

FRANCHISE DISCLOSURE DOCUMENT

HI-FIVE SPORTS FRANCHISING LLC a Delaware Limited Liability Company

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DEPARTMENT OF
BUSINESS OVERSIGHT
SAN FRANCISCO

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(415) 592-9668
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Website: www.hifivefranchise.com



You will operate a sports club for pre-K to 8th grade children under the trade name Hi-Five Sports Clubs® or Hi-Five Sports Zone™

The total investment necessary to begin operation of a Hi-Five Sports franchise is from \$28,800 to \$64,500 for a Hi-Five Sports Club and \$129,800 to \$567,100 for a Hi-Five Sports Zone. These amounts include \$13,360 to \$25,520 that must be paid to the franchisor or an affiliate.

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

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

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

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

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STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. **REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE, OR HAS VERIFIED THE INFORMATION IN THE DISCLOSURE DOCUMENT.**

Call the state franchise administrator listed in Exhibit A for information about the franchisor, or about franchising in your state.

MANY FRANCHISE AGREEMENT DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following **RISK FACTORS** before you buy this Franchise:

1. **THE FRANCHISE AGREEMENT ENTITLES THE FRANCHISOR TO BRING A LEGAL ACTION AGAINST YOU IN ILLINOIS ON MATTERS AFFECTING THE FRANCHISOR'S TRADEMARKS AND CONFIDENTIAL INFORMATION, TO ENFORCE NON-COMPETE PROVISIONS AND RIGHTS UPON TERMINATION, AND FOR PRELIMINARY INJUNCTIVE AND EQUITABLE RELIEF. OTHERWISE, THE FRANCHISE AGREEMENT REQUIRES THAT YOU SETTLE ALL DISPUTES WITH THE FRANCHISOR BY ARBITRATION IN ILLINOIS. OUT OF STATE DISPUTE RESOLUTION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO RESOLVE YOUR DISPUTE WITH THE FRANCHISOR IN ILLINOIS THAN IN YOUR HOME STATE.**

2. **THE FRANCHISE AGREEMENT STATES THAT ILLINOIS LAW GOVERNS IT. ILLINOIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.**

3. **THE FRANCHISOR, IN ITS SOLE DISCRETION, MAY REQUIRE YOUR SPOUSE TO GUARANTEE ALL OF YOUR OBLIGATIONS UNDER THE FRANCHISE AGREEMENT, EVEN IF HE OR SHE IS NOT INVOLVED IN FRANCHISE OPERATIONS. IF REQUIRED, HIS OR HER PERSONAL ASSETS WILL BE AT RISK.**

4. **YOU ARE REQUIRED TO PAY THE FRANCHISOR A MINIMUM ROYALTY AND SPEND AT LEAST \$10,000 PER YEAR ON LOCAL ADVERTISING AND PROMOTION, EVEN IF YOU DO NOT HAVE ANY REVENUE.**

5. **THE HI-FIVE SPORTS CLUBS AND HI-FIVE SPORTS ZONES FRANCHISES ARE NEW. ALTHOUGH THE HI-FIVE SPORTS CLUBS CONCEPT WAS CREATED IN**

1990, FRANCHISE SALES EFFORTS FOR BOTH CONCEPTS ONLY BEGAN IN 2015. THE HI-FIVE SPORTS ZONE CONCEPT WAS CREATED IN 2014.

6. WE HAVE LIMITED FINANCIAL RESOURCES WHICH MAY OR MAY NOT BE ADEQUATE TO FUND OUR PRE-OPENING OBLIGATIONS TO EACH FRANCHISEE AND PAY OPERATING EXPENSES. YOU WILL BE REQUIRED TO MAKE AN ESTIMATED INITIAL INVESTMENT RANGING FROM \$28,800 TO \$64,500 FOR A HI-FIVE SPORTS CLUB AND \$129,800 TO \$567,100 FOR A HI-FIVE SPORTS ZONE. THESE AMOUNTS FOR A HI-FIVE SPORTS ZONE EXCEED OUR STOCKHOLDER'S EQUITY AS OF DECEMBER 31, 2015, WHICH IS \$120,938.

7. YOUR SUCCESS IN OWNING AND OPERATING THE FRANCHISE IS SPECULATIVE AND WILL DEPEND ON MANY FACTORS INCLUDING, TO A LARGE EXTENT, YOUR INDEPENDENT BUSINESS ABILITY, EFFORTS, AND RESOURCES.

8. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

Effective Date See the next page for state effective dates.

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