBITRATION, SHALL BE BROUGHT IN THE APPROPRIATE STATE OR FEDERAL COURT SITTING IN WHITESIDE COUNTY, ILLINOIS, WITH JURISDICTION OVER THE MATTER.**

**C. NO RIGHT OR REMEDY CONFERRED UPON OR RESERVED TO FRANCHISOR OR FRANCHISEE BY THIS AGREEMENT IS INTENDED TO BE, NOR SHALL BE DEEMED, EXCLUSIVE**

**OF ANY OTHER RIGHT OR REMEDY HEREIN OR BY LAW OR EQUITY PROVIDED OR PERMITTED, BUT EACH SHALL BE CUMULATIVE OF EVERY OTHER RIGHT OR REMEDY.**

**D. NOTHING HEREIN CONTAINED SHALL BAR FRANCHISOR'S RIGHT TO OBTAIN INJUNCTIVE RELIEF AGAINST THREATENED CONDUCT UNDER GENERAL PRINCIPLES OF EQUITY, INCLUDING THE APPLICABLE PRINCIPLES FOR OBTAINING RESTRAINING ORDERS AND PRELIMINARY INJUNCTIONS.**

XXX. ARBITRATION

A. Any monetary claim arising out of or relating to this Agreement, or any breach thereof, and any controversy regarding the establishment of the fair market value of Franchised Business assets pursuant to Paragraph XVII.J. hereof, except for any disputes relating to the Marks, shall be submitted to arbitration in Whiteside County, Illinois in accordance with the rules of the American Arbitration Association and judgment upon the award may be entered in any court having jurisdiction thereof and shall be final, binding and unappealable. The arbitrators are explicitly authorized to award attorneys' fees as part of their award. Nothing contained herein shall, however, be construed to limit or to preclude Franchisor from bringing any action in any court of competent jurisdiction for injunctive or other provisional relief as Franchisor deems to be necessary or appropriate to compel Franchisee to comply with its obligations hereunder or to protect its Marks or other property rights of Franchisor. In addition, nothing contained herein shall be construed to limit or to preclude Franchisor from joining with any action for injunctive or provisional relief all monetary claims that Franchisor may have against Franchisee which arise out of the acts or omissions to act giving rise to the action for injunctive or provisional relief. This arbitration provision shall be deemed to be self-executing and in the event that Franchisee fails to appear at any properly noticed arbitration proceeding, award may be entered against Franchisee notwithstanding its failure to appear.

B. Nothing herein contained shall bar the right of either party to seek and obtain temporary injunctive relief from a court of competent jurisdiction in accordance with applicable law against threatened conduct that shall cause loss or damage, pending completion of the arbitration.

C. It is the intent of the parties that any arbitration between Franchisor and Franchisee shall be of Franchisee's individual claim and that the claim subject to arbitration shall not be arbitrated on a classwide basis.

XXXI. "FRANCHISEE" DEFINED AND GUARANTY

As used in this Agreement, the term "Franchisee" shall include all persons who succeed to the interest of the original Franchisee by permitted transfer or operation of law and shall be deemed to include not only the individual or entity defined as "Franchisee" in the introductory paragraph of this Agreement, but shall also include all partners of the entity that executes this Agreement, in the event said entity is a partnership; and all shareholders, officers and directors of the entity that executes this Agreement, in the event said entity is a corporation; and all members, managers and

governors of the entity that executes this Agreement, in the event said entity is a limited liability company. By their signatures hereto, all partners, shareholders, officers and directors of the entity that signs this Agreement as Franchisee acknowledges and accepts the duties and obligations imposed upon each of them, individually, by the terms of this Agreement. All partners of the entity that executes this Agreement, in the event said entity is a partnership; all shareholders, officers and directors of the entity that executes this Agreement, in the event said entity is a corporation; and all members, managers and governors of the entity that executes this Agreement, in the event said entity is a limited liability company shall execute the Guaranty and Assumption of Obligations attached hereto as Exhibit B and made a part hereof.

XXXII. FORCE MAJEURE

Whenever a period of time is provided in this Agreement for either party to do or perform any act or thing, except the payment of monies, neither party shall be liable or responsible for any delays due to strikes, lockouts, casualties, acts of God, war, governmental regulation or control or other causes beyond the reasonable control of the parties, and in any event said time period for the performance of an obligation hereunder shall be extended for the amount of time of the delay. This clause shall not, however, result in an extension of the term of this Agreement.

XXXIII. CAVEAT

The success of the business venture contemplated to be undertaken by Franchisee by virtue of this Agreement is speculative and depends, to a large extent, upon the ability of Franchisee as an independent businessperson, and its active participation in the daily affairs of the business as well as other factors. Franchisor does not, in this Agreement or otherwise, make any representation or warranty, express or implied, as to the potential success of the business venture.

XXXIV. ACKNOWLEDGMENTS

A. Franchisee represents and acknowledges that it has received, read and understood this Agreement and Franchisor's Uniform Franchise Offering Circular; and that Franchisor has accorded Franchisee ample time and opportunity to consult with advisors of its own choosing about the potential benefits and risks of entering into this Agreement.

B. Franchisee acknowledges that it has received a copy of this Agreement and the attachments thereto, at least five (5) business days prior to the date on which this Agreement was executed. Franchisee further acknowledges that Franchisee has received the disclosure document required by the Trade Regulation Rule of the Federal Trade Commission entitled Disclosure Requirements and Prohibitions Concerning Franchising and Business Opportunity Ventures, at least ten (10) business days prior to the date on which this Agreement was executed.

**SKATETIME SI LLC.**  
**DESIGNATED AREA MAP**

EXHIBIT A TO THE FRANCHISE AGREEMENT

SKATETIME SI LLC.:

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

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

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

FRANCHISEE:

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

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

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

C. Franchisee has been advised to consult with its own advisors with respect to the legal, financial and other aspects of this Agreement, the business franchised hereby and the prospects for that business. Franchisee has either consulted with such advisors or has deliberately declined to do so.

D. Franchisee acknowledges that the covenants not to compete set forth in this Agreement are fair and reasonable, and shall not impose any undue hardship on Franchisee, since Franchisee has other considerable skills, experience and education which afford Franchisee the opportunity to derive income from other endeavors.

E. Franchisee affirms that all information set forth in any and all applications, financial statements and submissions to Franchisor is true, complete and accurate in all respects, with Franchisee expressly acknowledging that Franchisor is relying upon the truthfulness, completeness and accuracy of such information.

F. Franchisee has conducted an independent investigation of the business contemplated by this Agreement and recognizes that, like any other business, an investment in a SKATETIME Franchised Business involves business risks and that the success of the venture is primarily dependent upon the business abilities and efforts of Franchisee.

G. Franchisee hereby consents and agrees that any monetary claim arising out of or relating to this Agreement, or any breach thereof, and controversies regarding the establishment of the fair market value of Franchised Business assets, except for any disputes relating to the Marks, shall be submitted to arbitration as provided in Paragraph XXX.A. of this Agreement.

**H. FRANCHISEE UNDERSTANDS AND ACKNOWLEDGES THAT ALL REPRESENTATIONS OF FACT CONTAINED HEREIN ARE MADE SOLELY BY FRANCHISOR. ALL DOCUMENTS, INCLUDING FRANCHISOR'S FRANCHISE AGREEMENT AND UNIFORM FRANCHISE OFFERING CIRCULAR AND ALL EXHIBITS THERETO, HAVE BEEN PREPARED SOLELY IN RELIANCE UPON REPRESENTATIONS MADE AND INFORMATION PROVIDED BY FRANCHISOR, ITS OFFICERS AND ITS DIRECTORS. FRANCHISEE FURTHER AGREES TO INDEMNIFY THE PREPARER OF ANY AND ALL SUCH FRANCHISE AGREEMENTS, OFFERING CIRCULARS AND EXHIBITS THERETO FROM ANY AND ALL LOSS, COSTS, EXPENSES (INCLUDING ATTORNEYS' FEES), DAMAGES AND LIABILITIES RESULTING FROM ANY REPRESENTATIONS AND/OR CLAIMS MADE BY FRANCHISOR IN SUCH DOCUMENTS.**



IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have duly executed, sealed and delivered this Agreement in multiple copies the day and year first above written.

ATTEST:

SKATETIME SI LLC.:

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

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

ATTEST/WITNESS:

FRANCHISEE:

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

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

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

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

**SKATETIME SI LLC.**



**RECEIPT**

THIS DISCLOSURE DOCUMENT SUMMARIZES PROVISIONS OF THE FRANCHISE AGREEMENT AND OTHER INFORMATION IN PLAIN LANGUAGE. READ THIS DISCLOSURE DOCUMENT AND ALL AGREEMENTS CAREFULLY.

IF SKATETIME SI LLC. OFFERS YOU A FRANCHISE, SKATETIME SI LLC. MUST PROVIDE THIS DISCLOSURE DOCUMENT TO YOU BY THE EARLIEST OF:

- (1) THE FIRST PERSONAL MEETING TO DISCUSS OUR FRANCHISE; OR
- (2) TEN BUSINESS DAYS BEFORE THE SIGNING OF A BINDING AGREEMENT; OR
- (3) TEN BUSINESS DAYS BEFORE A PAYMENT TO SKATETIME SI LLC.

YOU MUST ALSO RECEIVE A FRANCHISE AGREEMENT CONTAINING ALL MATERIAL TERMS AT LEAST FIVE BUSINESS DAYS BEFORE YOU SIGN A FRANCHISE AGREEMENT.

IF SKATETIME SI LLC. DOES NOT DELIVER THIS DISCLOSURE ON TIME OR IF IT CONTAINS A FALSE OR MISLEADING STATEMENT, OR A MATERIAL OMISSION, A VIOLATION OF FEDERAL AND STATE LAW MAY HAVE OCCURRED AND SHOULD BE REPORTED TO THE FEDERAL TRADE COMMISSION, WASHINGTON, D.C., 20580 AND THE STATE ADMINISTRATOR LISTED IN EXHIBIT A.

SKATETIME SI LLC. AUTHORIZES John Lanpher, 2601 Reid Farm Rd, Suite B, Rockford IL. 61114 THE AGENT FOR SERVICE OF PROCESS LISTED IN EXHIBIT A TO RECEIVE SERVICE OF PROCESS FOR SKATETIME SI LLC.

I HAVE RECEIVED A FRANCHISE DISCLOSURE DOCUMENT DATED \_\_\_\_\_ . THIS DISCLOSURE DOCUMENT INCLUDED THE FOLLOWING EXHIBITS:

- A. LIST OF STATE AGENTS FOR SERVICE OF PROCESS AND STATE ADMINISTRATORS
- B. FRANCHISE AGREEMENT
- C. FINANCIAL STATEMENTS

DATED: \_\_\_\_\_

SIGNED: \_\_\_\_\_, individually as an officer, partner or member of \_\_\_\_\_

(a \_\_\_\_\_ corporation)

(a \_\_\_\_\_ partnership)

(a \_\_\_\_\_ limited liability company)

NAME: \_\_\_\_\_

ADDRESS: \_\_\_\_\_

PHONE: \_\_\_\_\_