



## FRANCHISE DISCLOSURE DOCUMENT

**Fantasy Claw Arcade Franchise LLC**

**A Nevada limited liability company**

**3110 Polaris Ave Suite #8**

**Las Vegas, Nevada 89102**

**Phone No: 702-783-2529**

**Email Address: [franchising@fantasyclawarcade.com](mailto:franchising@fantasyclawarcade.com)**

**Website: <http://www.fantasyclawarcade.com>**

You will operate a retail entertainment venue featuring claw machines, arcade games, and related items under the name “FANTASY CLAW ARCADE” and other service marks.

The total investment necessary to begin operation of a FANTASY CLAW ARCADE ranges from \$245,300 to \$442,000 for a traditional location. If you want development rights, you must pay us a development fee equal to \$30,000 (the initial franchise fee for the first Arcade), plus the \$10,000 Development Services Fee for the first Arcade, plus a deposit of \$10,000 of the initial franchise fee (which is \$30,000) for each additional Arcade you commit to develop. The total investment necessary to begin operation if you acquire development rights (with a minimum required commitment of three (3) Fantasy Claw Arcades) is \$255,300 to \$452,000 for traditional locations. This includes \$50,000 that must be paid to the franchisor or affiliate.

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

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

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

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

Issuance Date: June 5, 2025

## How to Use This Franchise Disclosure Document

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

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

## What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

### Some States Require Registration

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

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

## Special Risks to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution.** The Franchise Agreement and Development Rights Agreement require you to resolve disputes with the franchisor by arbitration and/or litigation only in its then-current home state (currently Nevada). Out-of-state arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate or litigate with the franchisor in its then-current home state (currently Nevada) than in your own state.
2. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the Franchise Agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both you and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
3. **Financial Condition.** The Franchisor's financial condition as reflected in its financial statements (see Item 21) calls into question the Franchisor's financial ability to provide services and support to you.

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

**THE FOLLOWING PROVISIONS APPLY ONLY TO TRANSACTIONS GOVERNED  
BY THE MICHIGAN FRANCHISE INVESTMENT LAW**

The state of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are in these franchise documents, the provisions are void and cannot be enforced against you:

- (A) A prohibition on the right of a franchisee to join an association of franchisees.
- (B) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a Franchise Agreement, from settling any and all claims.
- (C) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the Franchise Agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (D) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than five (5) years; and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least six (6) months advance notice of franchisor's intent not to renew the franchise.
- (E) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (F) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (G) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
  - (i) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.
  - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
  - (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
  - (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the Franchise Agreement existing at the time of the proposed transfer.

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

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

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000, the franchisor shall, at the request of a franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations to provide real estate, improvements, equipment, inventory, training, or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

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

Any questions regarding this notice should be directed to:

State of Michigan Consumer Protection Division  
Attn: Franchise  
670 G. Mennen Williams Building  
525 West Ottawa  
Lansing, Michigan 48909  
(517) 335-7567

Despite subparagraph (f) above, we intend to enforce fully the arbitration sections contained in our Franchise Agreement and Development Rights Agreement. We believe that subparagraph (f) is unconstitutional and cannot preclude us from enforcing our arbitration sections. If you acquire a franchise, you acknowledge that we will seek to enforce the arbitration sections as written, and that the terms of the Franchise Agreement and Development Rights Agreement will govern our relationship with you, including the specific requirements of the arbitration sections.

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### Exhibits

- A. State Franchise Regulators and Agents for Service of Process
- B. Franchise Agreement
- C. Development Rights Agreement
- D. Financial Statements
- E. Operations Manual Table of Contents
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- G. State Addenda
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- I. Receipt

## **Item 1**

### **The Franchisor and any Parents, Predecessors, and Affiliates**

For ease of reference in this Franchise Disclosure Document, Fantasy Claw Arcade LLC will be referred to as “we” or “us,” and the person who is considering the franchise will be referred to as “you.” If the franchisee will operate through a corporation, partnership, or limited liability company, “you” also includes the franchisee’s owners or partners relating to certain provisions of the Franchise Agreement and related documents that will apply to your shareholders, partners, members, managers, officers, and directors. Those provisions will be noted.

Our principal business address is 3110 Polaris Ave Suite #8 Las Vegas, Nevada 89102.

We conduct business under the names “Fantasy Claw Arcade Franchise, LLC” and “Fantasy Claw Arcade” and no other name. We are a Nevada limited liability company organized on February 21, 2024. Other than the franchise opportunity described in this Franchise Disclosure Document, we do not offer franchises in any other lines of business. We have no other business activities and have not operated a Fantasy Claw Arcade. However, our wholly owned or majority-owned and controlled subsidiaries have operated Fantasy Claw Arcades since 2024. (Item 20 discloses subsidiary-owned Fantasy Claw Arcades during our last three (3) fiscal years.)

We have offered franchises of the type offered to you since 2025. Except as described below, we have no predecessors, parent companies, or affiliates disclosable in this Item.

We have developed a casual arcade format and operating system that focuses on offering interactive entertainment through claw machines, arcade games, and related attractions. Our operating system includes a recognized design, decor, color scheme, game or prize specifications, uniform standards, specifications, rules and operational procedures, techniques, philosophies, quality and uniformity of services and customer experiences offered, and inventory and management control procedures (the “System”). We grant franchises to operate Fantasy Claw Arcades (“Arcades”) using the System and the trade names, trademarks, service marks, emblems, slogans, and copyrights we authorize. Our System takes advantage of the growing demand for family-friendly entertainment by providing engaging arcade experiences at competitive prices. You must maintain a standard set of games and prizes, which are offered to the general public.

This Franchise Disclosure Document describes many of the things you may want to know about owning and operating an Arcade. You will use the System to operate an Arcade. We will provide you with initial basic training and continuing advice and assistance in the operation of your franchise, merchandising and advertising, all as described in this Franchise Disclosure Document.

You must operate the Arcade according to our Franchise Agreement and the standards and specifications in our confidential operations manual (“Manual”).

We will grant you a license to use the service mark “Fantasy Claw Arcade” and other trade names, trade dresses, service marks, trademarks, copyrights, symbols, logos, characters, designs, illustrations, art works, titles, and slogans we periodically specify (“Marks”).

If you are renewing your franchise because its current term is about to expire, you will sign our Renewal Rider to Franchise Agreement (attached as Exhibit D to the Franchise Agreement, which is Exhibit B of this Disclosure Document), which, among other things, modifies certain provisions in our standard Franchise Agreement that do not apply to you because your Arcade already is open.

You will compete with other local, regional, and national companies offering competitive products and services. Our competitors include other claw machine arcades and other traditional arcades. The market for arcades is large and developed. You may face competition from larger, more established, and better-funded companies in some areas.

You must comply with all local, state, and federal laws and regulations applicable to the operation of your business, including those specific to arcades, gaming machines, and general business operations. If offering food or beverages at your Arcade, you may need to obtain the appropriate food handler or similar permits and business licenses in your state. Additionally, you must comply with any Occupational Safety & Health Administration (OSHA) guidelines, Americans With Disabilities Act (ADA) requirements, and other applicable laws and regulations pertaining to arcade operations. This includes compliance with rules governing the placement, maintenance, and accessibility of arcade machines and ensuring customer safety. Depending on your location, you may need to comply with local gaming laws or obtain special permits for amusement devices.

The location, construction, and operation of an Arcade may also be affected by a variety of state and local zoning, land use, planning, handicap access, minimum wage, and labor laws and regulations. For Non-Traditional Venues, additional permits or agreements with host venues may be required. If offering redemption prizes or other incentives, you must comply with all applicable laws regulating prize redemption, sweepstakes, and games of skill.

We urge you to make inquiries, including seeking advice from an attorney or other professionals, about these laws and regulations and their applicability to your Arcade. Compliance is critical to the successful operation of your business.

We also may grant multi-unit development rights to qualified franchisees, which then may develop a specific number of Fantasy Claw Arcades (a minimum of three (3)) within a designated territory according to a predetermined, mandatory development schedule. Those franchisees may open and operate their Fantasy Claw Arcades directly or through “Approved Affiliates,” which are entities whose majority ownership is owned and controlled by you or your owners. Our Development Rights Agreement (Exhibit C), which we sometimes reference as “DRA,” governs a franchisee’s multi-unit development rights and obligations. If you sign a Development Rights Agreement, you (or your Approved Affiliate) also will sign a Franchise Agreement for your first Fantasy Claw Arcade at the same time.

The form of Franchise Agreement that you and your Approved Affiliates sign for future Fantasy Claw Arcade franchises to be developed under the DRA may differ substantially and materially year to year from the first Franchise Agreement you sign for your first Fantasy Claw Arcade to be developed (as noted above, our current version of Franchise Agreement is disclosed in this Disclosure Document as Exhibit B).

## **Item 2 Business Experience**

### **Bradley Howard**

Bradley Howard is a serial entrepreneur and online retail veteran with over 15 years of experience in building and scaling successful businesses. As the Chairman of the Board for Channel Key LLC, an Amazon activation and acceleration agency, Brad leads a team of over 70 professionals who specialize in driving growth for brands on Amazon and other eCommerce platforms. In parallel, he serves as the Managing Partner at Howard Family Ventures, where he actively invests in and supports a diverse portfolio of ventures, including technology, eCommerce, and digital marketing.

Brad's entrepreneurial journey is defined by his creation and successful exit from Trend Nation, one of the largest Amazon private label platforms in the U.S. Under his leadership, Trend Nation was consistently recognized as one of the fastest-growing companies in America, earning multiple Inc. 5000 designations, a Fortune Magazine Best Workplaces recognition, and widespread media acclaim from outlets such as The Wall Street Journal and CNBC. His achievements in scaling businesses and navigating the complexities of the Amazon ecosystem make him a sought-after expert in eCommerce, global sourcing, marketing strategy, and logistics.

Over his career, Brad has been honored with numerous accolades, including Cleveland's Top 10 Entrepreneurs under 30, Las Vegas 40 Under 40, and a finalist for the prestigious Ernst & Young Entrepreneur of the Year Award. In addition to his entrepreneurial ventures, Brad's earlier career included leadership roles at respected organizations such as Priceline.com, Bank of America, and Abbott Laboratories.

Brad holds a BSBA from The Ohio State University and an Executive MBA from MIT University, bringing a blend of academic expertise and hands-on business experience to every venture he undertakes. He is also an active member of the Young Presidents' Organization (YPO) and contributes to several nonprofit boards, including the Jewish Federation of Nevada and the Boy Scouts of America.

When not driving business innovation, Brad enjoys spending time with his wife and kids, traveling, and indulging in his passion for collecting and restoring coin-operated gadgets.

### **Tamir Eliyadoo**

Tamir Eliyadoo is a highly successful entrepreneur and retail expert with over 20 years of experience in building and scaling businesses across the U.S. and internationally. As the owner of 30 locations spanning Las Vegas and Maui, Hawaii, Tamir has a proven track record of establishing and growing retail operations that generate millions in annual revenue. His diverse business portfolio includes luxury retail, retail real estate, and wholesale operations, all of which are fully operational and self-sustaining.

Tamir is the founder and owner of #Hashtag.Vegas, a rapidly growing souvenir store brand in Las Vegas. Under his leadership, #Hashtag.Vegas has expanded to numerous locations up and down the Las Vegas Strip, including his newest store in The Venetian Resort. He has worked closely with renowned landlords such as MGM, Palazzo, Caesars Entertainment, and Fremont Street Experience, among others, to secure prime retail spaces. As a strategic business leader, Tamir oversees every aspect of the operation, from customer targeting and product development to marketing and distribution.

Throughout his career, Tamir has demonstrated exceptional leadership in navigating the challenges of a dynamic retail environment. He successfully led his company through a major organizational restructuring in 2014, transitioning from a centralized management structure to a network of micro-businesses, resulting in improved efficiency and decreased owner involvement. His ability to adapt to market shifts was particularly evident during the 2008 recession when he pivoted the business towards a new target demographic, ultimately positioning the company to not only survive but emerge stronger than before.

In addition to his work in retail, Tamir has led numerous expansion initiatives, including taking his luxury business operations to the Virgin Islands and Hawaii. His expertise in negotiation, market analysis, and business development has been key to the successful opening of over 20 retail locations, as well as expanding the company into new regions.

Before embarking on his entrepreneurial journey, Tamir served in the Israel Defense Forces as part of the 460th "Bnei Or" Armor Brigade, where he developed strong leadership and problem-solving skills that continue to serve him in his business ventures today. His achievements in retail have been driven by

his hands-on approach to business, and he remains dedicated to continuously innovating and expanding his ventures.

When he's not focused on business growth, Tamir enjoys exploring new opportunities and investing in long-term projects that align with his passion for entrepreneurship.

### **Jason Smylie**

Jason Smylie brings extensive executive leadership, strategic insight, and franchise expertise to Fantasy Claw Arcade as a member of its Board of Directors. As President of Capriotti's Sandwich Shop and Wing Zone, he oversees more than 200 restaurants spanning 30 states and six countries, demonstrating a strong track record in franchise growth, operational excellence, and innovative technology integration. Under his leadership, Capriotti's and Wing Zone have achieved national recognition, driven franchisee profitability, and solidified their market presence.

Previously serving as CIO and CMO at Capriotti's, Jason was named the second Most Social CIO globally by Forbes and has been featured in top-tier publications including The New York Times, Huffington Post, Forbes, QSR Magazine, Nation's Restaurant News, and Franchise Times. His industry achievements include accolades such as Top Tech Executive and a 40 Under 40 award from Vegas Inc. Magazine.

Beyond his restaurant franchise leadership, Jason sits on multiple philanthropic boards — the AOKI Foundation supporting brain research and community empowerment initiatives, R3demption Community helping at risk youth, and the Intermountain Health's Pediatric Advisory Council building Nevada's first dedicated children's hospital. He is an investor in early-stage tech and medtech companies and participates in commercial real estate developments in Las Vegas and Delaware.

Jason's robust educational background includes a B.S. in Computer Science and an MBA with a specialization in New Venture Management from the University of Nevada, Las Vegas, complemented by his Certified Franchise Executive designation from the International Franchise Association.

In his personal life, Jason is a man of faith who enjoys family time with his wife, Malia, and their four children, alongside his passions for reading, playing guitar, philosophy, running, and snowboarding.

### **Item 3 Litigation**

No litigation is required to be disclosed in this Item.

### **Item 4 Bankruptcy**

No bankruptcy is required to be disclosed in this Item.

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## **Item 5 Initial Fees**

### **Franchise Agreement**

The initial franchise fee due under each Franchise Agreement (where no development rights are granted) is a lump sum payment of \$40,000, payable in full when you sign the Franchise Agreement. The initial franchise fee is fully earned when paid and non-refundable in consideration of our administrative and other expenses incurred in granting the franchise and for our lost or deferred opportunity to franchise others.

You also must pay a Development Services Fee for each Arcade you develop for our costs incurred in site selection assistance, layout and design assistance, plan review, and lease review assistance. This fee is \$10,000 and is due in a lump sum when you sign the Franchise Agreement. This fee is fully earned and non-refundable.

Unless your Arcade operates within a “Non-Traditional Venue” (defined below), you must spend at least \$30,000 on an Arcade Launch Marketing Plan that will be made in collaboration with you. \$20,000 is paid to us in two (2) equal installments of \$10,000, and \$10,000 is managed by you, with roughly half spent pre-opening and half spent post-opening with proof of this expenditure provided. The first \$10,000 installment to us is due no later than four (4) weeks prior to your Arcade opening, and will include an initial press release, creation of your store’s dedicated webpage, social media campaign launch, content creation (photos/video), initial paid media advertising, and a digital store promotional video. The second \$10,000 installment is due no later than ten (10) weeks after opening and will fund the setting up of a customer loyalty program, email and text message marketing, social influencer collaboration, and online review management. These amounts are non-refundable once marketing activities have begun. The \$5,000 managed by your pre-opening is expected to include local sponsorships, mall signage, street team marketing and handouts, and hosting a grand opening event targeted at local influencers and community leaders. The remaining \$5,000 post-opening will include local print or digital media advertising (e.g., magazines, local publications, local news outlets) and ongoing mall/shopping center advertising (e.g., kiosks, banners, indoor/outdoor placements).

If your Arcade operates within a Non-Traditional Venue, you must spend at least \$10,000 on an Arcade Launch Marketing Plan. This amount is due no later than four (4) weeks before the Arcade opens. We will create the Arcade Launch Marketing Plan in collaboration with you and implement the Plan on your behalf. This payment is non-refundable. A “Non-Traditional Venue” means a captive-venue location, including airports, hospitals or medical centers, limited-access highway food facilities, bus or train locations, entertainment and sports complexes, convention centers, military facilities, schools, colleges, and universities, office facilities, department and retail super-stores, off-site sales accounts, convenience stores, supermarkets, and home-improvement retailers, as well as any type of location known colloquially as a “Satellite Arcade,” or a similar type of location that operates without walls around the machine placement.

If you sign the Franchise Agreement in connection with your purchase of the Arcade from an existing franchisee (or, if applicable, from us or our affiliates), you must pay us \$7,500 to purchase marketing and advertising for the Arcade’s “Transfer Marketing Plan,” which covers marketing activities during the first two (2) to three (3) months after the transfer is completed.

### **Development Rights Agreement**

If you sign our DRA because you commit to developing at least three (3) Fantasy Claw Arcades within a designated territory, the initial franchise fee due for each arcade slated for development, including the first arcade, is \$30,000. When you sign the DRA, you (or your Approved Affiliate) also must sign a Franchise Agreement for the first arcade to be developed and pay us a development fee. The development fee is the sum of the following amounts: (1) the \$30,000 initial franchise fee for the first arcade to be developed under the DRA (for which you or your Approved Affiliate concurrently signs the Franchise

Agreement); (2) the \$10,000 Development Services Fee due for the first arcade to be developed under the DRA; and (3) a deposit equal to \$10,000 for each additional arcade (after the first arcade) which the DRA grants you the right to develop. We will identify the number of Arcades you must develop, the deadlines for finding their sites and signing their leases, the deadlines for developing and opening them, and the applicable development fee before you sign the DRA.

The development fee is not refundable under any circumstances, even if you do not comply or attempt to comply with the Development Schedule and we then terminate the DRA. While the Development Fee is not refundable, each time you sign a Franchise Agreement for the next arcade to be developed within the Territory under the DRA, we will apply the deposit related to that arcade (which is part of the Development Fee) toward the initial franchise fee due for that arcade (leaving \$20,000 of the initial franchise fee due at time of signing).

Except as provided above, the initial franchise fee and development fee are uniform for all franchisees and developers under this offering.

We will pay a referral incentive to each existing franchisee that refers to us (by telephone or email introduction to the Franchise Sales Department) a new prospective franchisee (not already in the system) that ultimately signs a Franchise Agreement or Development Rights Agreement with us. We will pay a \$7,500 referral fee only for the first agreement executed as a result of the referral. We will pay \$5,000 of this referral fee within ten (10) days after the Agreement is signed (if we have received the development fee or franchise fee from the developer or franchisee) and the remaining \$2,500 within ten (10) days after the developer or franchisee opens its first Arcade. We may end or change this referral incentive at any time in our sole judgment. We do not expect or want the referring franchisee to be involved in the franchise sales process.

**Item 6  
Other Fees**

Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
Royalty Fee	6% to 7% of monthly Gross Sales <sup>(2,3)</sup>	Payable daily along with the Royalty Fee report.	Royalties may be pulled by ACH enabled through the POS system
Marketing Fund	Up to 4% of monthly Gross Sales <sup>(2)</sup>  We currently charge 2% of monthly Gross Sales	Payable when you pay your Royalty Fee <sup>(2)</sup>	You must make contributions to the Marketing Fund.
Technology Fee	1% of Gross Sales	Payable when you pay your Royalty Fee <sup>(2)</sup>	While we do not currently charge this fee, we have the right to begin collecting it on 30 days' prior written notice to you. Tech Fees cover technology expenditures we deem best for the franchise system (and company- and affiliate-owned Arcades), including mobile training and operational performance

Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
			software, cloud-based franchise-management solutions, IT phone support and database maintenance, digital marketing, online ordering and loyalty subscriptions, iPad mobile device management, and e-learning solutions. <sup>(4)</sup>
Cooperative Advertising	Up to 2% of your monthly Gross Sales <sup>(2)</sup>  We require you to contribute the full 2% if a Cooperative has been established.	As determined by the Cooperative	The Franchise Agreement allows us to require you to contribute up to 2% of your Arcade's Gross Sales.
Arcade Launch Marketing Plan	\$10,000	No later than 10 weeks after the Arcade opens (This applies when your Arcade does not operate at or within a Non-Traditional Venue).	This is the second installment of the \$20,000 you must pay us to purchase marketing and advertising for the Arcade Launch Marketing Plan, which covers marketing activities during the first 4 to 6 months of operation.
Training for Additional Team Members/Managers in Las Vegas <sup>(6)</sup>	\$1,000 per person per 5 days <sup>(6)</sup>  We have the right to increase to \$5,000 per person per 5 days	Upon commencement of training	You pay for additional training if you request it
Training for Additional Team Members/Managers at your location <sup>(6)</sup>	\$2,000 per 5 days <sup>(6)</sup>  We have the right to increase to \$7,500 per person per 5 days	Upon commencement of assistance	You pay for additional training if you request it.
Extensive On-Site Training Program	\$10,000	Upon demand	We have the right to require your managerial personnel to participate in, and complete successfully, an additional extensive onsite training

Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
			program at the Arcade for up to 6 weeks after the Arcade has opened for business.
Copy of Manual	Paper Copy \$1,000 (electronic copy available at no charge)	10 days after billing	Cost of replacement copy at your request
Approval of New Supplier	Our costs incurred in approving supplier	Upon submission of sufficient background information on the supplier	See Item 8
Transfer Fee	Greater of \$10,000 or 5% of the sales price (but not to exceed \$20,000)	At time of approved transfer	No transfer fee if 100% of interest in franchise is transferred to a corporation, partnership, or limited liability company controlled by you.
Renewal Fee	\$10,000	Upon signing new successor Franchise Agreement	
Relocation Fee	\$5,000	As incurred	Due if you wish to relocate the Arcade's premises.
Audit	Costs of audit plus interest	10 days after billing, with interest beginning from the date of underpayment	Costs of audit payable only if audit shows an underpayment of any amount owed to us of 3% or more.
Bookkeeping Services	\$100 per hour	When billed	Payable if you fail to provide timely financial reports twice in a 24-month period and we require you to use our bookkeeper.
Guest Complaint Resolution	Currently \$50 per hour (not to exceed \$150 per hour)	As incurred	Due if you do not resolve guest complaints twice in 24-month period, and we require you to use our complaint resolution system.
Administrative/Late Fee	\$250	When billed	Due for each late or dishonored payment.
Interest	Lesser of 1.5% per month or highest commercial contract interest rate law allows	When billed	Due on past due amounts
Costs and Attorneys' Fees	Will vary based on circumstances	As incurred	Due when you do not comply with Franchise Agreement or Development Rights Agreement
Indemnification	Will vary based on circumstances	As incurred	You must reimburse us if we are held liable for claims

Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
			<p>arising from our operation of your franchise.</p> <p>You have the same indemnification obligations under the Development Rights Agreement.</p>
POS System	\$134 per month	When billed	Payable to supplier. See Item 11.

Note 1: All fees are imposed by and payable to us and are non-refundable unless otherwise noted. Unless otherwise negotiated with you, all fees outlined in Item 6 are uniformly imposed on franchisees. You may not withhold all or any part of the fees due to us or any buying group on the grounds of nonperformance.

Note 2: The term “Gross Sales” means the total of all revenue and other consideration you generate from operating the Arcade whether from sales for cash or credit, and irrespective of collection, including sales of merchandise, products and services, excluding only (or, if applicable, reduced only by) the following: sales tax if paid to the appropriate government authorities; proceeds from the sale of equipment not in the ordinary course of business; promotional discounts you initiate and formally request and we pre-approve in writing, provided physical evidence of the promotion is retained; discounts granted on tokens by employees for their own consumption; and any other exclusions or reductions we specifically identify (although without any obligation to do so) in the Manual. All transactions first will be (and must be) entered into the Information System at the full (non-discounted) retail price, plus all related fees and charges, for purposes of calculating Gross Sales. For the avoidance of doubt, Gross Sales are not reduced by the amount paid to, retained or collected by, or shared with third-party ordering, token dispensing, credit card, or gift card systems with which your Arcade does business.

Note 3: Your Royalty Fee is 7% of monthly Gross Sales if you sign individual Franchise Agreements to operate one (1) to two (2) Arcades. You will pay 6% of monthly Gross Sales if you sign a Development Rights Agreement to operate three (3) or more Arcades. However, if you default under the Development Rights Agreement and do not open at least three (3) Arcades, we have the right immediately to increase the Royalty Fee to 7% of Gross Sales under all of your existing Franchise Agreements.

Note 4: Fantasy Claw Arcades that we or our affiliates own will pay Tech Fees on the same percentage basis as franchisees. We have the right to allocate and spend Tech Fees in our sole judgment, including for salaries, wages, and benefits, direct technology program costs, and overhead expenses for these activities. Despite payment of the Tech Fees to us, you must pay third-party vendors for the costs of and support services for your Arcade’s technology systems. We have no obligation to account to you or other franchisees for our use of Tech Fees or to ensure that you or the Store benefits directly or pro rata based on your payments of Tech Fees.

Note 5: Beginning after the Arcade Launch Marketing Plan ends, you must spend at least 1.5% of monthly Gross Sales (though we recommend that you spend up to 4% of monthly Gross Sales) towards local marketing efforts.

Note 6: The fee for two (2) people to attend the full initial training program, and for two (2) people to attend the hourly team-member training program, before the Arcade opens is included in the initial franchise fee. We provide your Managing Owner and a second attendee a full initial training program at a designated Fantasy Claw Arcade training arcade in Las Vegas. If your Managing Owner will not be the Arcade’s full-time general manager, we will require at least two (2) other people with primary responsibility

for operating your Arcade to attend training (in addition to your Managing Owner). If we determine that the required attendees cannot complete initial training to our satisfaction, we have the right to postpone the Arcade’s opening until two (2) trained candidates are available. Two (2) additional people must attend and satisfactorily complete an hourly team-member training program. We also have the right to postpone the Arcade’s opening if we determine that a person in our training program (i) falsified any documentation, (ii) made any material misrepresentation, (iii) was not approved under our standard application procedures, (iv) failed to complete all the training hours in our training program, or (v) failed to pass our training program examinations. We have the right to expel that person from our training program or postpone the opening until a qualified, trained candidate is available. You must pay any damages we experience due to the expulsion and will be charged for then-current training costs.

You must pay salaries and benefits, travel, lodging, meals, and other associated expenses incurred by you and your trainees/attendees.

If you request our trainers to provide additional or supplemental training and we have the resources to accommodate this request, fees you will incur include a fee of \$1,000 per trainer per five (5) days for training in Las Vegas. If you request that our trainers provide additional or supplemental training at your location and we have the resources to accommodate this request, fees you will incur include a fee of \$2,000 per five (5) days of training, and you will be invoiced for travel-related expenses (flight, car, hotel, per diem) and other associated expenses.

Please note that the table above and the footnotes are a general summary only. You can only obtain a full understanding of the System and the costs involved by reading all of the franchise documentation completely. Certain state and federal legislation may affect the respective rights and liabilities under the various agreements to which you and we are both parties.

**Item 7  
Estimated Initial Investment**

**YOUR ESTIMATED INITIAL INVESTMENT**

(FOR A “TRADITIONAL” FANTASY CLAW ARCADE)

<b>Type of Expenditure</b>	<b>Amount<sup>1</sup></b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment is Made</b>
Franchise Fee <sup>2</sup>	\$40,000	Lump Sum	When you sign Agreement	Us
Development Services Fee <sup>3</sup>	\$10,000	Lump Sum	When you sign Agreement	Us
Architectural/ Engineering Fees and Project Management <sup>4</sup>	\$0 - \$15,000	Vendor’s Terms	As Incurred	Arcade Planner/ Architect/ Engineer
Professional Services <sup>5</sup>	\$2,000 - \$8,000	As Incurred	As Incurred	Your attorney, accountant, and other professionals

Permits and Licensing <sup>6</sup>	\$3,000 - \$17,000	As Incurred	As Incurred	Local Municipalities
Rent <sup>7</sup>	See Note 7	See Note 7	See Note 7	See Note 7
Security Deposits <sup>8</sup>	\$3,000 - \$30,000	Lump Sum	Per Lease/Utility Company Requirements	Landlord / Utilities
Leasehold Improvements <sup>9</sup>	\$15,000 - \$75,000	Negotiable	Contract Terms	General Contractor
Furniture, Fixtures, Equipment <sup>10</sup>	\$65,000 - \$100,000	Vendor's Terms	Before opening	Approved Independent Suppliers
Interior Décor	\$6,000 - \$12,000	Vendor's Terms	Before opening	Vendor
Exterior Signage	\$5,000 - \$10,000	Vendor's Terms	Before opening	Approved Sign-Maker
Menu Boards	\$800 - \$2,000	Vendor's Terms	Before opening	Vendor
POS System <sup>11</sup>	\$1,500 - \$3,000	Vendor's Terms	Before opening	Vendor
Training <sup>12</sup>	\$15,000	As Incurred	As Incurred	Various
Opening Inventory	\$15,000 - \$30,000	Vendor's Terms	Before opening	Vendor
Arcade Launch Marketing Plan <sup>13</sup>	\$30,000	As Incurred	Upon demand	Us
Pre-Opening Mock Operations <sup>14</sup>	\$3,000	As Incurred	Before opening	Various
Insurance (3 Months) <sup>15</sup>	\$1,000 - \$2,000	Vendor's Terms	Before opening	Vendor
Additional Funds – 3 Months <sup>16</sup>	\$30,000 - \$40,000	See Note 16	As Incurred	Various
<b>TOTAL<sup>17</sup> (excluding real estate purchase and lease costs)</b>	<b>\$245,300 - \$442,000</b>			

- There are no other direct or indirect payments regarding the purchase of the franchise.
- Except for the security deposit and perhaps some utility deposits (see note 8 below), no expenditure in this table is refundable.
- If you are renewing your franchise, you will not incur most of these costs because your Arcade is already open. However, you must make certain upgrades, modifications, and

improvements at your Arcade to meet our current standards. Your costs will depend on your Arcade's current condition.

<sup>1</sup>The initial fees represent actual amounts; we have estimated all other amounts based on our experience. The low estimate is the lowest for each category.

<sup>2</sup>We describe the initial franchise fee and development fee, and when these fees are due, in Item 5. No separate initial investment is required when you sign the Development Rights Agreement, although you of course must build the first Arcade at a cost estimated to range as described in the chart above. Therefore, the total investment necessary to begin operation of your acquired development rights is \$255,300-\$452,000, with a total investment of \$705,900-\$1,296,000 if you commit to develop a minimum of three (3) Fantasy Claw Arcades.

<sup>3</sup>This fee is payable when you sign the Franchise Agreement for our costs incurred in providing site selection, layout, and design assistance. However, if you sign a Development Rights Agreement, this fee for the first Arcade you agree to develop is due when you sign the Development Rights Agreement. We charge the same fee whether your Arcade will be in a traditional or non-traditional location.

<sup>4</sup>This fee represents the cost of plans and specifications paid to an approved arcade designer, architect, and engineer. We may require that you use an approved construction management firm to manage the construction process for your location. The cost for the development of construction documents can vary depending on the state or municipality where your Arcade will be built.

<sup>5</sup>Professional fees are for attorneys, accountants, or other professionals from whom you seek advice.

<sup>6</sup>Permits and licensing are fees paid to various local agencies to secure permits related to the construction of your leasehold space.

<sup>7</sup>An Arcade occupies approximately 1,000 to 2,500 square feet of leased space, typically in an in-line Shopping center in an urban or suburban commercial area. Your investment could be substantially higher if you decide to buy property or to lease space in a regional Shopping mall, enclosed Shopping mall, lifestyle center, or high-rent facility. Rent depends on geographic location, space size, local rental rates, other businesses in the area, site profile, and other factors. We cannot estimate precisely your initial real estate investment. While there are exceptions depending on landlord negotiations, our franchisees typically do not pay rent before they open for business.

<sup>8</sup>Landlords typically charge a security deposit equal to 1 month's rent and also may have site lease deposits that vary according to location. Utility and other companies typically charge security deposits that vary by locale and your credit history. Some security deposits will be refundable depending on your agreement with the landlord or the utility and other companies.

<sup>9</sup>The cost of leasehold improvements can vary significantly depending on factors like (i) whether pre-construction demolition of existing walls and partitions is required, (ii) whether the space was previously used as an Arcade and already contains electrical outlets necessary to power the machines (iii) regional differences in material costs. The high and the low amounts reflect estimated leasehold improvement costs without any tenant improvement allowances but do include a 10% contingency (of the total estimated cost) for unexpected cost overruns or delays. The only Fantasy Claw Arcade location opened in 2024 had no tenant improvement allowance. Please note that not all of our franchisees receive tenant-improvement allowances. If your landlord provides a tenant-improvement allowance, that will be incorporated into your rent. We have detailed information on one (1) Fantasy Claw Arcade that opened in 2024. This arcade is located within a Shopping mall and is approximately 4,000 square feet and is a converted shoe store with a large storage area.

Although we expect all projects to fall within the indicated range, as we continue to expand into new and higher-cost markets, our experience with these costs could change significantly. Depending on the market in which you develop or the type of Arcade you develop, you might experience costs exceeding the range listed in the table. Unpredictable and unknown fluctuations in costs due to supply-chain disruptions, supply shortages, inflation, regulations, tariffs, transportation costs, and other economic factors on the international, national, regional, and local levels also could affect development costs.

<sup>10</sup>The high and low amounts represent the price to buy new equipment. This range includes the purchase of audio-visual equipment.

<sup>11</sup>This represents the cost for the fully integrated required point-of-sale (POS) system with our required suite of services.

<sup>12</sup>This represents the training cost for your first Arcade. You do not pay an initial training fee, but you will pay all personal expenses for the training for you and your employees, including transportation to Las Vegas, lodging, meals, wages, and benefits for you and any of your employees during Pre-Opening Mock Operations. This amount is the estimated cost for four (4) people to attend our training program.

<sup>13</sup>You must spend at least \$30,000 on Arcade Launch Marketing activities. The Arcade Launch Marketing Plan typically covers a four (4) to six (6)-month period. We will make the spend on your behalf. You must pay us \$15,000 four (4) weeks before the Arcade opens and another \$15,000 within ten (10) weeks after the Arcade opens. Some franchisees may choose to spend significantly more than \$30,000 towards their Arcade launch marketing and advertising activities.

<sup>14</sup>All arcades must have at least two (2) Pre-Opening Mock Operation and staff training events commonly called friends and family night. For the friends and family night, we estimate plushie costs of \$1,500 and approximately 200 salary hours for three (3) days of employee pre-opening training.

<sup>15</sup>You must purchase insurance we specify, as described in Item 8.

<sup>16</sup>This is an estimate of the funds needed to cover your other pre-opening expenses as well as initial start-up expenses during the first three (3) months of operation (other than the items identified separately in the table). This includes rent, utilities, wages, inventory purchases, office supplies, printed materials, phone, facsimile, pre-opening and regular salaries for managers, pre-opening and regular wages of hourly employees, debt service, real estate services, legal, internet expense, accounting expense, and other expenses. We relied on our affiliates' experience in operating arcades to compile this Additional Funds estimate.

<sup>17</sup>We do not offer financing directly or indirectly for any part of the initial investment. The availability and terms of financing depend on many factors, including the availability of financing, your creditworthiness, collateral, and lending policies of financial institutions from which you request a loan. An estimated initial investment will be incurred for each Fantasy Claw Arcade established under a Development Rights Agreement.

The outlined investment is for a traditional Fantasy Claw Arcade. If you open an Arcade in a Non-Traditional Location, such as a regional Shopping mall, enclosed Shopping mall, lifestyle center, airport, university, or sports arena, or any other type of location that operates without leasehold improvements, the cost could be significantly lower or potentially higher depending upon the location, the required equipment, design, the use of union labor, and facilities fees paid to the location owner (see the next estimated initial investment chart).

A lower-cost Arcade is one that will require fewer leasehold improvements and fewer equipment purchases. Moderate and higher-cost Arcades may require extensive interior and exterior renovations, interior finishes, and additional equipment. To avoid excessive construction costs, we strongly recommend

you choose contractors carefully by obtaining several competitive bids before construction begins. In compiling these figures, we have relied on our experience and that of our affiliates in operating Fantasy Claw Arcades. We cannot guarantee that you will not have additional expenses starting the business.

## **Item 8 Restrictions on Sources of Products and Services**

You must purchase the following goods or services: our then-current trade dress; point-of-sales system, including the computer hardware and software further described in Item 11; arcade machines, arcade fixtures, furniture, and other equipment as listed in the Manual; and specified light fixtures. Neither we nor any individuals affiliated with us currently derive any income or revenue based on or as a result of our or their sales of these items to you. None of our officers currently owns an interest in any approved supplier. Neither we nor any of our affiliates are an approved supplier or the only approved supplier for any item used in your Arcade, but nothing in the Franchise Agreement or Development Rights Agreement prohibits us from becoming an approved supplier in the future.

We and/or our affiliates have the right to derive revenue—in the form of promotional allowances, volume discounts, commissions, other discounts, performance payments, signing bonuses, rebates, marketing and advertising allowances, free products, and other economic benefits and payments—from suppliers that we designate, approve, or recommend for some or all Fantasy Claw Arcades on account of those suppliers' prospective or actual dealings with your Arcade and other Fantasy Claw Arcades. That revenue may or may not be related to the services we and our affiliates perform. All amounts received from suppliers, whether or not based on your or other franchisees' purchases from those suppliers, will be our and our affiliates' exclusive property, which we and they may retain and use without restriction for any purposes we and they deem appropriate. Any products or services that we or our affiliates sell you directly may be sold to you at prices exceeding our or their costs. To date, we have not received any money in rebates.

Collectively, the purchases and leases you must make from us or our affiliates, from designated or approved suppliers, or according to our standards and specifications represent close to 100% of your overall purchases and leases to establish and then operate the Arcade. The exact percentage of the items listed above must be determined for each specific Arcade. Percentages for your Arcade may be more or less than those shown.

You must participate in our approved guest satisfaction program and redeem all related coupons or offers at your expense.

To ensure you maintain the highest degree of quality and service, you must operate the Arcade in strict conformity with the methods, standards, and specifications prescribed in the Manual or otherwise in writing. We issue specifications and standards to you and approved suppliers. We reserve the right to modify the System and specifications periodically in order to achieve our quality and uniformity goals. We select suppliers based upon a variety of criteria, including quality, price, customer service, ability to service the entire System, and maintenance of uniformity. We must approve all products or services used in the operation of the Arcade. You must use only approved or designated suppliers as your exclusive suppliers and service providers (which suppliers may include or be limited to us and/or certain of our affiliates). Our right to designate and approve suppliers and service providers may include construction management and architectural firms that will be involved in the design, construction, and development of your Arcade.

We have developed and may continue to develop certain processes and products for use in the System, including processes which are prepared by highly confidential data, and which are our trade secrets. If these products become a part of the System, you must use only our processes and products and other proprietary products and must purchase all of your requirements for these products or services solely from us or authorized suppliers we designate.

You must obtain and maintain at your own expense the insurance coverage that we require. We may regulate the types, amounts, terms, and conditions of insurance coverage required for your Arcade, including standards for underwriters of policies providing required insurance coverage; our protection and rights under these policies as an additional named insured; required or impermissible insurance contract provisions; periodic verification of insurance coverage you must furnish to us; our right to obtain insurance coverage at your expense if you fail to obtain required coverage; and similar matters relating to insured and uninsured claims.

You currently must maintain the following minimum insurance coverage: Comprehensive General Liability—bodily injury and property damage of \$1,000,000 per occurrence and \$2,000,000 aggregate; Liquor Liability of \$1,000,000 aggregate (if applicable); automobile liability for all owned, non-owned, and rented vehicles used in operating the Arcade of \$1,000,000 Combined Single Limit Liability (not included with the General Liability); Workers' Compensation and Employer's Liability of \$1,000,000 by accident, \$1,000,000 by disease policy limit, and \$1,000,000 by disease each accident; Umbrella Liability of \$1,000,000 in excess of all other liability policies; and Property Insurance for 100% of the replacement cost of all furniture, fixtures, equipment, inventory, building (if applicable), and tenant build-out in the Arcade. You also must carry Employment Practices Liability of at least \$1,000,000 aggregate, including third-party coverage and Wage & Hour Defense costs of \$100,000; Cyber Liability of \$1,000,000 for all data breaches, identity thefts, phishing attacks, and social engineering and data response/crisis management expenses; and Trade Name Restoration coverage of \$500,000 per location to pay for your lost profit from an actual or alleged contamination claim anywhere in the brand.

Insurance costs will depend on the insurance carrier's charges, terms of payment, and your history. The General Liability policy must name us as additional insured. You must provide us with a new certificate or other proof of insurance within ten (10) days after renewing the insurance.

You must maintain in sufficient supply and use only those products, materials, supplies, and methods of service that conform to our standards and specifications, must refrain from using nonconforming items or methods without our prior written consent, and must sell, distribute, or deliver only those products that we expressly approve for sale in writing. You must sell or offer for sale all approved items; must refrain from any deviation from our standards and specifications without our prior written consent; must discontinue selling and offering for sale any items, products, or services which we may disapprove in writing at any time; and must use only products bearing the Marks which meet our specifications.

You must permit us or our agents to conduct unannounced inspections at any reasonable time and to remove from your Arcade samples of items (without payment for these items) in amounts reasonably necessary for testing by us or an independent laboratory to determine whether these samples meet our then-current standards and specifications. In addition to any other remedies we may have under the Franchise Agreement, we may require you to bear the cost of this testing if the supplier of the item has not previously been approved by us or if the sample fails to conform to our specifications.

We approve machines and plushies for use based on timelines of production and delivery (i.e., is the machine generally available, are plushies items delivered appropriately, safe, licenced, certified and the like), price, and availability of discounts for volume purchases. The time required for us to evaluate and approve new products is approximately 90 days.

We have the right to implement price advertising policies and to specify maximum, minimum, or other pricing requirements for products and services the Arcade offers and sells, including requirements for promotions, special offers, and discounts in which some or all Fantasy Claw Arcades participate, in each case to the maximum extent the law allows.

You must refrain from installing or permitting installation on the Arcade premises, without our prior written consent, any fixtures, furnishings, signs, equipment, or other improvements not previously approved based on our standards and specifications.

We have the right to require you to purchase certain equipment, fixtures, furnishings, signs, supplies, and other products and materials required for the operation of the Arcade solely from suppliers (including manufacturers, distributors, and other sources) who demonstrate, to our continuing satisfaction, the ability to meet our then-current standards and specifications for those items and who we have first approved in writing. These items will include help-wanted or other visual aid signs, and all building materials required for constructing the leased premises.

If you desire to purchase any plushies from an unapproved supplier, you must submit to us a written request for this approval and have this supplier acknowledge in writing that you are a franchisee and that we are not liable for debts you incur. You must allow our representatives to inspect the supplier's facilities and have samples from the supplier be delivered, at our option, either to us or to an independent, certified laboratory designated by us for testing. A charge not to exceed the reasonable cost of the inspection and the actual cost of the test must be paid by either you or the supplier. We may also require that the supplier comply with any other reasonable requirements that we deem appropriate, including payment of reasonable continuing inspection fees and administrative costs. We reserve the right, at our option, to reinspect the facilities and products of any approved supplier and to revoke our approval upon the supplier's failure to continue to meet any of our then-current criteria or for any other business reason we deem appropriate. We will notify you and/or the supplier in writing of our decision. If, in providing services to you, any third-party vendor might obtain access to confidential information as described in the Franchise Agreement, we may require, as a condition of the approval of the provider, the signing of covenants of non-disclosure and non-competition in a form satisfactory to us.

You must submit to us, for our prior written approval, samples of all advertising and promotional plans and materials that you desire to use and which we have not prepared or previously approved. You must display the Marks in the manner we require on all signs and other advertising and promotional materials used in the Arcade.

You grant us and our agents the right to enter the Arcade at any reasonable time to inspect, photograph, or videotape the Arcade, equipment, and operations; must cooperate with our representatives in these inspections by rendering assistance as they may reasonably request; and, upon reasonable notice from us or our agents, and without limiting our other rights under the Franchise Agreement, must take the steps necessary to correct immediately any deficiencies detected during any inspection, including immediately desisting from the continued use of any equipment, advertising materials, products, or supplies that do not conform to our then-current specifications, standards, or requirements.

You must not engage in any trade practice or other activity which is harmful to our goodwill or reflects unfavorably on our reputation or the products sold from the Arcade, which constitutes deceptive or unfair competition, or which otherwise is in violation of any applicable laws.

You may not maintain a World Wide Web site for your Arcade.

You must obtain a telephone listing for use in your Arcade. The telephone listing will belong to us; however, you must pay all telecommunications charges directly to the telecommunications company. We reserve the right to place protective codes restricting access to the telephone listing to protect the System should you no longer operate your Arcade.

We have the right to require you to upgrade, remodel, and/or re-equip your Arcade periodically. You may not make any alterations to your Arcade, or any replacements, relocations, or alterations of fixtures, equipment, or signs, that do not meet our then-current standards and specifications. However, once your Arcade opens, we will not require you to spend more than \$10,000 on remodeling or new equipment

during the first two (2) years of the franchise term or more than \$50,000 during any five (5)-year period (provided, however, these dollar limitations do not apply in connection with your acquisition of a successor franchise, a transfer, updates or changes to the Information System and Computer System, required software upgrades, and a relocation, in all of which cases we may require you to bring the Arcade into full compliance with our then-applicable specifications and standards for new Fantasy Claw Arcades before the Franchise Agreement expires, regardless of cost). Claw machines are to be replaced every five (5) years.

If you do not own your business premises, we first must accept your lease. It is your responsibility to select your own location that satisfies our site-selection criteria and is subject to our written acceptance. We reserve the right to require you and your landlord to provide in the lease that we will have the right at our option and without compensation to you to take assignment of the lease should you materially default under the lease, or your Franchise Agreement terminates or is not renewed for any reason. You may not relocate the business premises without our prior written approval.

There currently are no purchasing or distribution cooperatives. We and our affiliates currently negotiate purchase arrangements with suppliers (including price terms) for many of the items and services described earlier in this Item that you may obtain only from designated sources. In doing so, we and our affiliates seek to promote the overall interests of the franchise system and affiliate-owned operations and our interests as the franchisor (and not the interests of any particular franchisee or group of franchisees). We do not provide material benefits to a franchisee (for example, renewal or granting additional franchises) for purchasing particular products or services or using particular suppliers.

The Development Rights Agreement does not require you to buy or lease from us (or our affiliates), our designees, or approved suppliers, or according to our specifications, any goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, or comparable items related to establishing or operating your business under the DRA. However, each site proposed for a Fantasy Claw Arcade must satisfy our site-selection criteria and is subject to our written acceptance.

**Item 9  
Franchisee’s Obligations**

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

Obligation	Section in agreement	Disclosure document item
a. Site selection and acquisition/lease	Franchise Agreement Section 3  Development Rights Agreement Section 5	Items 7, 8, 11, and 12
b. Pre-opening purchases/leases	Franchise Agreement Section 8  Not applicable under Development Rights Agreement	Items 7, 8, and 11
c. Site development and other pre-opening requirements	Franchise Agreement Sections 3 and 8  Development Rights Agreement Section 5	Items 7, 8, and 11

<b>Obligation</b>	<b>Section in agreement</b>	<b>Disclosure document item</b>
d. Initial and on-going training	Franchise Agreement Section 8  Not applicable under Development Rights Agreement	Items 6, 7, and 11
e. Opening	Franchise Agreement Section 8  Development Rights Agreement Sections 1(a), 2(a), and 5	Items 11 and 12
f. Fees	Franchise Agreement Sections 2, 3, 4, and 8  Renewal Rider to Franchise Agreement Section 4  Development Rights Agreement Section 4	Items 5, 6, 7, 8, and 11
g. Compliance with standards policies/operating manual	Franchise Agreement Section 8  Not applicable under Development Rights Agreement	Items 8, 11, and 14
h. Trademarks and proprietary information	Franchise Agreement Section 5  Development Rights Agreement Section 3	Items 13 and 14
i. Restrictions on products/services offered	Franchise Agreement Section 5  Not applicable under Development Rights Agreement	Items 8, 11, 12, and 16
j. Warranty and customer service requirements	Franchise Agreement Section 5  Not applicable under Development Rights Agreement	Item 11
k. Territorial development and sales quotas	Not applicable under Franchise Agreement  Development Rights Agreement Sections 1(a), 2(a), and 5	Items 11 and 12
l. Ongoing product/service purchases	Franchise Agreement Sections 5 and 8  Not applicable under Development Rights Agreement	Items 6 and 8
m. Maintenance, appearance and remodeling requirements	Franchise Agreement Sections 5 and 8  Renewal Rider to Franchise Agreement Exhibit D  Not applicable under Development Rights Agreement	Items 8, 11, 16, and 17

<b>Obligation</b>	<b>Section in agreement</b>	<b>Disclosure document item</b>
n. Insurance	Franchise Agreement Section 8(h)  Not applicable under Development Rights Agreement	Items 7 and 8
o. Advertising	Franchise Agreement Sections 5(c) and 8(o)  Not applicable under Development Rights Agreement	Items 6, 7, 8 and 11
p. Indemnification	Franchise Agreement Section 29  Development Rights Agreement Section 10 and 11	Item 6
q. Owner's participation/management/staffing	Franchise Agreement Section 8  Not applicable under Development Rights Agreement	Items 11 and 15
r. Records/reports	Franchise Agreement Sections 4(e) and 7-9  Not applicable under Development Rights Agreement	Item 6
s. Inspections/audits	Franchise Agreement Sections 7-9  Not applicable under Development Rights Agreement	Item 8
t. Transfer	Franchise Agreement Sections 12-14  Development Rights Agreement Section 8	Item 17
u. Renewal	Franchise Agreement Section 2  Renewal Rider to Franchise Agreement Exhibit D  Not applicable under Development Rights Agreement	Item 17
v. Post-termination obligations	Franchise Agreement Section 11  Not applicable under Development Rights Agreement	Item 17

Obligation	Section in agreement	Disclosure document item
w. Non-competition covenants	Franchise Agreement Sections 6 and 8  Development Rights Agreement Section 11	Item 17
x. Dispute resolution	Franchise Agreement Sections 26-28  Development Rights Agreement Section 11	Item 17
y. Compliance with Customer Complaint Resolution Procedures	Franchise Agreement Section 8(c)  Not applicable under Development Rights Agreement	Item 6
z. Owner Guaranty	Owner's Guaranty and Assumption of Obligations  Not applicable under Development Rights Agreement	Item 15

**Item 10  
Financing**

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

**Item 11  
Franchisor's Assistance, Advertising, Computer Systems, and Training**

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

**Pre-Opening Obligations**

We will provide certain assistance and services to you. Neither the Franchise Agreement nor any other agreement requires us to provide any other assistance or services to you during the operation of the Arcade. It is our intention to provide the following assistance and services before the Arcade opens:

As explained in Section 3 of the Site Selection Addendum to the Franchise Agreement, we have 30 days after receipt of the information regarding Arcade site selection that you provide to approve or disapprove your selection. You may consider our failure to disapprove a site, after having been provided with all the required information and the passage of 30 days, approval of the selection. If the parties cannot agree on a site, then we may allow you to move to a mutually-acceptable available territory where you may locate a suitable site. If you cannot find a site, we may terminate the Franchise Agreement.

1. We will provide you with: (a) the benefit of our knowledge and experience in the installation, commencement, and operation of the System; (b) the benefit of our knowledge and experience in the selection and installation of equipment and furnishings, appropriate decor and layout, the location and installation of signage, and the System; (c) advisory service regarding the operation of the Arcade,

including preparing, presenting, and handling products and services in accordance with the System and our Manual and training your employees in the Arcade's proper operation; and (d) assistance in promoting the Arcade through advertising and public relations as we deem appropriate. (Franchise Agreement Section 7)

2. We will provide an initial training program for your Managing Owner and three (3) other persons you designate. We will make available any other training programs we deem appropriate. (Franchise Agreement Sections 7(c) and 7(f))

3. We will provide up to one hundred (100) hours of training in Las Vegas for your Managing Owner and at least one (1) other person and up to two (2) weeks of supervision and assistance to you and your employees at the Arcade around its opening. However, we may reduce these timeframes for "in-person" training and assistance to the extent we determine to train you through virtual learning, e-learning, and distance learning. (Franchise Agreement Section 7(f))

4. We will provide electronic access to a printable copy of the Manual throughout the franchise term, which will be updated periodically at no additional cost. If you require a paper replacement copy of the Manual, we will loan one to you at a cost of \$1,000. You must return any hard copy version of the Manual to us upon termination or expiration of the Franchise Agreement. The Manual's table of contents is presented as Exhibit E. (Franchise Agreement Section 7(e))

### **Time to Open**

You must open your Arcade within twelve (12) months after you sign the Franchise Agreement. We estimate the typical length of time between the signing of the Franchise Agreement and the opening of your Arcade to be six (6) to twelve (12) months. Factors affecting time to open include locating a satisfactory arcade site, attendance at and satisfactory completion of our initial training program, arranging for financing, construction, complying with local ordinances, completing delivery and installation of equipment and signs, and procuring opening inventory. (Franchise Agreement Section 10(a)(x))

Developers must open Arcades according to the Development Schedule in the Development Rights Agreement. If you fail to comply with the Development Schedule, your Development Rights Agreement will be terminated.

### **Continuing Obligation**

We will provide the following assistance to you during the Arcade's operation:

1. Continuing advisory assistance to you in operating, advertising, and promoting the Arcade as we deem advisable. (Franchise Agreement Section 7(c))

2. Refresher training programs at your expense for you and, at your option, a designated employee. (Franchise Agreement Section 7(c))

3. Advertising and promotional plans and materials for local advertising. (Franchise Agreement Section 7)

4. Advice and written materials concerning techniques of managing and operating the Arcade. (Franchise Agreement Section 7)

5. Inspections of the Arcade and evaluations of the products sold, and services rendered in the Arcade as we deem necessary. (Franchise Agreement Section 7(d))

## **Advertising**

You may develop advertising materials for your own use at your own cost. We must approve any advertising materials you develop in advance and in writing. There is no obligation for us to maintain any advertising program or to spend any amount on advertising in your area. At our option, we may assist you in promoting the Arcade through advertising and public relations. We make no representations, warranties and/or covenants, express or implied, as to the existence, nature and/or extent, if any, of any advertising and/or public relations efforts that may be commenced, participated in and/or allowed by us.

There is no advertising council composed of franchisees that advises us on advertising policy. The Franchise Agreement does not give us the power to form, change, or dissolve an advertising council.

## **Arcade Launch Marketing Plan**

Unless your Arcade operates within a Non-Traditional Venue (addressed in next paragraph), you must spend at least \$30,000 in marketing to promote the launch of your Arcade. You will develop this Arcade Launch Marketing Plan in collaboration with our marketing department. This plan typically covers marketing activities over a four (4) to six (6) month period. You must pay us the \$30,000 in two (2) equal installments: \$15,000 is due no later than four (4) weeks before the Arcade opens; the remaining \$15,000 is due no later than ten (10) weeks after the Arcade opens. You must obtain our approval of the form, contents, and nature of your marketing activities. We will execute the Arcade Launch Marketing Plan for you and pay the vendors on your behalf. (Franchise Agreement Section 8(f))

If your Arcade operates within a Non-Traditional Venue, you must spend at least \$12,000 in marketing to promote the launch of your Arcade. You will develop this Arcade Launch Marketing Plan in collaboration with our marketing department. This plan typically covers marketing activities over a four (4) to six (6)-month period. You must obtain our approval of the form, contents, and nature of your marketing activities. We will execute the Arcade Launch Marketing Plan for you and pay the vendors on your behalf. You must pay us the \$12,000 no later than four (4) weeks before the Arcade opens. (Franchise Agreement Section 8(f))

After activities funded by the Arcade Launch Marketing Plan end, you must spend at least 1.5% of your monthly Gross Sales (although we recommend that you spend up to 4% of monthly Gross Sales) towards local marketing efforts. Upon request, you must give us documentation outlining your marketing activities and monthly spend.

If you sign the Franchise Agreement in connection with your purchase of the Arcade from an existing franchisee (or, if applicable, from us or our affiliates), you must pay us \$7,500 to purchase marketing and advertising for the Arcade's "Transfer Marketing Plan," which covers marketing activities during the first two (2) to three (3) months after the transfer is completed. While the Transfer Marketing Plan's activities are being implemented and executed, you have no obligation to spend the 1.5% monthly amount specified above for local marketing.

## **Cooperative Advertising Associations**

We have the right to designate any geographical area as a region for purposes of establishing an advertising association (a "Cooperative"). (Franchise Agreement Section 8(w)(ii)) A Cooperative may be composed of 2 or more Fantasy Claw Arcades operated by us and/or you or one or more other franchisees. If a Cooperative has been or is later established for the geographic area where your Arcade operates, you must sign the documents we require to become a member of the Cooperative or, if there are no documents to be signed formally, will be bound by the then-current bylaws issued for the Cooperative. We currently have no Cooperatives.

1. Each Cooperative must be organized and governed in a form and manner, and must commence operation on a date, which we approve in advance and in writing.
2. Each Cooperative must be organized for the purposes of, and all contributions to the Cooperative and any earnings on those contributions must be used exclusively to meet costs for, maintaining, directing, and preparing advertising and/or promotional activities for the particular region (including the cost of preparing and conducting television, radio, magazine, and newspaper advertising campaigns; direct-mail and outdoor billboard advertising; marketing surveys and other public relations activities; employing advertising agencies; and providing promotional brochures and other marketing materials to the Arcades). These monies may also be used to defray our reasonable administrative costs and overhead related to the administration or direction of the Cooperative or its advertising programs. The Cooperative operates solely as a conduit for the collection and expenditure of advertising contributions for the purposes stated in the Franchise Agreement.
3. No advertising or promotional plans or materials may be used by a Cooperative or furnished to its members without our prior review and approval.
4. You must pay your proportionate share of the advertising and promotional expenses incurred by the Cooperative and must submit reports we or the Cooperative requires.
5. We may grant you an exemption for any length of time from the requirement of membership in a Cooperative, on written request from you stating reasons supporting the exemption. Our decision concerning the request for exemption will be final.

For all Cooperatives, member franchisees' required contributions will be determined by the governing body of the Cooperative. The maximum amount a Cooperative can charge its members is 2% of Gross Sales per month. We or someone we designate will be responsible for administration of the Cooperatives. The Cooperatives will prepare annual or periodic financial statements, which will be available for your review. We have the power to require Cooperatives to be formed (subject to the above), changed, dissolved, or merged. You may obtain an accounting of advertising expenses incurred by the Cooperative by sending a written request to us.

We assume no direct or indirect liability or obligation for the maintenance, direction, or administration of the Cooperative. We do not act as trustee or in any other fiduciary capacity concerning the Cooperative.

### **Marketing Fund**

In 2025, we established the Fantasy Claw Arcade Marketing Fund (the "Marketing Fund") to create, develop, and implement marketing, advertising, and related programs and materials to enhance the goodwill associated with the Marks, to promote the sale of authorized products and services, and to develop and maintain a favorable public image of Fantasy Claw Arcades. (Franchise Agreement Section 8(w)(i)) You must contribute up to 4% of your Gross Sales to the Marketing Fund. We currently charge 2% of your Gross Sales. Marketing Fund contributions are payable when the Royalty Fee is collected. Marketing Fund fees will be in addition to fees payable for local advertising and fees payable for your Cooperative. All Fantasy Claw Arcades located in the U.S. owned by us or any of our affiliates (whether in traditional or non-traditional locations) will contribute to the Marketing Fund on the same basis as you contribute unless we permit a variance on a case-by-case basis. The Marketing Fund will not use funds designated for advertising to solicit the sale of franchises.

We will allocate your contribution to the Marketing Fund between creative and general advertising, as we determine necessary to enhance the effectiveness of advertising and promotional efforts. If any costs can be allocated to more than one (1) of the above categories or if any costs appropriately charged to the

Marketing Fund do not fall within a particular category, we may allocate those costs to one or more categories.

The term “Creative” includes the costs associated with creating, developing, and distributing general advertising, marketing, promotions, public relations, and market research programs and related activities, including costs for preparing television, radio, newspaper, point-of-sale, and other media programs and materials and all related fees and commissions, including fees charged by national spokespersons and commissions charged for creative works. As part of the Creative portion of the Marketing Fund, we may furnish you with marketing, advertising, and promotional materials at cost, plus any related administrative, shipping, handling, and storage charges. The term “General Advertising” includes all costs associated with placing and purchasing media advertising (e.g., television, print media, and electronic media) and related activities and associated fees and commissions, including commissions charged by media buying companies, in any geographic area in which an Arcade operates.

We may use funds from the Marketing Fund to pay for all costs and expenses associated with marketing, advertising, and related programs and materials, including the costs of preparing, producing, and distributing marketing, advertising, and related materials, employing advertising agencies and media buying agencies, supporting market research activities, administering the Marketing Fund, and all other related costs and expenses. We will be paid each year from the Marketing Fund for these costs and services (the “Annual Administrative Expense”).

The Marketing Fund will be accounted for separately from our other funds and will not, except for the Annual Administrative Expense, be used to defray any of our general operating expenses. Except for the Annual Administrative Expense and the repayment of any advances or loans we may make to the Marketing Fund, neither we nor any of our affiliates will be entitled to derive any income from the Marketing Fund, including commissions or discounts for media purchases from the Marketing Fund. We will contribute any advertising agency commissions and discounts granted to us or any of our affiliates for media purchases from the Marketing Fund to the Marketing Fund or net them against the invoice for these purchases.

All disbursements from the Marketing Fund will be made first from income and then from contributions. We may compromise any claim for past due contributions to the Marketing Fund from any franchisee, provided any compromise of contributions to the Marketing Fund will be proportionate to any compromise at the same time of other amounts the franchisee owes us and our affiliates, and we have the right to charge a proportionate amount of the collection costs against the contributions. In any fiscal year, we may spend amounts that are more or less than the aggregate contributions of all Fantasy Claw Arcades to the Marketing Fund in that year, and we may fund any deficits with contributions from future years. The Marketing Fund may borrow from us (on commercially-reasonable terms and rates) or other lenders to cover deficits or cause the Marketing Fund to invest any surplus for future use.

We will prepare an annual financial statement of the revenues and expenses incurred by the Marketing Fund and furnish you a copy upon your written request. We will charge the costs of preparing these financial statements to the Marketing Fund.

We will have the right to terminate the Marketing Fund at any time after we expend all monies in the Marketing Fund for advertising and/or promotional purposes.

We assume no other direct or indirect liability or obligation with respect to the maintenance, direction, or administration of the Marketing Fund. We do not act as trustee or in any other fiduciary capacity with respect to the Marketing Fund.

## **Electronic Cash Register/Point-of-Sale System/Telecommunications**

The Franchise Agreement obligates you to install an electronic information system equipped and configured to our specifications. (Franchise Agreement Section 8(r)) Before opening, you must have access to a computer or laptop capable of running the software we require and that operates on an Operating System that we deem necessary, other computer-related accessories, peripherals, hardware and software we specify from time to time, and equipment. The computer must have at least a Broadband Internet connection that permits you to connect to the Internet and to transmit and receive e-mail. You must also maintain a functioning e-mail address for your business. You must purchase and maintain any phone system we specify. You must purchase the approved "Information System," currently Square POS ("Square") and Fantasy Claw Arcade's specific suite of services, which includes the Retail Plus and Loyalty Program subscriptions. We will have unlimited, independent access to all information on the system. Square will also facilitate the calculation and payment of daily royalty fee collection. The estimated cost of this equipment without discounts is \$1,219 for an Arcade at a traditional location.

You must install and maintain the Information System, which includes between one (1) and two (2) point-of-sale terminals (depending on the size of your Arcade) that are capable of running the Square suite of services and the total Information System, which will include electronic cash registers, ordering stations, point-of-sale server(s) and receipt printer(s), menu-boards, loyalty programs, online ordering systems and services, gift-card programs, credit card processing systems and services, internet navigation software, email, telephone, audio, video, and surveillance systems, and training and operational support aids, which may include camera systems, virtual reality, and augmented reality hardware and software. The Information System is used to compile and manage sales information and other relevant operational data in the Arcade. You must purchase this software and the related point-of-sale hardware from the Information System dealers and vendors we specify.

You must install and maintain systems that permit us to access and retrieve electronically any information stored in your computer systems (such as Square or other polling system), including information concerning your Arcade's Gross Sales. There is no contractual limitation on the frequency or cost of these obligations.

You must maintain on-going maintenance and support contracts with the Information System vendor after the initial year of coverage and subscribe to our then-current required POS-related software services. You must subscribe to the current gift card and loyalty programs and pay the related transaction fees. You must participate in any on-line ordering program we choose to offer and integrate with the POS system and pay all related start-up and monthly costs. Estimated monthly subscription costs for Square are \$134. Transaction fees are initially 2.6% + \$0.10 and will be eligible for a discounted 2.19% rate once monthly transaction volume exceeds \$22,000 for three (3) consecutive months.

You must remain PCI-DSS compliant at all times and contract with our approved Internet service provider to establish a fully managed virtual private network and firewall. Our POS provider will provide the following services to ensure PCI-DSS compliance: managed firewall and support of network; filtering and content control; firewall logging and reporting; PCI compliance assistance from PCI experts; on-line self-assessment questionnaire submission; quarterly PCI vulnerability scanning; system log-in and file integrity monitoring; and PCI compliant multi-factor remote access.

We reserve the right to modify the equipment standards to require a new Information System or different electronic data processing and communications equipment or facilities. You must install any other hardware or software for the Arcade's operation that we may require in the future, at your cost, including point-of-sale software, accounting software, security and video surveillance systems and any enhancements, additions, substitutions, modifications, and upgrades. Specifically, we may require that you install and maintain systems that permit us to access and retrieve electronically any other information stored in your computer systems, including images and information stored in your security and video surveillance

systems. There is no contractual limitation on the frequency or cost of these obligations. We cannot estimate the cost of maintaining, updating, or upgrading your POS System or its components because it will depend on the repair history, local costs of computer maintenance services in your area, and technological advances which we currently cannot predict. You may also have to license from us or others we designate any computer software we develop or acquire for use by Fantasy Claw Arcade franchisees.

### **Operations Manual Table of Contents**

Attached as Exhibit E is the Operations Manual Table of Contents as of the date of this Franchise Disclosure Document.

### **Training**

Your Managing Owner and one (1) additional employee must attend and complete to our satisfaction our full initial training program. (Franchise Agreement Sections 8(t) and 8(u)) Two (2) additional employees must attend and complete to our satisfaction a two (2)-week hourly team member training program (one (1)-week virtual training and one (1)-week in Arcade training). All franchisees must complete the training program which is approximately two (2) weeks in length (one (1)-week virtual training and one (1)-week in-Arcade training). We expect you to complete all pre-opening required training approximately two (2) to three (3) weeks before your Arcade opens. We will conduct training at our designated headquarters and/or at a designated Fantasy Claw Arcade training facility. We may substitute virtual learning and “e-learning” for any training that otherwise would occur in person (in which case you must have the support aids necessary to participate in such e-learning, including camera systems and virtual and augmented reality hardware and software).

### **TRAINING PROGRAM**

<b>Subject</b>	<b>Hours: On-The-Job Training</b>	<b>Hours: Classroom/Online Training*</b>	<b>Location</b>
Machine Settings	3	1	Training Arcade – Las Vegas (includes e-learning)
Error Code Resolution	2	2	Training Arcade – Las Vegas (includes e-learning)
Stocking Machines	2	1	Training Arcade – Las Vegas (includes e-learning)
Cleaning Machines	1	0	Training Arcade – Las Vegas (includes e-learning)
Prep and Cleaning in Arcade	4	0	Training Arcade – Las Vegas (includes e-learning)
POS System	8	4	Training Arcade – Las Vegas (includes e-learning)
Ordering / Inventory Training	8	4	Training Arcade – Las Vegas (includes e-learning)
Customer Service	16	2	Training Arcade – Las Vegas (includes e-learning)

Opening/Closing Procedures	4	2	Training Arcade – Las Vegas (includes e-learning)
Finances and Accounting	0	8	Fantasy Claw Arcade Support Center
Hiring/Training Employees	2	4	Training Arcade – Las Vegas (includes e-learning)
Managing Employees	8	4	Training Arcade – Las Vegas (includes e-learning)
Machine Analysis & Reporting	2	4	Training Arcade – Las Vegas (includes e-learning)
Local Marketing	0	4	Fantasy Claw Arcade Support Center
<b>TOTAL HOURS</b>	<b>60</b>	<b>40</b>	

**MANAGEMENT TEAM MEMBERS**

**HOURLY TEAM MEMBERS**

<b>Subject</b>	<b>Hours: On-The-Job Training</b>	<b>Hours: Classroom/Online Training*</b>	<b>Location</b>
Prep and Cleaning in Arcade	8	1	Training Arcade – Las Vegas (includes e-learning)
Machine Operation	8	4	Training Arcade – Las Vegas (includes e-learning)
Customer Service	16	2	Training Arcade – Las Vegas (includes e-learning)
POS System	8	1	Training Arcade – Las Vegas (includes e-learning)
<b>TOTAL HOURS</b>	<b>40</b>	<b>8</b>	

\* For purposes of these charts, web-based training is included as classroom training.

We may adjust the training schedule based upon the participant’s progress. We conduct the arcade and classroom training as needed. There are no regularly scheduled training programs. Instructional materials include Claw University online, systems procedures, binders, and the Manual. Nadav Elimelech, our current Training Program Director who has held operations positions within the organization, oversees all franchisee training programs. Given his involvement with our organization, he has specific experience in all of the subjects typically taught during our training program. The rest of our training team and managers also lead all hands-on and instructor-led training; all of them have adequate training and appropriate knowledge to facilitate training in the areas they will teach based on their involvement with our system.

Successful completion of the brand standard e-learning, arcade, and classroom training is mandatory for your Managing Owner and your Arcade managers. The initial franchise fee covers the cost of initial training, before the Arcade opens, for four (4) people, including your Managing Owner and your Arcade managers, but not including your travel, lodging, and related expenses.

Any Arcade managers you appoint after your Arcade opens must either be trained by you according to our specifications and guidelines or attend and successfully complete our next-scheduled training program at our then-current charge. If we determine they need remedial training, they will attend training at your expense. (See Item 6 for additional information about charges for training additional or subsequent trainees.)

You can request on-site training and/or assistance at any time. We will provide it at our option and at your cost, but the Franchise Agreement does not require us to provide it.

In addition, we have the right to require your managerial personnel to participate in, and complete successfully, an extensive onsite training program at the Arcade for up to six (6) weeks after the Arcade has opened for business. We may charge you \$10,000 for such training.

We may periodically conduct an annual conference, convention, training events, and meetings; if we do, we will determine their duration, curriculum, and location. You must attend up to two (2) in-person events each year for a total of up to six (6) days (not including travel time). You are responsible for implementing the content of the meetings to your employees, regardless of your attendance.

You must pay all expenses incurred by your trainees or attendees for the initial training program and any other training, conferences, conventions, or other meetings your trainees attend, including their salaries, transportation costs, meals, lodging, and other per-diem expenses.

### **Site Selection**

You should seek local broker assistance in locating acceptable sites. You, along with the assistance of our real estate department and if currently in use, a proprietary site model, select the site for your Arcade subject to our acceptance. Our review process may involve a physical site inspection. We do not own locations for lease to franchisees.

We will not unreasonably withhold our acceptance of a site if, in our experience, the proposed site is not inconsistent with sites that we regard as favorable or that otherwise have been successful sites in the past for Fantasy Claw Arcades. However, we have the absolute right to reject any site not meeting our criteria or to require you to acknowledge in writing that a site you prefer is accepted but not recommended due to its incompatibility with certain factors that bear on a site's suitability as a location for a Fantasy Claw Arcade. It is your sole responsibility to undertake site selection activities and otherwise secure premises for your Arcade. We will use our then-current standards for approving a potential site. (Franchise Agreement Section 1 and Site Selection Addendum)

Factors we consider in evaluating the suitability of proposed Arcade sites include (1) a site's visibility from adjacent traffic arteries, (2) ease of entry from and exit to adjacent streets, (3) traffic patterns on adjacent arteries, (4) the size, density, and income levels of the population in the surrounding area, (5) daytime population density in the surrounding area, (6) the rental market in the area, and (7) the projected cost of leasehold improvements. If we and you do not agree on a site, you must continue looking for a site that we will approve and pay attention to the deadlines in your Development Rights Agreement and Franchise Agreement because you have certain opening deadlines.

There are site acceptance deadlines (as well as lease signing, Franchise Agreement signing, and opening deadlines) under the Development Rights Agreement, all of which we and you negotiate before the Development Rights Agreement is signed. If you fail to find an acceptable site by the applicable

deadline, the Development Rights Agreement may be terminated. (Development Rights Agreement Sections 1(a), 2(a), 5, and 8)

After signing the Franchise Agreement (if there is no Development Rights Agreement), you have 90 days to find and secure an acceptable site and twelve (12) months to open the Arcade for business. If you fail to do so, we may terminate the Franchise Agreement. (Franchise Agreement Sections 1 and 10(a)(x))

As a multi-unit developer working under a Development Rights Agreement, we will sign the Franchise Agreement for the second and each subsequent Arcade only after you have found an acceptable site. (The Franchise Agreement for the first Arcade is signed at the same time you sign the Development Rights Agreement, even if you do not yet have an acceptable site.) In all cases, the lease must have our required form of Lease Rider attached to it.

We will review potential Arcade sites that you identify within the development territory and have the right, but no obligation, to visit the Territory as we deem necessary to review potential sites for each Fantasy Claw Arcade to be constructed and developed. We have the right to condition our acceptance of a proposed site, or a proposed site visit, on your first sending us complete site reports and other materials (including photographs and digital recordings) we request. We agree to use reasonable efforts to review and accept (or not accept) sites you propose within 30 days after we receive all requested information and materials. You have no right to proceed with a site that we have not accepted. (Development Rights Agreement Sections 5(a) and (b))

You also must send us for our written acceptance, which we will not unreasonably withhold, any lease or sublease that will govern your occupancy and lawful possession of each Fantasy Claw Arcade site before you sign it. You have no right to sign any lease or sublease that we have not accepted in writing. We have the right (but no obligation) to guide you in the leasing process but will not negotiate the lease or sublease for you or provide any legal advice. (Development Rights Agreement Section 5(c))

The Franchise Agreement requires you to open your Arcade on or before the scheduled opening date we insert on the Franchise Agreement's signature page but contains no other time restrictions (besides the 12-month opening deadline mentioned above). (Franchise Agreement Section 10(a)(x)) We calculate the scheduled opening date by estimating the time it should take you to finish out your Arcade, usually 20-24 weeks from the time we sign the Franchise Agreement.

Certain new markets may require professional demographic analysis. If we deem that your target market does require this analysis, you will bear the pro-rata cost associated for this service.

The length of time between execution of the Development Rights Agreement or Franchise Agreement and the opening of your first Arcade is typically six (6) to twelve (12) months. Factors affecting this length of time include the selection, approval, and leasing of the Arcade's site, the time required to obtain necessary permits, construction or remodeling of the facility, local ordinance and/or building code compliance, installation of equipment and signs, completion of our training program, delivery and stocking of inventory, and delaying events arising from factors out of your control.

## **Item 12 Territory**

### **Single-Unit Franchisees under Franchise Agreement**

As a single-unit franchisee who operates its Arcade at a specific site that we must accept, you will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. You have no territorial

protection whatsoever, and we and our affiliates retain all rights with respect to Fantasy Claw Arcades, the Marks, the offer and sale of products and services that are similar to, competitive with, or dissimilar from the products and services your Arcade offers and sells, and any other activities we and they deem appropriate, whenever and wherever we and they desire, without regard to the competitive impact on your Arcade. Specifically (but without limitation), we and our affiliates reserve the following rights:

(a) to own and operate, and to allow other franchisees and licensees to own and operate, Fantasy Claw Arcades at any physical locations (other than at your Arcade's specific premises), in any geographic markets, and on any terms and conditions we and our affiliates deem appropriate;

(b) to offer and sell and to allow others (including franchisees, licensees, and other distributors) to offer and sell, on any terms and conditions we and our affiliates deem appropriate, products and services that are identical or similar to and/or competitive with those offered and sold by Fantasy Claw Arcades, whether such products and services are identified by the Marks or other trademarks or service marks, through any advertising media, distribution channels (including the Internet), and shipping and delivery methods and to any customer, no matter where located;

(c) to establish and operate, and to allow others (including franchisees and licensees) to establish and operate, anywhere, any business (whether operated at a set physical location or through trucks, vans, and other mobile methods) offering identical, similar, and/or competitive products and services under trademarks and service marks other than the Marks;

(d) to acquire the assets or ownership interests of one or more businesses offering and selling products and services similar to those offered and sold at Fantasy Claw Arcades (even if such a business operates, franchises, or licenses a Competitive Business), and operate, franchise, license, or create similar arrangements for those businesses once acquired, wherever those businesses (or the franchisees or licensees of those businesses) are located or operating;

(e) to be acquired (whether through acquisition of assets, ownership interests, or otherwise, regardless of the transaction form) by a business offering and selling products and services similar to those offered and sold at Fantasy Claw Arcades, or by another business, even if such business operates, franchises, or licenses a Competitive Business; and

(f) to engage in all other activities the Franchise Agreement does not expressly prohibit.

We have no express obligation or implied duty to insulate or protect you from or against erosion in your revenues or market share as the result of your Arcade's competing with other arcade businesses, non-traditional locations, or in the ways and to the extent the reserved rights above provide or contemplate. We are not required to pay you if we or our affiliates exercise any of the rights specified above.

Without our written consent, you may not operate arcade machines other than in a dedicated Fantasy Claw Arcade.

If your existing Arcade is satisfactorily meeting or exceeding our operational benchmarks and you demonstrate to our satisfaction sufficient capital and managerial resources to operate multiple units, we may approve you for operating an additional arcade or allow you to enter into a Development Rights Agreement. You need not achieve any certain sales volume or market penetration to continue operation of your Arcade.

You may operate the Arcade only at an accepted site and may not relocate without our written approval, which we may grant or deny as we deem best. Whether or not we would allow relocation depends

on the circumstances at the time and what is in the Arcade's and our system's best interests. Factors include, for example, the new site's market area, its proximity to other Fantasy Claw Arcades, whether you are in compliance with your Franchise Agreement, and how long it will take you to open at the new site. We may condition our approval of your relocation request on (1) the new site and its lease being acceptable to us, (2) your paying us a reasonable relocation fee, (3) your reimbursing any costs we incur during the relocation process, (4) your confirming that your Franchise Agreement remains in effect and governs your operation of the Arcade at the new site with no change in the term or, at our option, your signing our then-current form of Franchise Agreement to govern your operation of the Arcade at the new site for a new franchise term, (5) your signing a general release, in a form satisfactory to us, of any and all claims against us and our owners, affiliates, officers, directors, employees, and agents, (6) your continuing to operate the Arcade at the original premises until we authorize its closure, and (7) your taking, within the timeframe we specify and at your own expense, all action we require to de-brand and de-identify the Arcade's former premises so that it no longer is associated in any manner (in our opinion) with the franchise system.

While we have the right to do so as described above, we do not operate or franchise, or currently plan to operate or franchise, any business under a different trademark that sells or will sell goods or services similar to those that Fantasy Claw Arcade® sells.

### **Development Rights Agreement**

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

The designated Territory under a DRA, which is used when you commit to develop three (3) or more Fantasy Claw Arcades, will be defined by radius, zip code boundaries, county boundaries, highways, physical landforms, city or municipality boundaries, and other factors we deem appropriate. We base the Territory's size primarily on the number of Fantasy Claw Arcades you agree to develop, demographics, the number of distinct development areas and competitive businesses within the Territory, and site availability. We will determine the number of Fantasy Claw Arcades you must develop, the deadlines for finding acceptable sites, signing Franchise Agreements and leases, and the deadlines for opening the Fantasy Claw Arcades to keep your development rights. We and you then will complete the schedule in the DRA before signing it. Each site proposed for a Fantasy Claw Arcade to be developed under the DRA must be acceptable to us. We have the right to terminate the DRA if you do not satisfy your development obligations. You may not develop or operate Fantasy Claw Arcades outside the Territory.

While the DRA is in effect, we (and our affiliates) will not—except with respect to Fantasy Claw Arcades proposed to be located at or within “Non-Traditional Venues” or Restricted Venues (defined below)—establish and operate, or grant to others the right to establish and operate, Fantasy Claw Arcades that have their physical locations within the Territory. There are no other restrictions on our and our affiliates' activities in the Territory during the DRA's term.

We (and our affiliates) reserve the right without any restrictions whatsoever to pursue and establish, or franchise or license others to pursue and establish, Fantasy Claw Arcades to be located at or within Non-Traditional Venues and Restricted Venues having their physical locations within the Territory but only if you (or your Approved Affiliates) cannot or choose not to pursue the opportunity when it becomes available, no matter the reason for your (or your Approved Affiliate's) decision not to pursue the opportunity.

A “Non-Traditional Venue” is defined in the DRA to mean: (i) a captive-venue location, including airports, hospitals or medical centers, limited-access highway food facilities, bus or train locations, entertainment and sports complexes, convention centers, military facilities, schools, colleges, and universities, office facilities, department and retail super-stores, off-site sales accounts, convenience stores,

supermarkets, and home-improvement retailers; and (ii) any type of location known colloquially as a “satellite arcade,” or a similar type of location that operates without a physical boundary.

A “Restricted Venue” is a physical location within the Territory (which need not be a Non-Traditional Venue) for which that location’s owner or manager sets financial, experience, or organizational standards for an acceptable operator that you (or your Approved Affiliate) do not and cannot satisfy when the opportunity becomes available.

Our, our affiliate’s, or another franchisee’s or licensee’s establishment and operation of a Fantasy Claw Arcade at or within a Non-Traditional Venue or a Restricted Venue physically located in the Territory will not count toward your compliance with the Schedule. However, Fantasy Claw Arcades that you (or your Approved Affiliates) establish and operate at or within a Non-Traditional Venue physically located in the Territory will count toward your compliance with the Schedule.

Except as provided above, continuation of your territorial rights does not depend on your achieving a certain sales volume, market penetration, or other contingency, and you have no other options, rights of first refusal, or similar rights to acquire additional franchises. We do not have the right to alter your Territory during the DRA’s term.

Despite the development schedule under the DRA, we have the right to delay the construction, development, and/or opening of additional Fantasy Claw Arcades within the Territory if at any time we believe that such delay is in the best interests of the Fantasy Claw Arcade brand, including for reasons related to lack of sites meeting our criteria, supply-chain issues, or our assessment in our sole judgment that you (or your Approved Affiliate) are not yet operationally, managerially, or otherwise prepared (no matter the reason) to construct, develop, open, and/or operate the additional Fantasy Claw Arcade in full compliance with our standards and specifications. We have the right to delay additional development and/or an Arcade’s opening for the time period we deem best if the delay will not in our reasonable opinion cause you to breach your development obligations under the development schedule (unless we are willing to extend the schedule to account for the delay).

Although we have the right to do so, we and our affiliates have not yet established, and have no current plans to establish or operate, other franchises or company-owned outlets or another distribution channel selling or leasing similar products or services under a different trademark.

### **Item 13 Trademarks**

Upon execution of the Franchise Agreement, we will grant you the non-exclusive right and privilege to use the Marks in your Fantasy Claw Arcade. You may not use any of our Marks as part of your firm or corporate name. You may not use the Marks for the sale of unauthorized products or services or in any manner not authorized in writing by us. Any right or privilege you may have to use our Marks will terminate in full when you are no longer in good standing or upon the expiration or termination of your Franchise Agreement. The Development Rights Agreement does not grant you the right to use the Marks. These rights arise only under Franchise Agreements you sign with us. All rights in and goodwill from the use of the Marks accrue to us.

#### **(a) Registrations and Applications**

The following service marks have been registered on the Principal Register of the United States Patent & Trademark Office (“USPTO”):

Trademark	Serial Number	Registration Number	Registration Date
FANTASY CLAW ARCADE	98418335	Pending	Pending
FANTASY CLAW ARCADE	98418280	Pending	Pending

(b) Renewals and Affidavits

We have filed all required affidavits and renewals for the registered Marks that have become due and intend to file all required affidavits and renewals when due for the Marks that remain important to our system.

(c) Determinations

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, and no pending infringement, opposition, or cancellation proceedings or material litigation, involving the Marks that significantly limit our rights to use or license the use of the Marks listed in this section in a manner material to you.

(d) Agreements

No agreement limits our right to use or license the use of the Marks in a manner material to the franchise.

(e) Protection of Rights

We have the right to control any administrative proceeding or litigation involving a Mark we license to you. You must notify us promptly of any use by any person or legal entity other than us or our franchisees of any of the Marks or any variation of the Marks. We will decide the actions to take against the use of any of the Marks by any persons or legal entities other than us or our franchisees. Our current intent is to take strong action (which may include bringing litigation) against that use. Any actions that we take will be at our expense.

You must notify us promptly of any lawsuit or other proceeding brought against you involving any of the Marks, and you must deliver to us copies of any documents concerning the lawsuit or other proceeding that we request. We will decide whether to settle or defend any trademark litigation brought against you. We will do so at our expense, but you must cooperate with us. We do not have to protect your right to use the Marks. We must protect you against claims of infringement from your use of the Marks.

We reserve the right to acquire or develop additional Marks and to use the Marks ourselves, make those Marks available for use by you and other franchisees, or make those Marks available for use by other persons or entities.

We reserve the right to modify, eliminate, or provide a substitute for any Mark. If this happens, you will be responsible for your costs of compliance.

You may not directly or indirectly contest our rights in the Marks.

(f) Superior Prior Rights

We do not know of any superior prior rights that could materially affect your use of the Marks.

(g) Infringing Uses

We do not know of any current infringing uses of the Marks that could materially affect your use of the Marks.

**Item 14  
Patents, Copyrights, and Proprietary Information**

We hold no patents, and no patents are material to the franchise. We have no pending patent applications that are material to the franchise.

We and our affiliates claim copyrights in the Manual (containing our trade secrets and confidential information), Arcade blueprints and other design features, signage, advertising and marketing materials, our system website, and similar items used in operating Fantasy Claw Arcades. We and our affiliates have not registered these copyrights with the United States Copyright Office but currently need not do so to protect them. You may use copyrighted items only as we specify while operating your Arcade (and must stop using them at our direction).

There currently are no effective adverse material determinations of the USPTO, the United States Copyright Office, or any court regarding the copyrighted materials. No agreement limits our right to use or allow others to use copyrighted materials. We do not actually know of any infringing uses of our copyrights that could materially affect your using them in any state. We need not protect or defend copyrights, although we intend to do so in the system's best interests. We may control any action we choose to bring, even if you voluntarily bring the matter to our attention. We need not participate in your defense and/or indemnify you for damages or expenses in a copyright proceeding.

Under the Franchise Agreement, you must conduct your business in accordance with the Manual. You will receive electronic access to a printable copy of the Manual throughout the franchise term, which will be updated periodically at no charge to you. If you require a paper copy of the Manual, one can be loaned at a cost of \$1,000. You must at all times treat the Manual and any other manual created for or approved for use in the Arcade's operation and the information contained in the Manual as confidential and must use all reasonable efforts to maintain this information as secret and confidential. You must not at any time copy, duplicate, record, or otherwise reproduce these materials or otherwise make the same available to any unauthorized person.

The Manual will remain our sole property and must be kept in a secure place at the Arcade. We may revise the contents of the Manual, and you expressly agree to comply with each new or changed standard. You must ensure that your copy of the Manual is kept current and up to date and, if there are any disputes as to the contents of the Manual, the terms of the master copy of the Manual we maintain at our headquarters will control.

The Development Rights Agreement does not grant you the right to use any intellectual property. These rights arise only under Franchise Agreements you sign with us.

**Confidential Information**

You must preserve in confidence all materials and information we furnish or disclose to you and must disclose this information or materials only to the employees or agents who must have access to it in order to perform their duties. You must not at any time, without our prior written consent, copy, duplicate, record, or otherwise reproduce these materials or information or otherwise make the same available to any unauthorized person. Confidential Information includes site selection models and analysis, store design information, Operations Manual and supplements, training materials, National Marketing Calendar (to include national, regional, or cooperative plans), and the Information System.

You must not, during the franchise term or afterwards, communicate, divulge, or use for the benefit of any other person, persons, partnership, association, or corporation any confidential information, knowledge, or know-how concerning the methods of operating the Arcade which we may communicate to you or of which we may apprise you by virtue of your operation under the terms of the Franchise Agreement. You may divulge confidential information only to those of your employees who must have access to it in order to perform their duties in operating the Arcade. Any information, knowledge, know-how, and techniques which we designate as confidential will be deemed confidential for purposes of the Franchise Agreement, except information which you can demonstrate came to your attention before disclosure of it by us, or which, at or after the time of disclosure by us to you, had become or later becomes a part of the public domain through publication or communication by others.

You must take reasonable steps to prevent improper disclosure of confidential information to others and use non-disclosure agreements with those having access to Confidential Information. We may pre-approve the forms of non-disclosure agreements you use solely to ensure that you adequately protect confidential information and the competitiveness of Fantasy Claw Arcades. Under no circumstances will we control the forms or terms of employment agreements you use with Arcade employees or otherwise be responsible for your labor relations or employment practices.

#### **Item 15**

#### **Obligation to Participate in the Actual Operation of the Franchised business**

If the franchisee executing the Franchise Agreement is an entity such as a corporation, limited liability company, or limited partnership, a personal guarantee in the form attached to the Franchise Agreement must be signed by all stockholders, members, partners, or any other individual requested by us. If the franchisee executing the Franchise Agreement is an individual, a spouse or any other individual must sign the personal guarantee at our request.

You must designate one of your individual owners with at least a 20% ownership interest in you to serve as your “Managing Owner.” We must approve the proposed Managing Owner or any change in the Managing Owner. The Managing Owner is responsible for managing the Arcade. The Managing Owner must have sufficient authority to make business decisions for you and communicate directly with us regarding any Arcade-related matters (excluding matters relating to labor relations and employment practices). The Managing Owner’s decisions will be final and bind you.

The Managing Owner may be the manager of the Arcade or may designate another person to serve as the manager, provided the Managing Owner ensures that the manager fulfills all of your obligations.

If you propose to change the Managing Owner, you must seek a new individual (the “Replacement Managing Owner”) for that role and appoint the Replacement Managing Owner within 30 days after the former Managing Owner’s last day. We must approve in writing the Replacement Managing Owner, who must hold the minimum ownership interest in you that we specify. The Replacement Managing Owner must attend and satisfactorily complete the training we specify. You must pay the Replacement Managing Owner’s compensation and travel-related expenses during training.

Besides the Managing Owner, no manager or other employee of yours must have an equity interest in you or the Arcade. During the franchise term, except as we otherwise approve in writing, your Managing Owner and managerial employees must devote their full-time energy to manage and operate the Arcade. At least two (2) people (including your Managing Owner) must complete our initial training program. At least two (2) additional people must complete our two-week hourly team member training program. We do not place any limitations on who you can hire as a non-owner manager.

You must take reasonable steps to prevent improper disclosure of Confidential Information to others and use non-disclosure agreements with those having access to Confidential Information. We may

pre-approve the forms of non-disclosure agreements you use solely to ensure that you adequately protect Confidential Information and the competitiveness of Fantasy Claw Arcades. Under no circumstances will we control the forms or terms of employment agreements you use with employees or otherwise be responsible for your labor relations or employment practices.

**Item 16  
Restrictions on What the Franchisee may Sell**

You must conduct your business in accordance with the Manual to protect our reputation and goodwill and to maintain high standards of operation under the Marks. You must use the Arcade premises solely for the Arcade’s operation, must keep the premises open and in normal operation for the minimum hours and days we specify in the Manual or as we may otherwise approve in writing (subject to local ordinances or lease restrictions, if any), and must refrain from using or permitting the use of the premises for any other purpose or activity at any time without first obtaining our written consent. You must not locate or permit to be located on the Arcade’s premises any coin-operated machines for the vending of any merchandise or the playing of electronic or manual games or for any other similar purpose except as required in the Manual or we otherwise approve in writing. You must offer and sell all products and perform all services we periodically require for Fantasy Claw Arcades. You may not offer or sell any products or perform any services we have not authorized. We have the right to change the types of authorized goods and services you must offer and sell. There are no limits on our right to do so. To the extent allowed by applicable law, we may regulate the minimum, maximum, and other prices for products and services your Arcade offers, including requirements for promotions, special offers, and discounts in which some or all Fantasy Claw Arcades participate.

You must not engage in any trade practice or other activity or sell any product or literature which is competitive, harmful to the goodwill of or reflect unfavorably on your reputation, us, the Arcade, or the products sold there, constitutes deceptive or unfair competition, or otherwise is in violation of any applicable laws. We do not impose any other restrictions on the Franchise Agreement or otherwise as to the goods or services which you may offer or as to the customers to whom you may sell.

If you operate the Arcade from a Non-Traditional Venue, we may require you to comply with certain operating standards that differ from those that we have implemented for Fantasy Claw Arcades that are not operated at Non-Traditional Venues.

**Item 17  
Renewal, Termination, Transfer, and Dispute Resolution**

**THE FRANCHISE RELATIONSHIP**

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

**Franchise Agreement**

<b>Provision</b>	<b>Section in franchise or other agreement</b>	<b>Summary</b>
a. Length of the term	Section 2 of Franchise Agreement  Section 3(a) of Renewal Rider to Franchise Agreement	The initial term is ten (10) years. If you have renewal franchise rights and are exercising them because your existing franchise will soon expire, the renewal franchise term is ten (10) years.

Provision	Section in franchise or other agreement	Summary
b. Renewal or extension of the term	<p>Section 2 of Franchise Agreement</p> <p>Section 3(a) of Renewal Rider to Franchise Agreement</p>	<p>If you request business review at least six (6) months before franchise term expires and then notify us at least three (3) months before franchise term expires, have substantially complied with obligations during the franchise term and continue substantial compliance between date of your notice and end of franchise term, and (at our option) either remodel, upgrade, and re-equip or relocate Arcade, you may acquire a successor franchise for a ten (10) year term.</p> <p>If you have renewal franchise rights and are exercising them for first time because your existing franchise soon will expire, you have no additional renewal franchise rights after the next term expires.</p>
c. Requirements for you to renew or extend	<p>Section 2 of Franchise Agreement</p> <p>Section 3(a) of Renewal Rider to Franchise Agreement</p>	<p>Sign then-current Franchise Agreement and releases (if state law allows) and pay successor franchise fee. "Renewal" means signing our then-current Franchise Agreement for the ten (10) year successor franchise term, which could contain materially different terms from your original Franchise Agreement (including higher fees), except that successor franchise fee is \$10,000.</p>
d. Termination by you	Section 10(d)	<p>Subject to state law, you may terminate if we fail to cure a material breach within 30 days after receiving written notice from you unless the breach cannot reasonably be corrected within 30 days, in which case we will have a reasonable time period to correct the breach.</p>
e. Termination by us without cause	Section 10	<p>None. We may not terminate your Franchise Agreement without cause.</p>
f. Termination by us with cause	Section 10 of Franchise Agreement	<p>We can terminate the Franchise Agreement if you default without notice for non-curable defaults and with five (5) days' notice for curable defaults.</p> <p>While termination of the Development Rights Agreement does not impact any then-effective Franchise Agreements, termination of a Franchise Agreement entitles us to terminate the Development Rights Agreement.</p>

Provision	Section in franchise or other agreement	Summary
g. “Cause” defined – curable defaults which can be cured	Section 10(b)	<p>We will terminate the Franchise Agreement for “cause” if you: fail to timely remodel your premises; fail to pay any monies owed to us, our affiliates, the Marketing Fund, or your designated marketing Cooperative; transfer ownership by persons owning 5% or more of you; threaten public health or safety; make unauthorized use of the System or Marks; have continued law violations; engage in discrimination; or have other defaults not outlined above or designated as a non-curable default. You have five (5) days to cure these defaults. You have 30 days to cure failure to pay vendors to our System or to use a vendor’s required payment method.</p> <p>While termination of the Development Rights Agreement does not impact any then-effective Franchise Agreements, termination of a Franchise Agreement entitles us to terminate the Development Rights Agreement.</p>
h. “Cause” defined—non-curable defaults	Section 10(a)	<p>We can terminate the Franchise Agreement for “cause” which is non-curable if: you declare bankruptcy or assign assets to creditors; you go into receivership; you dissolve; you have a judgment lien placed on your assets; you abandon the Arcade; you, your Managing Owner, or an owner of 20% or more of the franchise engages in fraud or is convicted of a felony or other crime; you fail to make approved transfer within 90 days of death or incapacity; you have three (3) or more defaults within any 24 months; you maintain false books or records; you impair the value of the Marks or System; you underpay royalties by more than 10%; you violate any employment laws; you lose your business licenses; you lose right to occupy premises of Arcade; or you fail to begin operation of your Arcade within twelve (12) months of signing the Franchise Agreement.</p> <p>Termination of the Development Rights Agreement does not impact any then-effective Franchise Agreements.</p>
i. Your obligations on termination/non-renewal	Section 11	Your obligations on termination or non-renewal include: cease operating; cease

Provision	Section in franchise or other agreement	Summary
		using the System; return property to us; cancel any assumed names; assign the lease; pay all sums owed; return all manuals, records, files, etc.; and the taking of an inventory. We may acquire your inventory and assets.
j. Assignment of contract by us	Section 12(a)	No restriction on our right to assign; we may assign without your approval.
k. "Transfer" by you - definition	Section 12(b)	Includes transfer of Franchise Agreement, Arcade, or its profits, losses, or capital appreciation; all or substantially all operating assets; or ownership interest in you or controlling ownership interest in entity with ownership interest in you. Also includes mortgage, pledge, or similar interest in, and foreclosure on, Franchise Agreement, Arcade, operating assets, or ownership interest and transfer of lease for Arcade premises.
l. Our approval of transfer by you	Sections 12(b) through 12(e)	We must approve all transfers; no transfer without our prior written consent.
m. Conditions for our approval of transfer	Sections 12(b) through 12(e)	<p>We will approve transfer of non-controlling ownership interest in you if transferee (and each owner) qualifies, is not (and has no affiliate) in a competitive business, and signs our then-current form of guaranty.</p> <p>We will not unreasonably withhold approval of transfer of franchise rights or controlling ownership interest if transferee (and each owner) qualifies; you have paid us and our affiliates all amounts due, have submitted all reports, and are not then in breach; transferee and its owners and affiliates are not in a competitive business; training completed; transfer fee paid; transferee may occupy Arcade's site for expected franchise term; transferee (at our option) assumes your Franchise Agreement or signs our then-current Franchise Agreement and other documents (which may have materially different terms, including higher fees) for unexpired portion of your original franchise term; transferee agrees to upgrade and remodel; you (and transferring owners) sign general release (if state law allows); we determine that sale terms and financing will not adversely affect Arcade's operation post-transfer; you</p>

Provision	Section in franchise or other agreement	Summary
		subordinate amounts due to you; and you stop using Marks and our other intellectual property (also see (r) below).
n. Our right of first refusal to acquire your business	Section 14	We may match any offer for your Arcade or ownership interest in you or entity that controls you.
o. Our option to purchase your business	Section 11(k)	Except in the case of a renewal, we do have an option to purchase your business.
p. Your death or disability	Section 13	The Arcade or an owner's controlling ownership interest must be transferred by estate to approved third party within 90 days.
q. Non-competition covenants during the term of the franchise	Section 6 of Franchise Agreement	Subject to state law, no owning interest in, performing services for, or loaning money or guaranteeing loan to competitive business, wherever located or operating, and no diverting business to competitive business. A "Competitive Business" means any business operating an arcade or (b) granting franchises or licenses to others to operate such a business.
r. Non-competition covenants after the franchise is terminated or expires	Sections 6 and 11(j) of Franchise Agreement	Subject to state law, for two (2) years after franchise term, no owning interest in or performing services for Competitive Business at Arcade's site, within 5 miles of Arcade's site, or within three (3) miles of another Fantasy Claw Arcade then in operation or under construction.
s. Modification of the Agreement	Section 19	All modifications to the Franchise Agreement must be in writing.
t. Integration/merger clause	Section 19	Only terms of the Franchise Agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and Franchise Agreement may not be enforceable. Nothing in the Franchise Agreement or in any other related written agreement is intended to disclaim the express representations made in this franchise disclosure document.
u. Dispute resolution by arbitration or mediation	Section 26	We and you must arbitrate all disputes within ten (10) miles of where we have our principal business address when the arbitration demand is filed (it currently is in Las Vegas, Nevada) (subject to state law).
v. Choice of forum	Section 27	Subject to arbitration requirements, litigation generally must be in courts closest to where we have our principal business address when the action is commenced (it

Provision	Section in franchise or other agreement	Summary
		currently is in Las Vegas, Nevada) (subject to state law).
w. Choice of law	Section 21	Except for federal law, Nevada law applies (subject to state law).

**This table lists certain important provisions of the development rights agreement. You should read these provisions in the agreement attached to this disclosure document.**

#### Development Rights Agreement

Provision	Section in the Development Rights Agreement	Summary
a. Length of the term	6	Term expires on date when final Fantasy Claw Arcade under Schedule opens for business or is scheduled to open for business (whichever is earlier).
b. Renewal or extension of the term	Not applicable	You have no right to renew or extend development rights.
c. Requirements for you to renew or extend	Not applicable	You have no right to renew or extend development rights.
d. Termination by you	Not applicable	You have no contractual right to terminate Development Rights Agreement (except as state law allows).
e. Termination by us without cause	Not applicable	We have no right to terminate Development Rights Agreement without cause.
f. Termination by us with cause	7	We have right to terminate Development Rights Agreement if you commit one of several violations.
g. "Cause" defined – curable defaults which can be cured	Not applicable	The Development Rights Agreement does not provide for defaults which can be cured.
h. "Cause" defined—non-curable defaults	7	Non-curable defaults are failure to satisfy development Schedule, breach of any other obligation, our termination of any Franchise Agreement with you or your Approved Affiliate in compliance with its terms, your (or an Approved Affiliate's) termination of any Franchise Agreement with us for any (or no) reason, we deliver formal written notice of default to you (or your Approved Affiliate) under a Franchise Agreement and you (or your Approved Affiliate) fail to cure the default within the required timeframe, or you (or your Approved Affiliate) cease operating any Fantasy Claw Arcade without our prior written approval.

<b>Provision</b>	<b>Section in the Development Rights Agreement</b>	<b>Summary</b>
i. Your obligations on termination/non-renewal	1 and 7	Upon termination or expiration of Development Rights Agreement, you will lose all rights to develop Fantasy Claw Arcades in your Protected Radius.
j. Assignment of contract by us	8	No restriction on our right to sell or transfer Development Rights Agreement or our ownership interests without your approval.
k. "Transfer" by you - definition	8	Includes transfer of Development Rights Agreement or any ownership interest in you or your owner (if that owner is an entity).
l. Company's approval of transfer	8	No transfers without our prior written consent; development rights are not assignable.
m. Conditions for Company's approval of transfer	8	Development rights are not assignable; we have the right to grant or withhold consent for any or no reason.
n. Company's right to acquire your business	Not applicable	The Development Rights Agreement does not contain this provision.
o. Company's option to purchase your business.	Not applicable	The Development Rights Agreement does not contain this provision.
p. Your death or disability	Not applicable	The Development Rights Agreement does not contain this provision.
q. Non-competition covenants during the term of the franchise	Section 11	Subject to state law, no owning interest in, performing services for, or loaning money or guaranteeing loan to competitive business, wherever located or operating, and no diverting business to competitive business. A "Competitive Business" means any business (a) operating an arcade (b) granting franchises or licenses to others to operate such a business.
r. Non-competition covenants after the franchise is terminated or expires	Not applicable	The Development Rights Agreement does not contain this provision. You and your owners will be bound by the restrictions under the Franchise Agreement.
s. Modification of the Agreement	11	No modifications without signed writing.
t. Integration/merger clause	11	Only terms of the Development Rights Agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and Development Rights Agreement may not be enforceable. Nothing in the Development Rights Agreement or in any other related written agreement is intended to disclaim the express

Provision	Section in the Development Rights Agreement	Summary
		representations made in this franchise disclosure document.
u. Dispute resolution by arbitration or mediation	11	We and you must arbitrate all disputes within ten (10) miles of where we have our principal business address when the arbitration demand is filed (it currently is in Las Vegas, Nevada) (subject to state law).
v. Choice of forum	11	Subject to arbitration requirements, litigation generally must be in courts closest to where we have our principal business address when the action is commenced (it currently is in Las Vegas, Nevada) (subject to state law).
w. Choice of law	11	Except for federal law, Nevada law applies (subject to state law).

**Item 18  
Public Figures**

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

**Item 19  
Financial Performance Representations**

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

This historical financial performance representation reflects certain actual unaudited operating results of the affiliate-owned Fantasy Claw Arcade described below during the 2024 calendar year. All “affiliate-owned” Fantasy Claw Arcades disclosed in this Item 19 are owned and operated by our wholly-owned or majority-owned and controlled subsidiaries or arcades licensed to members of our ownership.

All of the Fantasy Claw Arcades (both franchised and affiliate-owned) whose information is included in this Item 19 is substantially similar to one another in terms of products and services offered and substantially similar to the Fantasy Claw Arcades for which we are offering franchises in this disclosure document. We continue to shore up product distribution, improve operational efficiency and performance, enhance training programs, sign competitive vendor contracts, negotiate pricing with equipment and product suppliers, and enhance national and local marketing efforts. The “traditional” or “brick and mortar” Fantasy Claw Arcades disclosed in this Item 19 operate within a retail center or Shopping Mall, on a stand-alone basis, or at an in-line location with other businesses and have prominent exterior and interior branding. These Fantasy Claw Arcades operate a minimum of 10 hours per day, 7 days a week. The operational

system is consumer-facing, directly serving products to consumers through dine-in and carryout options and indirectly serving consumers through delivery-service providers.

The financial performance representation discloses the actual unaudited profit and loss statement for our affiliate-owned Fantasy Claw Arcade which was open for a portion of 2024.

See Note <sup>1</sup>	Las Vegas Fashion Show – May – Dec 2024 Act \$	Las Vegas Fashion Show – May – Dec 2024 Act %	Avg Monthly 2024 \$	Avg Monthly 2024%
Total Sales	\$666,457	100.0%	\$87,309	100.0%
Total Cost of Goods Sold <sup>2</sup>	\$165,959	24.9%	\$21,741	24.9%
Store Level Salary <sup>3</sup>	\$38,295	5.7%	\$5,017	5.7%
Store Level Bonus-Salary <sup>4</sup>	\$0	0.0%	\$0	0.0%
Total Payroll & Related <sup>5</sup>	\$100,813	15.1%	\$13,207	15.1%
Total Prime Cost <sup>6</sup>	\$266,772	40.0%	\$34,948	40.0%
Total Operating Expense <sup>7</sup>	\$90,684	13.6%	\$11,880	13.6%
Total Rent <sup>8</sup>	\$100,000	15.0%	\$13,100	15.0%
Royalty Fee <sup>9</sup>	\$40,042	6.0%	\$5,246	6.0%
National Marketing Fee <sup>10</sup>	\$13,347	2.0%	\$1,749	2.0%
Local Marketing Cooperative Fees <sup>11</sup>	\$0	0.0%	\$0	0.0%
Total Non-Controllable Expense <sup>12</sup>	\$162,158	24.3%	\$21,243	24.3%
<b>EBITDA<sup>13</sup></b>	<b>\$146,843</b>	<b>22.0%</b>	<b>\$19,237</b>	<b>22.0%</b>

*[Remaining page intentionally left blank]*

Notes:

1. The Arcade in this category opened May 17, 2024, and represents all affiliate-owned Arcades in the State of Nevada. Total sales are net of taxes and tips. Expenses exclude one-time startup costs, including but not limited to claw machines, opening inventory, laptops, leaseholder improvements, décor, signage, POS systems, FF&E, logistics, and legal.
2. Total Cost of Goods Sold: This includes the total cost of all plushies, prizes, tokens, freight, and paper goods used in the Arcades. The Cost of Goods Sold was 24.9% of total sales. Some proprietary items might not be stocked by our local distributor, causing an increase in freight costs.
3. Store Level Salary: This is the General Manager's salary. Each affiliate-owned Arcade has one General Manager.
4. Store Level Bonus–Salary: Each General Manager has the opportunity to earn a bonus based on his or her management of Cost of Goods Sold and Labor.
5. Total Payroll & Related: This includes all salary and hourly wages, bonuses, taxes, and benefits paid at each company-owned Arcade.
6. Total Prime Cost: This is the sum of Cost of Goods Sold plus Total Payroll & Related.
7. Total Operating Expense: This includes comps, promos, cleaning supplies, linen, uniforms, equipment (purchases and rentals), repairs and maintenance, pest control, marketing and advertising, delivery expense, music, technology, telephone, permits, licenses, security, office supplies, postage, bank charges, credit card fees, and professional services.
8. Total Rent: This includes base rent, common area maintenance, property tax, insurance, and (at some of our locations) a fee to be included on monument or pylon signs.
9. Royalty Fee: Our affiliate-owned Arcades pay a License Fee equal to a 6% Royalty Fee. In this example, we take into account the payment of Royalty Fees for our locations. Royalties are not paid on discounts or couponing. This table represents the Royalty Fee of 6%, which would be paid by a multi-unit developer under the terms of an Area Development Agreement (rather than the 7% Royalty Fee payable by a franchisee who operates a single Arcade).
10. Marketing Fee–National: Each affiliate-owned Arcade contributes to the National Marketing Fund. While we have the right to collect 4% of Gross Sales towards the National Marketing Fund, we currently collect 2%. In this example, we take into account the payment of National Marketing Fees for all ten (10) locations. Our accounting system breaks up the 12 months into 13 separate 4-week accounting periods.
11. Marketing Fees–COOP: No advertising Coop is currently established.
12. Total Non-Controllable Expense: This includes total rent, in some instances personal property tax, electricity, gas, sewer, trash removal, water, TV, License Fee (Royalty Fee), Marketing Fees–National Fund & Local Cooperative, and accounting fees.
13. EBITDA: This calculation uses the following formula (Total Sales minus Total Prime Cost minus Total Operating Expense minus Total Non-Controllable Expense = EBITDA).

**Fantasy Claw Arcades have earned these amounts. Your individual results may differ. There is no assurance that you will earn as much.**

Written substantiation of all financial performance information presented in this financial performance representation will be made available to you upon reasonable request.

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor’s management by contacting Brad Howard, Managing Partner, 3110 Polaris Ave Suite #8, Las Vegas, Nevada 89102, (614) 582-6477 the Federal Trade Commission, and the appropriate state regulatory agencies.

**Item 20  
Outlets And Franchisee Information**

All year-end numbers appearing in the tables below are as of December 31 in each year. The “Company-Owned” outlets referenced in tables 1, 4, and 5 below are owned by one or more of our wholly-owned or majority-owned and controlled subsidiaries.

**Table No. 1**

**Systemwide Outlet Summary for the year 2024**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2024	0	0	+0
Company- Owned	2024	0	1	+1
<b>Total Outlets</b>	<b>2024</b>	<b>0</b>	<b>1</b>	<b>+1</b>

**Table No. 2**

**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)  
For the year 2024**

State	Year	Number of Transfers
None	2024	0
<b>Total</b>	<b>2024</b>	<b>0</b>

**Table No. 3**

**Status of Franchised Outlets  
For the year 2024**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
None	2024	0	0	0	0	0	0	0
<b>Total</b>	<b>2024</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Table No. 4**

**Status of Company-Owned Outlets  
For the year 2024**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
None	2024	0	0	0	0	0	0
<b>Total</b>	<b>2024</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Table No. 5**

**Projected Openings as of December 31, 2024**

State	Franchise Agreements Signed But Arcades Not Open	Projected New Franchised Arcades in 2025	Projected New Company-Owned Arcades in 2025
Nevada	0	2	2
Totals	0	2	2

A complete list of Arcades as of the date of this Franchise Disclosure Document is attached as Exhibit F (including which franchisees have multi-unit development rights). Also in Exhibit F, you will find the name, city, state and the current business telephone number (or, if unknown, the last known home telephone number) of every franchisee who had a Franchise Agreement or Development Rights Agreement terminated, canceled, or not renewed or who otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement or Development Rights Agreement during our most recently completed fiscal year or who has not communicated with us within ten (10) weeks of the issuance date of this Franchise Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the system.

During the last 3 fiscal years, no current or former franchisees have signed confidentiality clauses restricting them from discussing with you their experiences as a franchisee in our franchise system. There are no trademark-specific franchisee organizations associated with our System.

**Item 21  
Financial Statements**

We began offering franchises as of the date of this disclosure document. Because we have not been in business for three years, we are not able to include the three prior years of audited financial statements normally required by this Item 21. Attached as Exhibit D are our audited financial statements for the period ending December 31, 2021. We were established on February 21, 2024, and our fiscal year ends on December 31.

**Item 22**  
**Contracts**

The contracts following this Item 22 are listed in the order in which they appear. These are the only contracts which we will enter into with you in this state.

- Exhibit B: The Franchise Agreement
- Exhibit C: Development Rights Agreement
- Exhibit H: Franchise Disclosure Questionnaire

**Item 23**  
**Receipts**

You will find two (2) copies of a detachable receipt as the final pages of this Franchise Disclosure Document. Please sign both acknowledging receipt of this Franchise Disclosure Document and return one (1) copy to us for our files.

**EXHIBIT A**

**AGENCIES/AGENTS FOR SERVICE OF PROCESS**

This list includes the names, addresses and telephone numbers of state agencies having responsibility for franchising disclosure/registration laws, and serving as our agents for service of process (to the extent that we are registered in their states). This list also includes the names, addresses and telephone numbers of other agencies, companies or entities serving as our agents for service of process.

<b>State</b>	<b>State Agency</b>	<b>Agent for Service of Process</b>
CALIFORNIA	Commissioner of the Department of Financial Protection and Innovation Department of Financial Protection and Innovation 320 West 4 <sup>th</sup> Street, Suite 750 Los Angeles, CA 90013 (213) 576-7505 Toll-free (866-275-2677)	Commissioner of the Department of Financial Protection and Innovation
CONNECTICUT	State of Connecticut Department of Banking Securities & Business Investments Division 260 Constitution Plaza Hartford, CT 06103-1800 (860) 240-8230	Banking Commissioner
HAWAII	Business Registration Division Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722	Commissioner of Securities of the State of Hawaii
ILLINOIS	Office of Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465	Illinois Attorney General
INDIANA	Indiana Secretary of State Securities Division 302 West Washington St., Room E-111 Indianapolis, IN 46204 (317) 232-6681	Indiana Secretary of State 201 State House Indianapolis, IN 46204
MARYLAND	Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360
MICHIGAN	Michigan Department of Attorney General Consumer Protection Division Antitrust and Franchise Unit 670 Law Building Lansing, MI 48913 (517) 373-7117	Michigan Department of Commerce, Corporations and Securities Bureau
MINNESOTA	Minnesota Department of Commerce 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500	Minnesota Commissioner of Commerce

State	State Agency	Agent for Service of Process
NEW YORK	NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21 <sup>st</sup> Floor New York, NY 10005 (212) 416-8222 Phone	Attention: New York Secretary of State New York Department of State One Commerce Plaza 99 Washington Avenue, 6 <sup>th</sup> Floor Albany, NY 11231-0001 (518) 473-2492
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard State Capitol, 14 <sup>th</sup> Floor, Dept. 414 Bismarck, ND 58505-0510 (701) 328-4712	North Dakota Securities Commissioner
OREGON	Department of Consumer and Business Services Division of Finance and Corporate Labor and Industries Building Salem, Oregon 97310 (503) 378-4387	Director of the Department of Consumer and Business Services
RHODE ISLAND	Department of Business Regulation Division of Securities 1511 Pontiac Avenue, Building 69-1 Cranston, RI 02920 (401) 462-9585	Director of Rhode Island Department of Business Regulation
SOUTH DAKOTA	Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563	Director of Insurance-Securities Regulation
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9 <sup>th</sup> Floor Richmond, VA 23219 (804) 371-9051	Clerk of State Corporation Commission 1300 East Main Street, 1 <sup>st</sup> Floor Richmond, VA 23219 (804) 371-9733
WASHINGTON	Department of Financial Institutions Securities Division P.O. Box 41200 Olympia, WA 98504-1200 (360) 902-8760	Director of Washington Financial Institutions Securities Division 150 Israel Road, SW Tumwater, WA 98501
WISCONSIN	Wisconsin Securities Commissioner Securities and Franchise Registration 345 W. Washington Avenue Madison, WI 53703 (608) 266-8559	Commissioner of Securities of Wisconsin

**EXHIBIT B**  
**FRANCHISE AGREEMENT**

**FANTASY CLAW ARCADE FRANCHISE LLC  
FRANCHISE AGREEMENT—SUMMARY PAGES**

Effective Date \_\_\_\_\_  
Franchisor \_\_\_\_\_  
Address for Notice: Fantasy Claw Arcade Franchise LLC, a Nevada corporation  
3110 Polaris Ave Suite #8  
Las Vegas, Nevada 89102  
  
Telephone Number: 702-783-2529  
Email: franchising@fantasyclawarcade.com

Franchisee:  
Type of Entity:  Individual  
 General Partnership  
 Corporation  
 LLC  
 Limited Partnership

Address for Notice: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Telephone: \_\_\_\_\_  
Facsimile Number: \_\_\_\_\_  
Mobile Telephone: \_\_\_\_\_  
Email: \_\_\_\_\_

Franchisee’s Principals: The following is a list of all shareholders, partners, members or other investors owning a direct or indirect interest in Franchisee and a description of the nature of their interest.

NAME	OWNERSHIP INTEREST IN FRANCHISEE	NATURE OF INTEREST
------	-------------------------------------	--------------------

Franchisee’s Managing Owner is \_\_\_\_\_. His or her contact information for notice is \_\_\_\_\_.

The following is a list of all Franchisee’s Principals, as defined and designated according to Section 17 of the Franchise Agreement, each of whom shall (unless executing the Franchise Guaranty Agreement) execute the Restrictive Covenant as to Franchisee or Shareholder/Member/Partner of Franchisee substantially in the form set forth at Exhibit C to the Franchise Agreement.

(Franchise ID)

Location: \_\_\_\_\_  
Opening Date: \_\_\_\_\_  
Initial Franchise Fee: \_\_\_\_\_  
Development Fee: \_\_\_\_\_  
Royalty Fee: \_\_\_\_\_  
% of Gross Sales \_\_\_\_\_

By signing below each of the parties attests to the accuracy of the information contained in these Summary Pages and agrees to and intends to be legally bound by the terms and conditions of the FANTASY CLAW ARCADE Franchise Agreement attached to these Summary Pages, effective on the Effective Date set forth above.

**FRANCHISOR:**

**FRANCHISEE:**

**FANTASY CLAW ARCADE FRANCHISE  
LLC**, a Nevada corporation

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

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

Name: Brad Howard

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

Title: Managing Partner

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



**FRANCHISE AGREEMENT**

**by and between**

**FANTASY CLAW ARCADE FRANCHISE LLC**

**and**

---

**for a**

**FANTASY CLAW ARCADE**

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## FRANCHISE AGREEMENT

This Franchise Agreement (“this Agreement”) made this date \_\_\_\_\_, by and between **FANTASY CLAW ARCADE FRANCHISE LLC**, a Nevada corporation, having its principal place of business at **3110 POLARIS AVE SUITE #8, LAS VEGAS, NEVADA 89102** (“Franchisor”), and \_\_\_\_\_, a \_\_\_\_\_ corporation, having its principal place of business at \_\_\_\_\_ (“Franchisee”).

### WITNESSETH:

**WHEREAS**, Franchisor is the owner of the trademarks, service marks, and logo “FANTASY CLAW ARCADE,” and any other trademarks Franchisor may develop, as well as the trade names “FANTASY CLAW ARCADE” and “FANTASY CLAW ARCADE” (collectively, the “Intellectual Property”), which are currently in use but not yet registered with the United States Patent and Trademark Office (“USPTO”), and trade secrets, processes, and know-how for use in connection with the unique process and system for the operation of its claw arcade (the “System”), together with all of the goodwill connected therewith; and

**WHEREAS**, Franchisee hereby acknowledges the requirement of appropriate safeguards for the maintenance and future promotion of the System by reason of its high standards of quality and service, and the fact that Franchisor has created over a period of one year a superior reputation, name, identification and consumer demand for its brand and services; and

**WHEREAS**, Franchisee hereby acknowledges and agrees to the exclusive right of Franchisor in and to the System as it is presently developed, or as the same may be improved upon during the term of this Agreement, including trade secrets, products, processes, designs, trademarks, trade names, logos, signs and slogans presently in use and/or developed after the date of this Agreement, all of which may be used by Franchisee only based on the terms of this Agreement; and

**WHEREAS**, Franchisee desires, upon the terms and conditions of this Agreement, to obtain and enter into the business of operating a claw arcade utilizing the System at and from the location agreed upon in this Agreement, under the name “FANTASY CLAW ARCADE,” subject to the training of Franchisor and in accordance with the standards of Franchisor presently in existence and/or as changed or modified at any time after the date of this Agreement.

**NOW, THEREFORE, IN CONSIDERATION OF** the foregoing, the mutual agreements contained in this Agreement, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each of the parties, the parties hereby agree as follows:

### **1. Grant of Franchise**

Franchisor hereby grants Franchisee during the term of this Agreement a non-assignable, non-exclusive right to use the Intellectual Property as designated and authorized by Franchisor, and the System, in the operation of a claw arcade (the “Franchised Arcade”). The Franchised Arcade shall be limited to the designated location being specifically set forth in Section 3 of this Agreement or on the Site Selection Addendum (Exhibit A). Franchisee is hereby also granted the right to use the system of operation and method of doing business conceived and designated by Franchisor, and to buy supplies and products and to sell those items and products specified by Franchisor according to the procedures, system and methods defined in this Agreement and the FANTASY CLAW ARCADE Confidential Operations Manual (the “Manual”).

## 2. Term

This Agreement shall be effective for a period of ten (10) years from the date of this Agreement (the "Initial Term"). Franchisee agrees to operate the Franchised Arcade in compliance with this Agreement for the entire Initial Term unless this Agreement is properly terminated under Section 10.

When this Agreement expires (unless it is terminated sooner), Franchisee will have the right to acquire a successor franchise to continue operating the Franchised Arcade as a FANTASY CLAW ARCADE for ten (10) years under Franchisor's then-current form of franchise agreement, but only if Franchisee:

(a) Has requested in writing and conducted with Franchisor a business review no earlier than twelve (12) months, but not later than nine (9) months, before the end of this Agreement's term and then has formally notified Franchisor of its desire to acquire a successor franchise no less than six (6) months before the end of this Agreement's term;

(b) Has substantially complied with all of Franchisee's obligations under this Agreement and all other agreements with Franchisor or its affiliates related to the Franchised Arcade, including operated the Franchised Arcade in substantial compliance with Franchisor's standards and specifications, as noted in the business review Franchisor conducts;

(c) Continues complying substantially with all of its obligations under this Agreement and all other agreements with Franchisor and its affiliates related to the Franchised Arcade between the time Franchisee formally notifies Franchisor of its desire to acquire a successor franchise and the end of this Agreement's term; and

(d) Or any of its owners have no pending or threatened litigation or disputes with us, our Affiliates, or our approved vendors

(e) Pays Franchisor a successor-franchise fee equal to Ten Thousand Dollars (\$10,000)

(f) Agrees that its managing owners, managers, and any other category of employees that we designate to attend any required refresher training.

(g) And any of its owners must execute and deliver to us, to the extent permitted by Applicable Laws, general releases, to the extent permitted, in a form prescribed by us, of any and all claims against us and our Affiliates, officers, directors, employees, agents, successors, and assigns.

(h) Gives notice of its election to acquire a Successor Franchise at least six (6) months prior to the expiration of the term. If Franchisee fails to give us your notice of your election to acquire a Successor Franchise at least six (6) months prior to the expiration of the term, we will interpret that to be your election not to acquire a Successor Franchise, and we will take action in reliance on that election. Within 90 days after receipt of our notice, we will give you written notice: (i) of our determination whether or not we will grant you a Successor Franchise (and, if applicable, stating the reasons for a refusal to grant you a Successor Franchise; (ii) advising you of any deficiencies which must be corrected by you before we will grant you a Successor Franchise, stating what actions you must take to correct the deficiencies and specifying the time period in which such deficiencies must be corrected.

(i) Signs and delivers to us such agreements and releases within 30 days after delivery thereof to you or, if earlier, the expiration of the Term. If Franchisee and its owners fail to sign and deliver to us

such agreements and releases within 30 days after delivery thereof to you or, if earlier, the expiration of the Term, such failure will be deemed an election by you not to obtain a Successor Franchise.

(j) Retains the right to occupy the Franchised Arcade at its original site, has remodeled, upgraded, and re-equipped the Franchised Arcade, and otherwise has brought the Franchised Arcade into full compliance with then-applicable specifications and standards for new FANTASY CLAW ARCADE locations before this Agreement expires (regardless of cost). Franchisor has no obligation to grant Franchisee a successor franchise if Franchisee wishes to relocate the Franchised Arcade or no longer has the right to occupy the Franchised Arcade at its original site.

To acquire a successor franchise, Franchisee and its owners must (i) sign Franchisor's then-current form of franchise agreement (and related documents), which may contain terms and conditions differing materially from any and all of those in this Agreement, including higher Royalty Fees, Marketing Fund contributions, and Tech Fees (described in Section 8(r) below), and will be modified to reflect that it is for a successor franchise; (ii) pay Franchisor a successor-franchise fee equal to Ten Thousand Dollars (\$10,000); and (iii) sign a general release in the form Franchisor specifies as to any and all claims against Franchisor, its affiliates, and their respective owners, officers, directors, employees, agents, representatives, successors, and assigns. If Franchisee fails to sign and return the documents referenced above, together with the successor-franchise fee, within thirty (30) days after Franchisor delivers them to Franchisee, that will be deemed Franchisee's election not to acquire a successor franchise. If Franchisee (and each of its owners) is not, both on the date Franchisee gives Franchisor written notice of Franchisee's election to acquire a successor franchise (at or after the business review) and on the date on which this Agreement expires, in substantial compliance with this Agreement and all other agreements with Franchisor or its affiliates related to the Franchised Arcade, Franchisor need not grant Franchisee a successor franchise, whether or not Franchisor had, or chose to exercise, the right to terminate this Agreement during the Initial Term.

### **3. Location; No Protected Territory**

(a) The street address of the location of the Franchised Arcade accepted in this Agreement is as referenced on the Franchise Agreement Summary Pages or the location designated in the Site Selection Addendum signed by the parties subsequent to the execution of this Agreement (the "Accepted Location"). The Franchisee shall operate the Franchised Arcade under the terms of this Agreement at the Accepted Location and at no other location without prior written consent of Franchisor. Franchisee may not conduct any other business at or from the Accepted Location. Franchisee may not relocate the Franchised Arcade to a new site without Franchisor's prior written consent, which Franchisor may grant or deny as it deems best. Franchisor may condition relocation approval on (a) the new site and its lease being acceptable to Franchisor, (b) Franchisee paying Franchisor a reasonable relocation fee, (c) Franchisee reimbursing any costs Franchisor incurs during the relocation process, (d) Franchisee confirming that this Agreement remains in effect and governs the Franchised Arcade's operation at the new site with no change in the franchise term or, at Franchisor's option, Franchisee signing Franchisor's then-current form of franchise agreement to govern the Franchised Arcade's operation at the new site for a new franchise term, (e) Franchisee signing a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor and its owners, affiliates, officers, directors, employees, and agents, (f) Franchisee continuing to operate the Franchised Arcade at its original site until Franchisor authorizes its closure, and (g) Franchisee taking, within the timeframe Franchisor specifies and at Franchisee's own expense, all action Franchisor requires to de-brand and de-identify the Franchised Arcade's former premises so that it no longer is associated in any manner (in Franchisor's opinion) with the System.

(b) Franchisee acknowledges that the franchise is nonexclusive, Franchisee has no territorial protection whatsoever, and Franchisor and its affiliates retain all rights with respect to FANTASY CLAW ARCADE locations, the Intellectual Property, the offer and sale of products and services that are similar to, competitive with, or dissimilar from the products and services the Franchised Arcade offers and sells, and any other activities they deem appropriate, whenever and wherever Franchisor and its affiliates desire, without regard to the competitive impact on the Franchised Arcade. Franchisor and Franchisee agree that Franchisor's and its affiliates' rights will be as broad as possible. Specifically, but without limitation, Franchisor and its affiliates reserve the following rights:

(i) to own and operate, and to allow other franchisees and licensees to own and operate, FANTASY CLAW ARCADE locations at any physical locations (other than at the Franchised Arcade's specific premises), in any geographic markets, and on any terms and conditions Franchisor and its affiliates deem appropriate;

(ii) to offer and sell and to allow others (including franchisees, licensees, and other distributors) to offer and sell, on any terms and conditions Franchisor and its affiliates deem appropriate, products and services that are identical or similar to and/or competitive with those offered and sold by FANTASY CLAW ARCADE locations, whether such products and services are identified by the Intellectual Property or other trademarks or service marks, through any advertising media, distribution channels (including the Internet), and shipping and delivery methods and to any customer, no matter where located;

(iii) to establish and operate, and to allow others (including franchisees and licensees) to establish and operate, anywhere any business (whether operated at a set physical location or through trucks, vans, and other mobile methods) offering identical, similar, and/or competitive products and services under trademarks and service marks other than the Intellectual Property;

(iv) to acquire the assets or ownership interests of one or more businesses offering and selling products and services similar to those offered and sold at FANTASY CLAW ARCADE locations (even if such a business operates, franchises, or licenses a Competitive Business (defined in Section 6 below)), and operate, franchise, license, or create similar arrangements for those businesses once acquired, wherever those businesses (or the franchisees or licensees of those businesses) are located or operating;

(v) to be acquired (whether through acquisition of assets, ownership interests, or otherwise, regardless of the transaction form) by a business offering and selling products and services similar to those offered and sold at FANTASY CLAW ARCADE locations, or by another business, even if such business operates, franchises, or licenses a Competitive Business; and

(vi) to engage in all other activities this Agreement does not expressly prohibit.

Franchisor has no express obligation or implied duty to insulate or protect Franchisee from or against erosion in its revenues or market share as the result of the Franchised Arcade's competing with other arcade businesses, non-traditional locations, or in the ways and to the extent this Section provides or contemplates. Franchisee waives any right to assert any claim against Franchisor based on the existence, actual or arguable, of any such obligation or duty. Franchisor is not required to pay Franchisee if Franchisor or its affiliates exercise any of the rights specified above.

#### **4. Franchise Fee and Royalties**

In consideration of the rights granted within this Agreement, Franchisee shall provide to Franchisor the following:

(a) A one-time nonrefundable franchisee fee of forty thousand dollars (\$40,000) (the “Initial Franchise Fee”) to be paid simultaneously with the execution of this Agreement. If this is a renewal franchise agreement, the renewal fee specified in Franchisee’s expired Franchise Agreement shall be paid in lieu of the Initial Franchise Fee.

(b) A royalty equal to 7% of Franchisee’s total Gross Sales (“Royalty Fee”). If Franchisee is a party to a Development Rights Agreement to operate three (3) or more Arcades and is in compliance with its development obligations, the Royalty Fee shall be 6% of Franchisee’s total Gross Sales. However, if Franchisee (or its affiliate) fails to comply with its development obligations under its Development Rights Agreement, Franchisor may immediately increase the Royalty Fee to 7% of Franchisee’s total Gross Sales, as provided in that agreement.

The payment shall be due daily after the end of each business day following the opening of the Franchised Arcade (“Due Date”). In the event Franchisee’s Arcade is closed without Franchisor’s approval for one (1) or more days (“Unauthorized Closure”), in addition to the Royalty Fee due from operations, Franchisee shall remit a Royalty Fee equal to the product of the average Royalty Fee for the sixty (60) days immediately preceding the date the Unauthorized Closure occurred, multiplied by the number of days of the Unauthorized Closure. In this event, the Due Date for such payment shall be the then-applicable Due Date that Franchisor has specified as provided in this Section 4(b).

On each Due Date, Franchisor will transfer from Franchisee’s bank operating account (“Account”) the amount reported to Franchisor in Franchisee’s sales report or determined by Franchisor by the records obtained by Franchisor through Franchisee’s point-of-sale system (or other) software. Franchisor shall have the right to obtain directly from Franchisee’s point-of-sale system (or other) software all information contained within this Agreement and compile a Royalty Fee report by accessing this information (“POS Data”). All POS Data must be submitted and/or accessible on or by the Due Date. If Franchisee has not reported Gross Sales to Franchisor for any fiscal period and Franchisor is not using POS Data to determine the amount due, Franchisor will transfer from the Account an amount calculated in accordance with its estimate of the Gross Sales during the fiscal period. If, at any time, Franchisor determines that Franchisee has underreported its Gross Sales, or underpaid the Royalty Fee or other amounts due to Franchisor under this Agreement, or any other agreement, Franchisor may initiate an immediate transfer from the Account in the appropriate amount in accordance with the foregoing procedure, including administrative fee and interest as provided in this Agreement. Any overpayment will be credited to the Account effective as of the first reporting date after Franchisor and Franchisee determine that this credit is due.

In connection with payment of the Royalty Fee and other amounts by electronic funds transfer, Franchisee shall: (1) comply with procedures specified by Franchisor in the Manual; (2) perform those acts and sign and deliver those documents as may be necessary to accomplish payment by electronic funds transfer as described in this Section; (3) give Franchisor an authorization in the form designated by Franchisor to initiate debit entries and/or credit correction entries to the Account for payments of the Royalty Fee and other amounts payable under this Agreement, including any administrative fee and interest charges; and (4) make sufficient funds available in the Account for withdrawal by electronic funds transfer no later than the Due Date for payment thereof.

Failure by Franchisee to have sufficient funds in the Account shall constitute a default of this Agreement and may subject this Agreement to termination for cause as described within this Agreement.

Franchisee shall not be entitled to set off, deduct or otherwise withhold any Royalty Fees, advertising contributions, Tech Fees, interest charges or any other monies payable by Franchisee under this Agreement on grounds of any alleged non-performance by Franchisor of any of its obligations or for any other reason.

For purposes of this payment, “Gross Sales” shall mean the total of all revenue and other consideration generated by Franchisee from operation of the Franchised Arcade whether from sales for cash or credit, and irrespective of the collection thereof, including sales of merchandise, products and services, excluding only (or, if applicable, reduced only by) the following: sales tax if paid to the appropriate government authorities; proceeds from the sale of equipment not in the ordinary course of business; promotional discounts initiated and formally requested by Franchisee and pre-approved by Franchisor in writing, provided physical evidence of the promotion is retained; and any other exclusions or reductions Franchisor specifically identifies (although without any obligation to do so) in the Manual. All transactions first will be (and must be) entered into the Information System at the full (non-discounted) retail price, plus all related fees and charges, for purposes of calculating Gross Sales. For the avoidance of doubt, Gross Sales are not reduced by the amount paid to, retained or collected by, or shared with third-party purchasing systems with which the Franchised Arcade does business.

Franchisor reserves the right to modify its policies and practices regarding revenue recognition, revenue reporting, and the inclusion of certain revenue in or the exclusion of certain revenue from “Gross Sales” as circumstances, business practices, and technology change.

Royalty Fees received by Franchisor based on this Section shall not be deemed trust funds, nor shall Franchisor be required to segregate these funds in any way. Royalty Fees shall be deemed general funds of Franchisor for all purposes and shall be non-refundable to Franchisee.

(c) Franchisee agrees to furnish Franchisor with monthly financial statements in the required format by the twenty-fifth (25th) of each month.

(d) Franchisee agrees to furnish Franchisor with yearly tax returns for the Franchised Arcade the earlier of the twenty-fifth (25th) of April, or thirty (30) days after the filing of said return with the applicable state and federal tax authorities.

(e) Franchisee agrees to use Franchisor’s chart of accounts in operating the Franchised Arcade to facilitate consistent reporting to and the maintenance of uniform records for Franchisor.

(f) If Franchisee fails to timely deliver any financial report required under this Agreement twice in any twenty-four (24) month period, Franchisor shall have the right to retain a bookkeeper to correct and maintain Franchisee’s business records until Franchisor is confident Franchisee’s financial reports accurately reflect the condition of the business. Franchisee shall reimburse Franchisor for these bookkeeping services at the rate of the greater of one hundred dollars (\$100.00) an hour or the actual out-of-pocket costs incurred by Franchisor. Franchisee agrees to fully cooperate with Franchisor and agrees to provide all requested information to Franchisor’s bookkeeper.

(g) In addition to Franchisor’s other remedies, including, without limitation, the right to terminate this Agreement, if Franchisee fails to pay (or make available for withdrawal from its account) when due any amounts that Franchisee owes Franchisor or its affiliates relating to this Agreement or the Franchised Arcade, those amounts will bear interest, accruing as of their original due dates, at one-and-one-half percent (1.5%) per month or the highest commercial contract interest rate the law allows, whichever is less. In addition, Franchisee must pay Franchisor a Two-Hundred-Fifty Dollar (\$250) administrative fee for each payment not made to Franchisor or its affiliate when due (or for each dishonored payment) to cover the increased costs and expenses incurred due to Franchisee’s failure to pay the amounts when due.

(h) Franchisee, upon entering into any loans or other forms of financing, agrees to furnish Franchisor with a copy of any related loan or financing agreements within five (5) days of execution

(i) Upon Franchisor's request, Franchisee agrees to furnish a statement detailing any loans or other forms of financing that have obtained and a compliance certificate from the lender confirming that such loans or financing arrangements are not in, and have not been in, default

(j) Franchisee agrees to notify Franchisor within five (5) days of receiving a notice of default, non-payment, or termination from any vendor, lender, or landlord, and to provide a copy of such notice and any related background information that Franchisor requests

(k) Franchisee agrees to furnish Franchisor by deadlines that are reasonably specified, such other documents and reports specified from time to time relating to, or that may directly or indirectly have an effect on the development or operation of Franchisee's ad business or any other FANTASY CLAW ARCADE® businesses owned or controlled by any of the Franchisee Owners.

## **5. Trademarks, Trade Names, and Trade Secrets**

Franchisee acknowledges that Franchisee is required, if possible, to prevent those persons or parties associated with or employed by it from the unauthorized use of Franchisor's Intellectual Property and also to maintain and control the quality of products sold through the use of such Intellectual Property.

Franchisee therefore covenants and agrees to perform and abide by the following provisions:

(a) Franchisee shall not use the Intellectual Property or any stylistic or colorable variation thereof as: (i) part of a trademark, service mark or trade name of any corporation, partnership, proprietorship or other business entity in which Franchisee owns or holds any interest; or as (ii) the trademark, trade name or assumed name of any business entity except in connection with the terms of this Agreement and the Franchised Arcade. Specifically, and without limitation, Franchisee may not use the name "FANTASY CLAW ARCADE" in the name of any corporation, partnership, proprietorship or other business entity in which Franchisee owns or holds any interest.

(b) Franchisee shall not use any of the Intellectual Property in connection with any advertising, promotion, sale or distribution of any item or other product not included on Franchisor's approved list or for any service not offered by Franchisor without Franchisor's prior written consent.

(c) Franchisee shall not use or allow the use of Franchisor's Intellectual Property in or on any promotional material, advertisement, display, business forms or other printed material without affixing the Intellectual Property to these materials in the manner required by Franchisor. All advertising and promotions must conform to the standards and requirements specified by Franchisor. Franchisee must submit to Franchisor, in the manner Franchisor specifies, for prior written approval, samples of all advertising and promotional plans and materials to be used by Franchisee in the Franchised Arcade and none of these materials may be used without the express prior written consent of Franchisor.

(d) Franchisee shall use the Intellectual Property in the precise form prescribed by Franchisor and shall observe all directions from Franchisor regarding the presentation of the Intellectual Property and the manner of their display and use. All paper goods, advertising and promotional materials that have not been furnished by Franchisor shall be submitted by Franchisee to Franchisor for approval before use by Franchisee in the Franchised Arcade. Franchisor's approval shall not be unreasonably withheld or delayed

for more than thirty (30) days after receipt of the proposed advertising material. If Franchisor fails to respond within thirty (30) days, the approval request shall be deemed denied.

(e) Franchisee shall use the Intellectual Property only on any goods and/or for any services which are in compliance with the directions and specifications periodically issued by Franchisor and with other quality control measures now in effect or which Franchisor may adopt in the future to promote and defend the goodwill associated with the Intellectual Property. Franchisee is prohibited from using the Intellectual Property on any goods and/or for any services not in compliance with these directions and specifications issued by Franchisor.

(f) . Upon the expiration or termination of this Agreement for any reason, all of your rights to use the Intellectual Property will automatically revert to us without cost and without the execution or delivery of any document. Upon our request, you will execute all documents that we require to confirm such reversion. Franchisee will take appropriate action to remove all Intellectual Property from the premises upon which its business is located.

(g) Franchisee understands and agrees that Franchisor has disclosed or will later disclose to Franchisee certain confidential or proprietary information and trade secrets. Except as necessary in connection with the operation of the Franchised Arcade and as approved by Franchisor, Franchisee shall not, during the Initial Term or at any time after the expiration or termination of this Agreement, regardless of the cause of termination, directly or indirectly, use for its own benefit or communicate or divulge to, or use for the benefit of, any other person or entity any trade secrets, confidential information, knowledge or know-how concerning the processes, advertising, marketing, designs or methods of operation of the Franchised Arcade or the System. Franchisee shall disclose to its employees only the confidential, proprietary or trade secret information as is necessary to operate its Franchised Arcade hereunder and then only while this Agreement is in effect. Any and all information, knowledge or know-how, including, without limitation, drawings, materials, equipment, marketing, processes and other data which Franchisor designates as secret or confidential shall be deemed secret and confidential for purposes of this Agreement. Franchisee hereby acknowledges and agrees that all Franchisor's techniques are and shall remain trade secrets. Additionally, Franchisee agrees not to make any unauthorized postings of trade secrets on any Internet websites or electronic bulletin boards.

(h) Franchisee and its shareholders agree that, in the event any trade secrets are disclosed in violation of this Agreement, then Franchisee and its shareholders shall be liable for damages with respect to loss of potential franchise fees, loss of royalties, attorneys' fees related to the breach of its promise, costs and any other damages or remedies deemed appropriate.

(i) Franchisor reserves the right to change, revise or substitute different Intellectual Property for use in identifying the System, the Franchised Arcade and the products sold or offered for sale through the Franchised Arcade if Franchisor, in its sole judgment, determines that change, revision or substitution of different Intellectual Property will be beneficial to the System. In these circumstances, the use of the substitute Intellectual Property shall be governed by the terms of this Agreement. Franchisee shall comply with each change, revision or substitution and bear all expenses associated therewith. In the event that a court of competent jurisdiction should order, or if Franchisor in its sole judgment should deem it necessary or advisable, Franchisee shall modify or discontinue use of any Mark. Franchisee shall comply with Franchisor's directions regarding any of these Intellectual Property within thirty (30) days after receipt of notice from Franchisor or, if this modification or discontinuance is court-ordered, immediately. Franchisor shall not be obligated to compensate Franchisee for any costs or expenses incurred by Franchisee in connection with any of these modifications or discontinuances. Franchisee shall also use these additional or substitute Intellectual Property as Franchisor shall direct.

(j) Unless otherwise approved in writing by Franchisor, Franchisee shall not establish a separate Website. However, Franchisor shall have the right to require that Franchisee have one (1) or more references or webpage(s), as designated and approved in advance by Franchisor, within Franchisor's principal Website, which is currently [www.fantasyclawarcade.com](http://www.fantasyclawarcade.com) ("Franchisor's Website"). The term "Website" means an interactive electronic document contained in a network of computers linked by communications software, commonly referred to as the Internet or World Wide Web, including, but not limited to, any account, page, or other presence on a social or business networking media site, such as Facebook, Instagram, X, TikTok, LinkedIn, and on-line blogs and forums ("Networking Media Sites"). Franchisor shall have the right to require that Franchisee not have any Website other than the webpage(s), if any, made available on Franchisor's Website.

Franchisee shall, to the extent allowed by applicable law, take such steps as are necessary to ensure that its employees do not violate Franchisor's policies relating to the use of Networking Media Sites, including, but not limited to, prohibiting employees from posting any information relating to Franchisor, the System, the Intellectual Property or the Franchised Arcades on any Networking Media Site that is inconsistent with such policies.

(k) Franchisee shall not, without Franchisor's prior written approval (which Franchisor may grant or deny as it deems best), use the Intellectual Property or any abbreviation or other name associated with Franchisor and/or the System as part of any e-mail address, domain name and/or other identification of Franchisee in any electronic medium. Franchisee agrees not to transmit or cause any other party to transmit advertisements or solicitations by e-mail or other electronic media without first obtaining Franchisor's written consent as to: (i) the content of such e-mail advertisements or solicitations; and (ii) Franchisee's plan for transmitting such advertisements. In addition to any other provision of this Agreement, Franchisee shall be solely responsible for compliance with all laws pertaining to e-mails, including, but not limited to, the U.S. Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (known as the "CAN-SPAM Act of 2003").

## **6. Restrictive Covenant**

Franchisee acknowledges that Franchisor has granted Franchisee the rights under this Agreement in consideration of and reliance upon Franchisee's and its owners' agreement to deal exclusively with Franchisor with respect to the products and services FANTASY CLAW ARCADE locations offer. Franchisee therefore agrees that, during this Agreement's term, neither Franchisee, its owners, nor any members of Franchisee's or its owners' Immediate Families (defined below) will:

(a) have any direct or indirect, controlling or non-controlling interest as an owner—whether of record, beneficial, or otherwise—in a Competitive Business (defined below), wherever located or operating, provided that this restriction will not prohibit ownership of shares of a class of securities that are publicly-traded on a United States stock exchange representing less than three percent (3%) of the number of shares of that class of securities issued and outstanding;

(b) perform services as a director, officer, manager, employee, consultant, representative, or agent for a Competitive Business, wherever located or operating;

(c) directly or indirectly loan any money or other thing of value, or guarantee any other person's loan, to any Competitive Business or any owner, director, officer, manager, employee, or agent of any Competitive Business, wherever located or operating; or

(d) divert or attempt to divert any actual or potential business of the Franchised Arcade to a Competitive Business.

The term “Immediate Family” includes the named individual, his or her spouse, and all children of the named individual or his or her spouse. The term “Competitive Business,” as used in this Agreement, means any business (a) offering arcade-style entertainment or (b) granting franchises or licenses to others to operate the type of business described in clause (a), other than a FANTASY CLAW ARCADE operated under a franchise agreement with Franchisor. Franchisee agrees to obtain similar reasonable covenants from its senior personnel, including the Franchised Arcade’s manager, officers, and directors, except to the extent prohibited by applicable law. Franchisor has the right to pre-approve the forms of agreements Franchisee uses solely to ensure that Franchisee adequately protects trade secrets and confidential information and the competitiveness of FANTASY CLAW ARCADE locations. Under no circumstances will Franchisor control the forms or terms of employment agreements Franchisee uses with Franchised Arcade employees or otherwise be responsible for Franchisee’s labor relations or employment practices.

Upon Franchisor’s termination of this Agreement for any reason, Franchisee’s termination of this Agreement without cause, or expiration of this Agreement (without the grant of a renewal franchise), Franchisee and its owners agree that neither they nor any member of their Immediate Families will have any direct or indirect, controlling or non-controlling interest as an owner, whether of record, beneficial, or otherwise, or perform services as a director, officer, manager, employee, consultant, representative, or agent, in any Competitive Business located or operating: (i) at the Franchised Arcade’s site; or (ii) within five (5) miles of the Franchised Arcade’s site; or (iii) within three (3) miles of another FANTASY CLAW ARCADE in operation or under construction on the later of the effective date of termination or expiration or the date on which the restricted person begins to comply with this Section, provided that this restriction does not prohibit ownership of shares of a class of securities publicly-traded on a United States stock exchange representing less than three percent (3%) of the number of shares of that class of securities issued and outstanding.

Franchisee, each owner, and their Immediate Families will each be bound by these competitive restrictions for two (2) years beginning on the effective date of this Agreement’s termination or expiration. However, if a restricted person does not begin to comply with these competitive restrictions immediately, the two (2) year restrictive period for the non-compliant party will not start to run until the date on which that party begins to comply with the competitive restrictions (whether or not due to the entry of a court order enforcing this provision). The running of the two (2) year restrictive period for a restricted person will be suspended whenever that restricted person breaches this Section and will resume when that person resumes compliance. These restrictions also apply after transfers and other events, as provided below. Franchisee (and its owners) expressly acknowledges that it (and they) possesses skills and abilities of a general nature and has other opportunities for exploiting these skills. Consequently, Franchisor’s enforcing the covenants made in this Section will not deprive Franchisee (and its owners) of personal goodwill or the ability to earn a living.

## **7. Obligations of Franchisor**

Franchisor agrees:

(a) To make available to Franchisee the benefit of its knowledge and experience in the installation, commencement and operation of the System.

(b) To make available to the Franchised Arcade the benefit of its knowledge and experience in: (i) selection and installation of equipment and furnishings; (ii) appropriate décor and arcade layout; (iii)

purchase, location and installation of signs identified with the operation of the Franchised Arcade; and (iv) the System. Franchisee shall pay Franchisor a one-time nonrefundable Development Services Fee (“Development Services Fee”) in the amount of TEN THOUSAND Dollars (\$10,000.00) to be paid simultaneously with the execution of this Agreement for Franchisor’s assistance with these matters.

(c) To render advisory service regarding the operation of the Franchised Arcade, including handling products and services in accordance with the System and Manual, and guidance on the operation of the Franchised Arcade.

(d) To provide quality control by conducting random, unannounced inspections of the Franchised Arcade to ensure quality of products and services.

(e) To provide electronic access to the Manual after this Agreement has been signed. If a paper copy is required, one (1) will be loaned to Franchisee for a non-refundable fee of one thousand dollars (\$1,000.00) and must be returned upon termination of the franchise relationship.

(f) Except to the extent Franchisor determines to train Franchisee through virtual learning, e-learning, and distance learning, as provided in Section 8(t), to provide Franchisee with in-person training in Las Vegas and supervision and assistance to Franchisee and its employees at the Franchised Arcade around the opening of the Franchised Arcade (“Pre-Opening Event”).

(g) To assist in the set-up of the accounting system to be utilized by the Franchised Arcade, as Franchisee is required to use Franchisor’s chart of accounts.

(h) To review monthly reports and other information of the Franchised Arcade as may be required by Franchisor.

(i) To render advisory services regarding advertising, promotional plans, and materials for local advertising.

(j) To provide a list of approved supplies and approved suppliers to Franchisee.

In the event Franchisor is required to expend more than two (2) weeks of effort in assisting Franchisee in opening the Franchised Arcade (other than training and pre-opening events), Franchisor reserves the right to invoice Franchisee for the additional time at Franchisor’s then-current rate for additional training as set forth in the Operations Manual. All obligations of Franchisor under this Agreement are owed solely to Franchisee, and no other party is entitled to rely on, enforce or obtain relief for breach of these obligations, either directly or by subrogation.

If Franchisee fails to pay any sum due Franchisor on the date payment is due, or is otherwise in default under any agreement between Franchisee and Franchisor, Franchisor may, at its sole discretion, withhold any supervisory assistance or other services listed in this Section 7.

## **8. Obligations of Franchisee**

Franchisee agrees:

(a) To specifically follow the requirements and procedures of the System as set forth in the Manual presently in effect and as may periodically be amended in Franchisor’s sole judgment.

(b) To hire a manager with full power and authority to control the daily operations of Franchisee's Franchised Arcade (if the manager is not Franchisee's Managing Owner (defined in Section 8(u) below)). The manager, as with all Franchised Arcade employees, shall be subject to the control of Franchisee. Franchisee understands that such a manager ensures an appropriate set-up and institutes proper and adequate general business practices, product preparations, service by employees, purchase of supplies and other appropriate standards or procedures to facilitate and assist in the effective operation of the franchise.

(c) To employ the methods of operation specified by Franchisor, the Manual and the System to ensure the highest quality products and services are provided to the public. Franchisee understands there must be strict adherence, without variation, to the aforesaid method of preparation and presentation of the products sold by Franchisee and to all other requisites and directions set forth by the System now in effect and as modified by Franchisor periodically. Franchisee agrees to comply with all standards, procedures, and requirements for responding to customer complaints, including reimbursing Franchisor promptly if Franchisor resolves a customer complaint because Franchisee fails to do so as or when required.

(d) To comply with all requests of Franchisor with respect to the appearance and use of the Intellectual Property licensed under this Agreement, including any requests to change the form or style or discontinue using any of said Intellectual Property.

(e) To take necessary measures to obtain all appropriate licenses, permits and approvals to do business at the Accepted Location before opening the Franchised Arcade and shall present evidence of the same to Franchisor upon obtaining these documents.

(f) Unless the Franchised Arcade operates at or within a Non-Traditional Venue (defined below), Franchisee agrees to spend at least thirty thousand dollars (\$30,000.00) towards marketing for the new location (the "Arcade Launch Marketing Plan"), payable to Franchisor in two equal installments: fifteen thousand dollars (\$15,000.00) no later than four (4) weeks prior to the Franchised Arcade's scheduled opening date, and fifteen thousand dollars (\$15,000.00) no later than ten (10) weeks after the Franchised Arcade opens for business. The Arcade Launch Marketing Plan will be created by the FANTASY CLAW ARCADE marketing department in collaboration with Franchisee, and Franchisor will implement the Arcade Launch Marketing Plan on Franchisee's behalf. This plan covers marketing activities over the first four (4) to six (6) months of operation. The Arcade Launch Marketing Plan for non-traditional locations will be prescribed on a case-by-case basis as applicable for the particular location.

If the Franchised Arcade operates at or within a Non-Traditional Venue, Franchisee agrees to spend at least twelve-thousand dollars (\$12,000) towards the Arcade Launch Marketing Plan, payable to Franchisor at least four (4) weeks before the Franchised Arcade is scheduled to open, as described in the Manual. This plan covers marketing activities over the first four (4) to six (6) months of operation. A "Non-Traditional Venue" is defined to mean a captive-venue location, including, without limitation, airports, hospitals or medical centers, limited-access highway facilities, bus or train locations, entertainment and sports complexes, convention centers, military facilities, schools, colleges, and universities, office facilities, department and retail super-stores, mobile units, off-site sales accounts, convenience stores, supermarkets, shopping malls, or home-improvement retailers.

If Franchisee signed this Agreement in connection with its purchase of the Franchised Arcade from an existing franchisee (or, if applicable, from Franchisor or its affiliates), Franchisee must pay Franchisor seven-thousand five hundred dollars (\$7,500) to purchase marketing and advertising for the Franchised Arcade's Transfer Marketing Plan, as described in the Manual, which covers marketing activities during the first two to three months after the transfer is completed. While the Transfer Marketing Plan's activities

are being implemented and executed, Franchisee has no obligation to spend the monthly amounts specified in Section 8(g) below for local marketing.

(g) After the Franchised Arcade has been in operation for six (6) months and for the remaining portion of this Agreement's term, Franchisor requires that the Franchisee spend at least one and one half percent (1.5%) of the Franchised Arcade's total Gross Sales each month towards local marketing efforts in the area around the Franchised Arcade (although Franchisor recommends that the Franchisee spend up to four percent (4%) of the Franchised Arcade's monthly Gross Sales for such purpose). Upon request, Franchisee agrees to supply Franchisor with documented proof of its spend towards local marketing efforts.

(h) To obtain required insurance coverage before opening the Franchised Arcade or upon signing the lease, whichever occurs first, from an insurer company with an A.M. Best's Review rating of not less than A-VII, and otherwise acceptable to Franchisor, to insure the premises and cover business operations and product liability with the following minimum limits: Comprehensive General Liability—bodily injury and property damage of \$1,000,000 per occurrence and \$2,000,000 aggregate; Liquor Liability of \$1,000,000 aggregate (if applicable); automobile liability for all owned, non-owned, and rented vehicles used in operating the Franchised Arcade of \$1,000,000 Combined Single Limit Liability (not included with the General Liability); Workers' Compensation and Employer's Liability of \$1,000,000 by accident, \$1,000,000 by disease policy limit, and \$1,000,000 by disease each accident; Umbrella Liability of \$1,000,000 in excess of all other liability policies; and Property Insurance for 100% of the replacement cost of all furniture, fixtures, equipment, inventory, building (if applicable), and tenant build out in the Franchised Arcade. Furthermore, Franchisee must carry Employment Practices Liability of at least \$1,000,000 aggregate, including third party coverage and Wage & Hour Defense cost of \$100,000 naming Franchisor as Co-defendant; Cyber Liability of \$1,000,000 for all data breaches, identity thefts, phishing attacks, and social engineering and data response/crisis management expenses; and Trade Name Restoration coverage of \$500,000 per location to pay for Franchisee's lost profit from an actual or alleged contamination claim anywhere in the brand. Franchisor may at its option modify the types and amounts of required coverage upon written notice to Franchisee. Franchisee must comply with the modified requirements. The General Liability policy must name Franchisor as additional insured. The policies must contain a Waiver of Subrogation in Franchisor's favor, provide for statutory notice of cancellation to Franchisor, and be primary and non-contributory to any insurance Franchisor maintains. Franchisee must deliver a certificate of insurance, reflecting all required insurance coverage, to Franchisor upon signing its lease and ten (10) days before each renewal. If Franchisee fails to provide Franchisor a certificate, Franchisor reserves the right, but has no obligation, to place coverage on Franchisee's behalf for which Franchisee must reimburse Franchisor, including any administration fee that might apply, immediately upon notification from Franchisor.

(i) To require all employees with permitted access to Franchisor's trade secrets or other confidential or proprietary information as is necessary in order to operate the Franchised Arcade (as provided in Section 5(g) above) to sign a non-disclosure Agreement. Franchisor has the right to pre-approve the forms of non-disclosure agreements Franchisee uses solely to ensure that Franchisee adequately protects trade secrets and other confidential and proprietary information and the competitiveness of FANTASY CLAW ARCADE locations. Under no circumstances will Franchisor control the forms or terms of employment agreements Franchisee uses with Franchised Arcade employees or otherwise be responsible for Franchisee's labor relations or employment practices. Franchisee must keep copies of non-disclosure agreements and send them to Franchisor upon request solely for Franchisor to confirm Franchisee's compliance with its confidentiality obligations.

(j) To ensure that the highest degree of quality and service is maintained. Franchisee must operate the Franchised Arcade in strict conformity with the methods, standards and specifications as Franchisor may prescribe in the Manual or otherwise in writing. Franchisor must approve any and all

products and services used in the operation of the Franchised Arcade and suppliers from which products and services are purchased. Franchisee must use only approved or designated suppliers as Franchisee's exclusive suppliers and service providers as required by Franchisor in the Manual, which suppliers may include or be limited to Franchisor and/or certain of its affiliates. Franchisor's right to designate and approve suppliers and service providers for Franchisee will include architectural and engineering firms, general contractors, construction management firms, and equipment vendors that will be involved in the design, construction, and development of the Franchised Arcade. **FRANCHISOR MAY, BUT IS NOT REQUIRED TO, NEGOTIATE PURCHASE ARRANGEMENTS WITH SUPPLIERS.** Franchisor reserves the right—as a matter of convenience or efficiency or because of a master agreement or other arrangement with a third-party vendor—to collect from Franchisee any amounts due to the third-party vendor (for products or services) for eventual payment to that vendor.

If Franchisee proposes to purchase any products, equipment, forms, paper or other products used in the Franchised Arcade (that Franchisee is not required to purchase from Franchisor or its affiliates) from a manufacturer, distributor, vendor or other supplier that Franchisor has not previously approved, Franchisee shall submit to Franchisor a written request for the approval or shall request the supplier to do so itself. None of these suppliers may be used by Franchisee without first obtaining Franchisor's prior written approval. Franchisor has the right to require, as a condition of its approval, that its representatives be permitted to inspect the supplier's facilities, and that the information, specifications and samples as Franchisor reasonably designates be delivered to Franchisor and/or to an independent, certified laboratory designated by Franchisor for testing before granting approval. A charge not to exceed the actual cost of the inspection(s) and the actual cost of the test(s) shall be paid by Franchisee. Costs shall include all costs incurred by Franchisor, including, but not limited to, Franchisor's oversight and administrative charges. Franchisor has the right to establish, periodically, the criteria used in evaluating alternative suppliers, which criteria may include, but not be limited to, price, quality, purchasing requirements and the economic impact on franchisees as a group from allowing Franchisee to purchase from alternative suppliers. Franchisor reserves the right, at Franchisor's option, to re-inspect the facilities and products of any of these approved suppliers and to revoke its approval upon a supplier's failure to continue to meet any of the foregoing criteria.

Franchisor and its affiliates have the right (without liability) to consult with Franchisee's suppliers about the status of Franchisee's account with them and to advise Franchisee's suppliers and others with whom Franchisee, Franchisor, Franchisor's affiliates, and other franchisees deal that Franchisee is in default under any agreement with Franchisor or its affiliates (but only if Franchisor has notified Franchisee of such default).

Franchisor and/or its affiliates may derive revenue—in the form of promotional allowances, volume discounts, commissions, other discounts, performance payments, signing bonuses, rebates, marketing and advertising allowances, free products, and other economic benefits and payments—from suppliers that Franchisor designates, approves, or recommends for some or all FANTASY CLAW ARCADE locations on account of those suppliers' prospective or actual dealings with the Franchised Arcade and other FANTASY CLAW ARCADE locations. That revenue may or may not be related to services Franchisor and its affiliates perform. All amounts received from suppliers, whether or not based on Franchisee's or other franchisees' purchases from those suppliers, will be Franchisor's and its affiliates' exclusive property, which they may retain and use without restriction for any purposes they deem appropriate. Any products or services that Franchisor or its affiliates sell Franchisee directly may be sold to Franchisee at prices exceeding their costs.

(k) To maintain in sufficient supply and use at all times only those products, materials, supplies and methods of service as conform to Franchisor's standards and specifications and must refrain from using nonconforming items or methods without Franchisor's prior written consent. Franchisee also must sell,

distribute or deliver only those products that meet Franchisor's standards of quality and quantity and that have been expressly approved for sale in writing by Franchisor; must sell or offer for sale all approved items; must refrain from any deviation from Franchisor's standards and specifications without Franchisor's prior written consent; must discontinue selling and offering for sale any items, products or services which Franchisor may disapprove in writing at any time; and must use only products bearing the approved Intellectual Property which meet the specifications of Franchisor.

(l) To permit Franchisor or its agents to conduct unannounced inspections at any reasonable time. Franchisee must permit Franchisor or its agents, at any reasonable time, to remove from the Franchised Arcade samples of items without payment for these items, in amounts reasonably necessary for testing by Franchisor or an independent laboratory, to determine whether these samples meet Franchisor's then-current standards and specifications. In addition to any other remedies Franchisor may have under the Franchise Agreement, Franchisor may require Franchisee to bear the cost of this testing if the supplier of the item has not previously been approved by Franchisor or if the sample fails to conform to Franchisor's specifications. Franchisee grants Franchisor and its agents the right to enter the Franchised Arcade at any reasonable time to inspect, photograph or video the Franchised Arcade, equipment and operations in the Franchised Arcade. Franchisee must cooperate with Franchisor's representatives in these inspections by rendering assistance as they may reasonably request. Upon reasonable notice from Franchisor or its agents and without limiting Franchisor's other rights under the Franchise Agreement, Franchisee must take the steps necessary to correct immediately any deficiencies detected during any inspection, including, without limitation, immediately desisting from the continued use of any equipment, advertising materials, products or supplies that do not conform to Franchisor's then-current specifications, standards or requirements.

(m) To allow Franchisor to implement price advertising policies, and to specify maximum, minimum, or other pricing requirements for products and services the Franchised Arcade offers and sells, including requirements for promotions, special offers, and discounts in which some or all FANTASY CLAW ARCADE locations participate, in each case to the maximum extent the law allows.

(n) To purchase or lease and install, at Franchisee's expense, all fixtures, furnishings, signs and equipment that Franchisor may reasonably direct in the Manual or otherwise in writing, including any that Franchisor may require in the future, such as security and video surveillance systems and any enhancements, additions, substitutions, modifications and upgrades. Specifically, Franchisor may require that Franchisee install and maintain systems that permit Franchisor to access and retrieve electronically any other information stored in Franchisee's computer systems, including images and information stored in Franchisee's security and video surveillance systems, at the times and in the manner that Franchisor may specify periodically. Franchisee must refrain from installing or permitting to be installed on or about the Franchised Arcade premises, without Franchisor's prior written consent, any fixtures, furnishings, signs, equipment or other improvements not previously approved as meeting Franchisor's standards and specifications.

(o) To submit to Franchisor, in the manner Franchisor directs, for its prior written approval samples of all advertising and promotional plans and materials that Franchisee desires to use and which have not been prepared or previously approved by Franchisor. Franchisee must display the Intellectual Property in the manner required by Franchisor on all signs and other advertising and promotional materials used in the Franchised Arcade. All advertising and promotions by Franchisee in any manner or medium must be conducted in a dignified manner and must conform to the standards and requirements specified by Franchisor. Franchisor may, periodically, but shall not be required to, provide Franchisee with advertising assistance. If Franchisee elects to do more advertising than the advertising provided by Franchisor, if any, Franchisee shall be responsible for all costs of this advertising and promotion. All of these advertisements, if any, must be approved by Franchisor in writing before use.

(p) To not engage in any trade practice or other activity which is harmful to the goodwill or reflects unfavorably on the reputation of Franchisor or the System and the products sold from the Franchised Arcade, which constitutes deceptive practices or unfair competition, or otherwise violates any applicable laws.

(q) It is Franchisee's responsibility to select Franchisee's own location which must be approved by Franchisor. Franchisor must approve the lease if Franchisee does not own the premises, which approval shall not be unreasonably withheld. Before executing the lease, Franchisee shall remit to Franchisor a copy of the proposed lease agreement with all amendments and addendum. The same procedure shall be followed before executing any amendments or extensions of the lease agreement. Franchisor will review and approve the lease to ensure it meets Franchisor's specifications, including the incorporation of Franchisor's standard lease rider included in Exhibit 1 of Exhibit A. The terms of the lease rider are hereby incorporated by reference. Franchisor's review is not a replacement for a review by Franchisee's own attorney.

Franchisor will give Franchisee its then-current criteria for FANTASY CLAW ARCADE sites (including, without limitation, population density and other demographic characteristics, visibility, traffic flow, competition, accessibility, ingress and egress, size, and other physical and commercial characteristics) to help in the site-selection process. However, even if Franchisor recommends or gives Franchisee information regarding a potential site or site criteria, Franchisee acknowledges that Franchisor has made, and will make, no representations or warranties of any kind, express or implied, about the site's suitability for a FANTASY CLAW ARCADE or the likelihood that Franchisor ultimately will accept that site.

Franchisee must submit all information Franchisor requests when Franchisee proposes a site. Franchisor will not unreasonably withhold its acceptance of a site if, in Franchisor's and its affiliates' experience and based on the factors outlined above, the proposed site is not inconsistent with sites that Franchisor and its affiliates regard as favorable or that otherwise have been successful sites in the past for FANTASY CLAW ARCADE locations. However, Franchisor has the absolute right to reject any site not meeting its criteria or to require Franchisee to acknowledge in writing that a site Franchisee prefers is accepted but not recommended due to its incompatibility with certain factors that bear on a site's suitability as a location for a FANTASY CLAW ARCADE. Applying criteria appearing effective with other sites might not accurately reflect the potential of all sites, and demographic or other factors included in or excluded from Franchisor's criteria could change, altering a site's potential. The uncertainty and instability of these criteria are beyond Franchisor's control, and Franchisor is not responsible if a particular site fails to meet Franchisee's expectations.

Any guidance or assistance Franchisor provides with respect to the leasing process is not a guarantee or warranty, express or implied, of the Franchised Arcade's success or profitability or of the suitability of the lease or sublease for Franchisee's business purposes. Franchisor's acceptance of a lease or sublease indicates only that Franchisor believes the site and the lease or sublease terms adequately protect Franchisor's interests and/or the interests of other franchisees in the FANTASY CLAW ARCADE system, to the extent those interests are implicated in the lease or sublease.

(r) To acquire and subscribe to a FANTASY CLAW ARCADE-specific suite of services at Franchisee's expense and utilize the software package and Point-of-Sale System or another system ("Information System") approved by Franchisor in Franchisee's Franchised Arcade. Franchisee agrees that Franchisor shall have the free and unfettered right to retrieve any data and information from Franchisee's computers and Information System as Franchisor deems appropriate, including electronically polling the daily sales and other data of the Franchised Arcade ("Data Mining"). Franchisee agrees that the Data Mining to be conducted by Franchisor is necessary for the successful operation of the System, and Franchisee

consents to the installation of any and all software and/or hardware as may be necessary to facilitate the Data Mining.

Franchisor shall have the right to specify or require that certain brands, types and/or models of communications, computer systems and hardware be used by Franchisee, including without limitation: (i) back office and point-of-sale systems; display-boards; loyalty programs; online ordering systems and services; gift-card programs; credit card processing systems and services; internet navigation software; email, telephone, audio, video, and surveillance systems; and training and operational support aids, which may include camera systems, virtual reality, and augmented reality hardware and software, for use at the Franchised Arcade; (ii) printers and other peripheral hardware or devices; (iii) archival back-up systems; (iv) Internet access mode and speed; and (v) physical, electronic and other security systems (collectively, the "Computer System").

Franchisor shall have the right, but not the obligation, to develop or have developed for it, or to designate: (i) computer software programs that Franchisee must use in connection with the Computer System (the "Required Software"), which Franchisee shall install at its expense; (ii) updates, supplements, modifications or enhancements to the Required Software, which Franchisee shall install at its expense; (iii) the tangible media upon which Franchisee shall record data; and (iv) the database file structure of the Computer System.

Franchisee shall purchase from Franchisor or its affiliate the Computer System and, if applicable, the Required Software. Franchisor shall have the right at any time to remotely retrieve and use such data and information from Franchisee's Computer System or Required Software that Franchisor deems necessary or desirable. Franchisee expressly agrees to strictly comply with Franchisor's standards and specifications for all items associated with Franchisee's Computer System and any Required Software in accordance with Franchisor's standards and specifications. Franchisee agrees, at its own expense, to keep the Computer System in good maintenance and repair and install such additions, changes, modifications, substitutions and/or replacements to the Computer System or Required Software as Franchisor directs from time to time in writing. Franchisor may require Franchisee to purchase from Franchisor or an affiliate an annual support package at Franchisor's or the affiliate's then-current prices for such support services. Franchisee agrees that its compliance with this Section shall be at Franchisee's sole cost and expense.

Franchisee and Franchisor acknowledge and agree that changes to technology are dynamic and not predictable during the term of this Agreement. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, Franchisee agrees that Franchisor shall have the right to establish, in writing, reasonable new standards for the implementation of technology in the System; and Franchisee agrees that it shall abide by those reasonable new standards established by Franchisor as if this Agreement were periodically revised by Franchisor for that purpose.

Without limiting the amounts that Franchisor may require Franchisee to spend for the various items and services described above in this Section 8(r), upon thirty (30) days' prior written notice to Franchisee, Franchisee agrees to begin paying Franchisor a technology fee ("**Tech Fees**") equal to point sixty-five hundredths of one percent (0.65%) of the Franchised Arcade's Gross Sales. The Tech Fee is due and payable at the same time, in the same manner, and covering the same time period as the Royalty Fee, unless Franchisor otherwise specifies. Franchisor will use Tech Fees to fund the technology expenditures it deems best for the System (as well as company- and affiliated-owned FANTASY CLAW ARCADE locations), including, without limitation, mobile training and operational performance software, cloud-based franchise-management solutions, IT phone support and database maintenance, digital marketing, online ordering and loyalty subscriptions, iPad mobile device management, and e-learning solutions. Franchisor may allocate and spend Tech Fees in its sole judgment, including for salaries, wages, and benefits, direct technology program costs, and overhead expenses for the activities described above. Franchisor has no obligation to

account to Franchisee or other franchisees for Franchisor's use of Tech Fees or to ensure that Franchisee or the Franchised Arcade benefits directly or pro rata based on Franchisee's payments of Tech Fees.

(s) That Franchisee will, within nine (9) months from the date of written notice from Franchisor, remodel or re-equip the Franchised Arcade in accordance with the specifications provided by Franchisor. This remodeling and re-equipping may include replacing worn out, obsolete or dated equipment, fixtures, furnishings, and signs; structural modifications; redecorating; or purchasing more efficient or improved equipment. Franchisor may require Franchisee to perform remodeling and to purchase equipment at those times as Franchisor deems necessary and reasonable; provided, that Franchisor may not require any remodeling or re-equipping requiring an expenditure in excess of ten thousand dollars (\$10,000.00) during the first two (2) years of the Term or one hundred thousand dollars (\$100,000.00) in any five (5) year period, provided, however, that these dollar limitations do not apply in connection with:

(i) Franchisee's acquisition of a successor franchise (as provided in Section 2 above, Franchisor may require Franchisee, as a condition of acquiring a successor franchise, to remodel, upgrade, and re-equip the Franchised Arcade and otherwise bring the Franchised Arcade into full compliance with then-applicable specifications and standards for new FANTASY CLAW ARCADE locations before this Agreement expires (regardless of cost));

(ii) a Transfer (as provided in Section 12(c) below);

(iii) updates or changes to the Information System and Computer System;

(iv) Required Software upgrades; and

(v) A relocation (where Franchisee must develop the Franchised Arcade at the new location in full compliance with Franchisor's requirements).

FRANCHISEE ACKNOWLEDGES THAT EQUIPMENT, ALTERATIONS, AND RENOVATIONS REQUIRED BY FRANCHISOR MAY INVOLVE SUBSTANTIAL ADDITIONAL INVESTMENT BY FRANCHISEE DURING THE TERM OF THIS AGREEMENT.

(t) That if the Franchised Arcade has not previously opened for business, Franchisor will provide a training program to Franchisee before such opening. At least two (2) people must complete the full Fantasy Claw Arcade training program (including Franchisee's Managing Owner) without charge. In addition, two (2) additional employees must complete an hourly-team-member training program before the Franchised Arcade opens for business. If Franchisee would like additional employees to attend the training program at the same time as Franchisee's Managing Owner, Franchisor may agree to provide this additional training at the fee determined by Franchisor. The training program is a blended learning training program including internet-based, classroom and on-site training at an approved training location. Each training program may include instruction on sales techniques, products orientation, accounting procedures, ordering and inventory controls, and operations management. The training shall be provided at Franchisor's headquarters or designated location(s) and shall also include uncompensated on-the-job training at an approved training location. Franchisor may substitute virtual learning and "e-learning" for any training that otherwise would occur in person. Franchisee must obtain, at Franchisee's expense, access to a computer and high-speed Internet connection to access the online training portal. The training may be presented in installments and Franchisee's Managing Owner and other personnel will be required to attend all installments. Franchisor shall bear the direct training costs and expenses of the training (for instructors, manuals, classrooms), and Franchisee shall bear and pay all indirect training costs and expenses, such as any salary expenses of its employees and all expenses of travel, lodging, meals and other living expenses that Franchisee's Managing Owner and other personnel incur in attending the training program, which shall

be borne and paid by Franchisee. Failure by Franchisee's Managing Owner and/or Franchisee's other required attendees to successfully graduate from training shall be grounds for termination of this Agreement. Cheating will also be grounds for immediate termination.

Franchisor has the right to charge the Franchisee for additional or supplemental support or refresher training outside of the standard pre-opening event and Fantasy Claw Arcade training program, as outlined in the Manual.

If during this Agreement's term Franchisor determines, whether after an inspection or otherwise, that retraining or additional training is necessary because the Franchised Arcade is not operating in compliance with Franchisor's standards and specifications, Franchisor has the right at any time during this Agreement's term to require Franchisee's Managing Owner and other managerial personnel to participate in and successfully complete an extensive onsite training program at the Franchised Arcade for up to six (6) weeks. Franchisor may charge Franchisee Ten Thousand dollars (\$10,000) for this retraining or additional training. Franchisee must pay this amount on demand.

(u) To designate an owner holding at least twenty percent (20%) of its ownership interests to serve as its managing owner (the "Managing Owner"). At all times during the Initial Term, the Managing Owner must meet the following qualifications and any other standards Franchisor sets forth from time to time in the Manual or otherwise communicates to Franchisee:

(i) Franchisor must approve the proposed Managing Owner in writing before the Effective Date. Franchisor has the right to approve or disapprove, as it deems best, any proposed change in the individual designated as the Managing Owner.

(ii) The Managing Owner is responsible for managing the Franchised Arcade. The Managing Owner must have sufficient authority to make business decisions for Franchisee that are essential to the Franchised Arcade's effective and efficient operation. The Managing Owner must communicate directly with Franchisor regarding any Franchised Arcade-related matters (excluding matters relating to labor relations and employment practices). The Managing Owner's decisions will be final and will bind Franchisee, Franchisor may rely solely on the Managing Owner's decisions without discussing the matter with another party, and Franchisor will not be liable for actions it takes based on the Managing Owner's decisions or actions.

(iii) The Managing Owner may be the manager of the Franchised Arcade or may designate another person to serve as the manager, provided the Managing Owner ensures that the manager fulfills all obligations under this Agreement. The Managing Owner remains fully responsible for the manager's performance.

If Franchisee wants or needs to change the individual designated as the Managing Owner, Franchisee must find a new individual (the "Replacement Managing Owner") for that role in order to protect Franchisor's brand. Franchisee must appoint the Replacement Managing Owner within thirty (30) days after the former Managing Owner no longer occupies that position. Franchisor must approve in writing the Replacement Managing Owner, who must hold the minimum ownership interest in Franchisee that Franchisor specifies. The Replacement Managing Owner must attend and satisfactorily complete the training Franchisor specifies. Franchisee is responsible for the Replacement Managing Owner's compensation and travel-related expenses during training.

(v) To attend and participate in the Annual Franchise Convention, Regional Meetings, and System-Wide meetings held via web conference or teleconference. The costs of attending the Franchise Convention and Regional Meetings will be Franchisee's sole financial responsibility; provided, however,

that attendance at in-person events will not be required at more than two (2) such programs in a calendar year and shall not collectively exceed six (6) business days in duration in any calendar year (not including travel time).

(w) That each day during the Initial Term, Franchisee shall make the following contributions and expenditures for marketing and advertising:

(i) **Marketing Fund**

a) Franchisee shall contribute to the National Marketing Fund (“Marketing Fund”) an amount that Franchisor designates periodically which amount shall not exceed four percent (4%) of the Gross Sales of the Franchised Arcade for the period. Franchisor shall establish and maintain a bank account for the purpose of administering the Marketing Fund, as described in this Agreement. Franchisee shall make contributions to the Marketing Fund as set out in this Section 8(w). Franchisor has the sole discretion to settle or forgive any accrued and unpaid Marketing Fund contributions owed by any franchisee.

b) Franchisee agrees and acknowledges that contributions to the Marketing Fund are intended to increase recognition of the Intellectual Property and to further the public image and acceptance of the System and that Franchisor does not undertake any obligation to ensure that expenditures from the Marketing Fund are proportionate or equivalent to contributions to the Marketing Fund by Franchised Arcades operating in the geographic area or that Franchisee or the Franchised Arcade will benefit directly or in proportion to its contribution to the Marketing Fund. Neither Franchisor nor any of Franchisor’s respective officers, directors, agents or employees, shall be liable to Franchisee with respect to the maintenance, direction or administration of the Marketing Fund, including the handling of contributions, expenditures, investments or borrowing, except for acts constituting willful misconduct.

c) Franchisor shall make contributions to the Marketing Fund for each FANTASY CLAW ARCADE that Franchisor or its affiliate owns.

d) While Franchisee is in compliance with Section 8(w), Franchisee will be furnished with advertising materials which were produced with expenditures from the Marketing Fund for distribution to franchisees of the System on the same terms and conditions as the materials are furnished to other franchisees.

e) Franchisee shall make its contribution to the Marketing Fund on the date and in the manner designated by Franchisor, including bank drafting. Contributions to the Marketing Fund may be used to defray expenses of Franchisor only to the extent of the administrative costs and overhead that Franchisor may reasonably incur in administering the Marketing Fund.

f) The Marketing Fund, all contributions to it and any earnings on those contributions shall be used exclusively to meet all costs of maintaining, administering or directing and preparing promotional and/or advertising activities. Franchisor has the sole discretion over how and where the Marketing Fund contributions are spent to promote, enhance or further the growth of the System, including, without limitation, promotional marketing and advertising expenses, hiring marketing, public relations and advertising agencies and in-house personnel to assist in developing the System’s materials, branding and average unit volumes, expenses associated with listings in telephone books, subsidies of premiere/marquis locations designed to garner media attention and promote the brand name, travel expenses in connection with promotions and marketing meetings, training, development of trademarks and trademarked materials, production

of circulars, media, advertisements, coupons and promotional materials (including point of purchase materials) and for any other use Franchisor determines. Additionally, Franchisor can use the Marketing Fund to pay for expenses incurred in developing and maintaining the non-franchise sales portion of Franchisor's website. All sums paid by Franchisee into the Marketing Fund shall be maintained in an account separate from the other monies of Franchisor and shall not be used to defray any of Franchisor's expenses, except for the reasonable administrative costs and overhead, if any, as Franchisor may incur in activities reasonably related to the administration or direction of the Marketing Fund and promotion and advertising programs for franchisees and the System, including, among other things, the cost of personnel for creating and implementing advertising, promotional and marketing programs. The Marketing Fund and its earnings shall not otherwise inure to the benefit of Franchisor.

g) It is anticipated that all contributions to and earnings from the Marketing Fund shall be expended for promotional and/or advertising purposes during the taxable year in which the contributions and earnings are received. If, however, Franchisor determines that funds should be retained and accumulated for major advertising purchases or any other reason, then funds may be held beyond the year of receipt. Generally, if excess amounts remain in the Marketing Fund at the end of the taxable year, all expenditures for the following taxable year(s) shall be made first out of accumulated earnings from the previous year, next out of earnings in the current year and finally from contributions.

h) The Marketing Fund is not and shall not be an asset of Franchisor or its designate. A statement of the operation of the Marketing Fund as shown on the books of the Marketing Fund shall be prepared annually and shall be made available to Franchisee. Upon request, Franchisor shall make available for inspection by Franchisee the books and records of the Marketing Fund. At Franchisor's option, Franchisor can create a separate entity to be the recipient of Franchisee's Marketing Fund contributions and Franchisee agrees, upon Franchisor's request, to tender Marketing Fund payments to said entity.

i) The Marketing Fund is not a trust fund. Franchisor shall have no fiduciary duty to Franchisee in connection with the collection or use of the Marketing Fund monies or any aspect of the operation of the Marketing Fund.

(b) Regional Cooperative Advertising. Franchisee agrees that Franchisor shall have the right, in Franchisor's sole discretion, to periodically designate a geographical area in which the Franchised Arcade is located for the purpose of establishing an advertising cooperative (the "Cooperative"). If a Cooperative has been established at the time Franchisee commences operations hereunder, Franchisee shall immediately become a member of the Cooperative. If a Cooperative is established at any later time during the Initial Term, Franchisee shall become a member of the Cooperative no later than thirty (30) days after the date on which the Cooperative commences operation. In no event shall the Franchised Arcade be required to contribute to more than one (1) Cooperative. The following provisions shall apply to each Cooperative:

a) Each Cooperative shall be organized and governed in a form and manner, and shall commence operation on a date, approved in advance by Franchisor in writing;

b) Each Cooperative shall be organized for the purposes of producing and conducting general advertising programs and activities for use in and around the applicable geographic area and developing standardized promotional materials for use by the members;

c) Franchisor-owned and affiliate-owned locations shall make contributions to each Cooperative of which it is a member on the same basis as required of comparable franchisees within the System;

d) No advertising programs or materials may be used by the Cooperative or furnished to its members and no advertising or promotional activities may be conducted by the Cooperative, without the prior written approval of Franchisor. All of these programs, materials and planned activities shall be submitted to Franchisor for approval in accordance with the procedure set forth in this Agreement governing advertising approval;

e) Each cooperative shall have the right to require its members to make contributions to the Cooperative in amounts determined by the governing body of the Cooperative provided the maximum contribution shall be two percent (2%) of Gross Sales. Franchisor reserves the right to impose a flat-fee contribution, in lieu of a percentage of Gross Sales, which flat fee will not exceed two percent (2%) of Gross Sales;

f) Franchisee shall make its contributions to the Cooperative on the date and in the manner designated by the Cooperative. Franchisee shall also submit statements and reports as may be designed by the Cooperative. The Cooperative shall submit to Franchisor statements and reports as Franchisor may designate;

g) Franchisor, in Franchisor's sole discretion, may, upon written request of a franchisee stating reasons supporting the request, grant to any franchisee an exemption from the requirement of membership in a Cooperative. This exemption may be for any length of time and may apply to one (1) or more Franchised Arcades owned by the franchisee. If an exemption is granted, a franchisee may be required to expend on local advertising the full amount that would otherwise be payable to the Cooperative. Franchisor, in Franchisor's sole discretion, may also exempt one (1) or more Franchised Arcades owned or controlled by Franchisor from the requirement of membership in a Cooperative for those periods as Franchisor deems appropriate; and

h) The Cooperative is not a trust fund. Franchisor shall have no fiduciary duty to Franchisee in connection with the collection or use of the Cooperative monies or any aspect of the operation of the Cooperative.

(x) Franchisee agrees not to (and to use best efforts to cause current and former owners, officers, directors, principals, agents, partners, employees, representatives, attorneys, owners' spouses and children, Affiliates, successors and assigns not to) disparage or otherwise speak or write negatively, directly or indirectly, of Franchisor, Franchisor's Affiliates, any of Franchisor or Franchisor's Affiliates' directors, officers, employees, representatives, current and former franchisees, or developers, the FANTASY CLAW ARCADE® brand, the System, any location or other business using the Intellectual Property, any other brand or service-marked or trademarked concept, or which would subject the FANTASY CLAW ARCADE® brand or such other brands to ridicule, scandal, reproach, scorn, or indignity, or which would negatively impact the goodwill of us, the FANTASY CLAW ARCADE® brand, or such other brands.

## **9. Examination of Financial and Business Records**

Franchisor shall have the right, upon twenty-four (24) hours' notice:

(a) to examine all financial and business records of Franchisee, including, but not limited to, invoices, deposits, withdrawals, bank statements, proofs of purchases and sales, cash register tapes and any other documents, data and/or records relating to the financial affairs or business operations of Franchisee (but excluding aspects relating to labor relations and employment practices); and

(b) to have an independent audit made of the books of the Franchised Arcade.

(i) If an inspection should reveal that any payments have been understated in any report to Franchisor, then Franchisee shall immediately pay to Franchisor the amount understated upon demand, in addition to the administrative fee and interest on this amount (as provided in Section 4(g)) from the date this amount was due until paid.

(ii) If an inspection discloses an understatement in any payment of three percent (3%) or more, Franchisee shall, in addition, reimburse Franchisor for any and all costs and expenses connected with the inspection (including travel, lodging, wage expenses and reasonable accounting and legal costs).

(iii) Franchisor has the right to terminate this Agreement upon discovery of three (3) of these discrepancies in a twenty-four (24) month period.

(iv) If an inspection discloses an understatement in any payment of ten percent (10%) or more, it shall constitute grounds for immediate termination of this Agreement, described in Section 10 hereof. The foregoing remedies shall be in addition to any other remedies Franchisor may have.

## **10. Termination**

(a) **Termination Without Right to Cure.** Franchisee shall be in default and Franchisor may, at its option, terminate this Agreement and all rights granted in this Agreement, without affording Franchisee any opportunity to cure the default, effective upon the earlier of Franchisee's receipt of notice of termination or five (5) days after delivery of this notice by Franchisor, in accordance with Section 31, upon the occurrence of any of the following events:

(i) Franchisee (i) abandons the Franchised Arcade, meaning Franchisee has deserted, walked away from, or closed the Franchised Arcade under circumstances leading Franchisor to conclude that Franchisee has no intent to return to the Franchised Arcade, regardless of how many days have passed since the apparent abandonment, or (ii) fails actively and continuously to operate the Franchised Arcade (a failure to operate the Franchised Arcade for five (5) or more consecutive days will be deemed a default under this clause (ii), except where closure is due to fire, riot, flood, terrorist acts, or natural disaster and Franchisee notifies Franchisor within four (4) days after the particular occurrence to obtain Franchisor's written approval to remain closed for an agreed-upon amount of time as is necessary under the circumstances before Franchisor will require Franchisee to re-open);

(ii) Franchisee, its Managing Owner, or any person or entity owning twenty percent (20%) or more of Franchisee is proven to have engaged in fraudulent conduct, or is convicted of or pleads guilty or no contest to a felony or a crime involving moral turpitude, or any other crime or offense, or is the subject of adverse publicity or media attention that is reasonably likely to have an adverse effect on the System, the Intellectual

Property or the reputation or goodwill associated therewith; provided, that if the act or conviction involves an owner of Franchisee, Franchisor will not terminate this Agreement if Franchisee notifies Franchisor promptly after it learns of the event constituting the default, and within fifteen (15) days of the date of the notice, either the person or entity that committed the wrongful act divests his or its entire interest in Franchisee, or Franchisee obtains Franchisor's consent for the owner to maintain his or its ownership interest;

(iii) An approved transfer is not effected within ninety (90) days of the death or incapacity of Franchisee or the death, incapacity or dissolution of any owner of an interest in Franchisee;

(iv) Franchisee is given three (3) or more notices of being in default under any of the terms or requirements of this Agreement within any twenty-four (24) month period, whether or not the defaults are timely cured after notice;

(v) Franchisee knowingly or intentionally maintains false books or records or submits any false records, statement or report to Franchisor;

(vi) Franchisee, by act or omission, materially impairs the value of or the goodwill associated with any of the Intellectual Property or the System;

(vii) Franchisee, whether knowingly or unknowingly, underpays the required royalties by ten percent (10%) or more in a payment period;

(viii) Franchisee violates any employment laws, including taking, withholding, misdirecting or appropriating for Franchisee's own use any funds from Franchisee's employees' wages for employees' taxes, FICA, insurance or benefits or Franchisee fails to pay when due any federal or state income, service, sales, employment, or other taxes due from the operations of the Franchised Arcade, unless in good faith contesting your liability for such taxes through the appropriate proceedings

(ix) Franchisee loses or is denied any federal, state or local license Franchisee must possess to operate the Franchised Arcade;

(x) Franchisee fails to open Franchisee's Franchised Arcade within twelve (12) months after the effective date of this Agreement; provided, Franchisor has not agreed in writing to an extension, which extensions shall be granted by Franchisor in Franchisor's sole judgment;

(xi) Franchisee (i) loses the right to occupy the Franchised Arcade's premises due to its lease default (even if Franchisee has not yet vacated the Franchised Arcade's premises) or (ii) Franchisee loses the right to occupy the Franchised Arcade's premises (but not due to its lease default), or the Franchised Arcade is damaged to such an extent that Franchisee cannot operate the Franchised Arcade at its existing location over a thirty (30) day period, and Franchisee fails both to relocate the Franchised Arcade to a substitute site Franchisor accepts and to begin operating the Franchised Arcade at that substitute site within one hundred twenty (120) days from the first date on which Franchisee could not operate the Franchised Arcade at its existing location; or

(xii) (i) Franchisee makes a general assignment for the benefit of creditors or a petition in bankruptcy is filed by Franchisee; (ii) a petition in bankruptcy is filed against

and not opposed by Franchisee; (iii) Franchisee is adjudicated as bankrupt or insolvent; (iv) a bill in equity or other proceeding is filed for the appointment of a receiver or other custodian for Franchisee's business or assets if filed and consented to by Franchisee; (v) a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; (vi) a proceeding for a composition with creditors under any state or federal law should be instituted by or against Franchisee; (vii) a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless an appeal or supersedeas bond is filed); (viii) Franchisee is dissolved; (ix) any portion of Franchisee's interest in the Franchised Arcade becomes subject to an attachment, garnishment, levy or seizure by any creditor or any other person claiming against or in the rights of Franchisee; (x) any execution is levied against Franchisee's business or property; or (xi) the real or personal property of Franchisee's Franchised Arcade shall be sold after levy thereupon by any sheriff, marshal or constable.

(b) **Termination with Right to Cure.** Except for those defaults provided for under Section 10(a), Franchisee shall be in default hereunder for any failure to maintain or comply with any of the terms, covenants, specifications, standards, procedures or requirements imposed by this Agreement or in any Manual, policy and procedure statement or other written document provided by Franchisor or to carry out the terms of this Agreement in good faith. For these defaults, Franchisor will provide Franchisee with written notice and five (5) days to cure or, if a default cannot reasonably be cured within five (5) days, to initiate within that time substantial and continuing action to cure the default and to provide Franchisor with evidence of these actions. If the defaults specified in these notices are not cured within the five (5) day period, or if substantial and continuing action to cure has not been initiated, Franchisor may, at its option, terminate this Agreement upon delivery of written notice to Franchisee. These defaults shall include, without limitation, the occurrence of any of the following events:

(i) Franchisee fails to construct, remodel or to commence operating the Franchised Arcade in accordance with this Agreement;

(ii) Franchisee fails, refuses or neglects to promptly pay any monies owing to Franchisor, its affiliates, the Marketing Fund, or Franchisee's designated marketing Cooperative when due or to submit the financial or other information required under this Agreement;

(iii) Any person or entity owning five percent (5%) or more of Franchisee makes a transfer of this interest in violation of this Agreement; provided, however, that Franchisee's right to cure this default shall be conditioned upon Franchisee immediately notifying Franchisor of the improper transfer and taking all actions necessary to either: (i) obtain Franchisor's approval thereof; or (ii) if approval is not desired or the transfer or transferee is not approved by Franchisor, to re-acquire the interest so transferred;

(iv) A threat or danger to public health or safety results from the construction, maintenance or operation of the Franchised Arcade;

(v) Franchisee misuses or makes any unauthorized use of the System or the Intellectual Property;

(vi) Franchisee, by act or omission in connection with the operation of the Franchised Arcade, permits a continued violation of any law, ordinance, rule or regulation of a governmental body;

(vii) Franchisee is found liable by any judicial, administrative or arbitral body for violation of any federal, state or local laws barring discrimination on the basis of race, sex, national origin, age or sexual orientation or found liable for any common law civil claim the facts of which are grounded in allegations of discrimination on the basis of race, sex, national origin, age or sexual orientation;

(viii) Franchisee fails to pay any vendors to the System (other than Franchisor and its affiliates) any amounts due for Franchisee's purchases from them, or to use a vendor's required method of payment, and does not correct the failure within thirty (30) days after delivery of written notice of that failure to Franchisee, unless, in the event of non-payment, (i) Franchisee is in good faith contesting its liability for those amounts, (ii) Franchisee notifies Franchisor in writing of the reason for the non-payment, and (iii) Franchisor agrees that Franchisee has a legitimate reason for the non-payment; or

(ix) Any other event of default not specifically enumerated above or in Section 10.1.

(c) **Relief in Equity.** Franchisee agrees that neither termination of this Agreement, nor an action at law, nor both, would be an adequate remedy for a breach or default by Franchisee or by any other persons bound by this Agreement, in the performance of any obligation relating to Franchisor's Intellectual Property or indicia, the trade secrets revealed to Franchisee in confidence based on this Agreement or the obligations of Franchisee and the other persons upon and after termination of this Agreement. The parties therefore agree that in the event of any of these breaches or defaults, in addition to all other remedies provided elsewhere in this Agreement or by law, Franchisor shall be entitled to relief in equity from a judge or arbitrator, at its option (including a temporary restraining order, temporary or preliminary injunction and permanent mandatory or prohibitory injunction), to restrain the continuation of any such breach or default, to close the Franchised Arcade, to remove the Intellectual Property from the business premises or to compel compliance with such provisions of this Agreement.

(d) **Termination by Franchisee.** Franchisee may terminate this Agreement if Franchisor commits a material breach of any of its obligations under this Agreement and fails to correct that breach within thirty (30) days after Franchisee delivers written notice to Franchisor of the breach; provided, however, if Franchisor cannot reasonably correct the breach within these thirty (30) days but gives Franchisee, within the thirty (30) days, evidence of Franchisor's effort to correct the breach within a reasonable time period, then the cure period will run through the end of that reasonable time period. Franchisee's termination of this Agreement other than according to this Section 10(d) will be deemed a termination without cause and Franchisee's breach of this Agreement.

## **11. Rights Upon Termination or Expiration**

Upon termination or expiration of this Agreement, all rights granted hereunder to Franchisee shall terminate and revert to Franchisor, and Franchisee shall have the following obligations with respect to the Franchised Arcade franchised under this Agreement:

(a) Franchisee shall immediately cease to operate the Franchised Arcade and will not directly or indirectly represent to the public or hold itself out as a FANTASY CLAW ARCADE franchisee with respect to such business.

(b) Franchisee shall immediately and permanently cease to use in any manner all confidential information, methods, procedures and techniques used by or associated with the System, the

Intellectual Property and distinctive forms, slogans, signs, symbols, logos and devices associated with the System.

(c) Franchisee shall immediately return to Franchisor any property held or used by Franchisee which is owned by Franchisor and shall cease to use, and shall either destroy or convey to Franchisor, all signs, advertising materials, displays, stationary, forms and any other materials that bear or display the Intellectual Property.

(d) Franchisee shall take such actions as may be necessary to cancel any assumed name or similar registration which contains the Mark "FANTASY CLAW ARCADE" or any other Intellectual Property of Franchisor and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with its obligation within thirty (30) days after termination or expiration of this Agreement.

(e) Franchisee shall, if Franchisor so requests, assign to Franchisor any interest which Franchisee has in any lease for the Accepted Location. In the event Franchisor does not elect to exercise its option to acquire any lease for the Accepted Location, and unless otherwise directed by Franchisor, Franchisee shall, within ten (10) days after termination or expiration of this Agreement, make such modifications and alterations to the Accepted Location as may be necessary to distinguish the appearance of the Accepted Location from that of other Franchised Arcades and shall make such specific additional changes to it as Franchisor may reasonably request.

(f) Franchisee shall promptly pay all sums owed to Franchisor. Such sums shall include all damages, costs and expenses, including reasonable attorneys' fees, incurred by Franchisor as a result of the default and termination. Any outstanding obligations to Franchisor shall give rise to and remain, until paid in full, a lien in favor of Franchisor against any and all of the personal property, furnishings, equipment, signs, fixtures and inventory owned by Franchisee located on the Premises on the date this Agreement is terminated.

(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 this Agreement in obtaining injunctive or other relief for the enforcement of any term, covenant or provision of this Agreement.

(h) Franchisee shall immediately deliver to Franchisor all manuals, policy and procedure statements, instructions and other materials related to operating the Franchised Arcade, including brochures, charts and any other materials provided by Franchisor and all copies thereof, and shall neither retain nor convey to another any copy or record of any of the foregoing.

(i) Franchisor shall have the option, to be exercised within forty five (45) days of termination, to assume Franchisee's assumed name or equivalent registration and business licenses, telephone numbers, white and yellow pages telephone directory listings and advertisements (whether in print or part of an Internet directory) and e-mail addresses and/or Internet domain names which contain the Intellectual Property, and Franchisee shall sign all documents necessary to permit Franchisor to assume Franchisee's rights in such items. If Franchisor elects not to exercise this option, Franchisee shall take all action necessary to cancel each of the items listed above and shall furnish Franchisor with evidence satisfactory to prove its compliance within fifteen (15) days after receiving notice of Franchisor's termination or expiration of this Agreement and the expiration of the option granted in this Agreement. In the event Franchisee fails to timely do so, Franchisor shall have the right, for which purpose Franchisee hereby appoints Franchisor as its attorney-in-fact, to obtain such cancellation on Franchisee's behalf and at Franchisee's expense.

(j) Franchisee shall comply with the covenants contained in this Agreement, including the covenants not to compete and the covenants not to use or disclose trade secrets or confidential information.

(k) Except in the case of a renewal, upon termination or expiration of this Agreement for any reason, Franchisor shall have the option to purchase the Franchised Arcade, or any portion of the assets of the Franchised Arcade (including any furniture, fixtures, equipment and improvements), which may include, at Franchisor's option, all of Franchisee's leasehold interest in and to the real estate upon which the Franchised Arcade is located, but not including any other interest in real property. The purchase price for the assets to be transferred will be determined as follows: Franchisor and Franchisee shall each deliver to each other their respective determinations of the value of the equipment and non-perishable inventory and then an appraiser shall be mutually selected by the parties to determine which value most closely approximates the fair market value. The valuation selected by the appraiser shall constitute the purchase price under this Section. The purchase price shall not include any value for tenant improvements, franchise agreement or goodwill. In the event the parties cannot mutually agree on an appraiser within ten (10) days of Franchisor delivering Franchisor's valuation to Franchisee, each party shall select an appraiser, both of whom then shall mutually agree upon a third appraiser to act as the appraiser, which shall occur within ten (10) days of Franchisor delivering Franchisor's valuation to Franchisee. The purchase price determined in this Agreement shall be adjusted by setting off and reducing the purchase price by an amount then owing by Franchisee to Franchisor or its affiliates, including any amounts paid by Franchisor to cure Franchisee's defaults with third parties such as landlords (the decision to cure amounts to be the sole decisions of Franchisor). The following additional terms shall apply to Franchisor's exercise of this option:

(i) Franchisor's option will be exercisable by providing Franchisee with written notice of Franchisor's intention to exercise the option no later than thirty (30) days following the effective date of termination, in the case of termination (unless Franchisee terminates without notice or Franchisee terminates for cause, in which case Franchisor shall have thirty (30) days after receipt of actual notice of the termination or such additional time as is reasonably necessary given the circumstances), or at least thirty (30) days before the expiration of the Initial Term, in circumstances where no renewal is granted;

(ii) Franchisor and Franchisee agree that the terms and conditions of this right and option to purchase may be recorded, if deemed appropriate by Franchisor, in the real property records, and Franchisor and Franchisee further agree to sign such additional documentation as may be necessary to effectuate such recording; and

(iii) The closing on the purchase will take place no later than sixty (60) days after delivery to Franchisee of Franchisor's valuation of Franchisee's business. Franchisor has the unrestricted right to assign this option to purchase at any time to a third party, who then will have the rights described in this Section. Franchisor will pay in full the purchase price at the closing or, at Franchisor's option, in twenty-four (24) equal monthly installments, with interest at the rate equal to the prime lending rate as of the closing at Franchisor's primary bank. Franchisee must sign all documents of transfer reasonably necessary for purchase of the Franchised Arcade by Franchisor or the third-party assignee, which documents shall include all customary representations and warranties from Franchisee as to ownership and condition of, and title to, the assets of the Franchised Arcade being transferred. All assets must be transferred free and clear of all liens and encumbrances, with all sales and transfer taxes paid by Franchisee.

(l) Franchisee agrees that it shall be obligated to operate the Franchised Arcade according to this Agreement's terms during the period in which Franchisor or the third-party assignee is

deciding whether to exercise its option to purchase and until the closing takes place and that a condition to closing is that the Franchised Arcade has remained open during that time period. Franchisor or the third-party assignee may decide not to exercise its option to purchase at any time before closing if it determines that any of the conditions noted above have not been or cannot be satisfied. In the event that Franchisor or a third-party assignee does not exercise its right to repurchase the Franchised Arcade as described above, Franchisee shall be free, after such termination or expiration, to keep or sell to any third party all of the physical assets of Franchisee's Franchised Arcade; provided, however, that all Intellectual Property is removed in a manner approved in writing by Franchisor, all amounts owing to Franchisor have been paid in full and operation of the arcade post-sale will not violate the restrictive covenant provisions in Section 6 above.

(m) Franchisee must comply with the non-disparagement obligations described in Section 8(x).

## **12. Transfer Process**

(a) **Transfer by Franchisor**. Franchisor may change its ownership or form and/or assign this Agreement and any other agreement to a third party without restriction. After Franchisor assigns this Agreement to a third party who expressly assumes this Agreement's obligations, Franchisor no longer will have any performance or other obligations under this Agreement. That assignment will constitute a release and novation with respect to this Agreement, and the new owner-assignee will be liable to Franchisee as if it had been an original party to this Agreement. Specifically, and without limiting the foregoing, Franchisee agrees that Franchisor may sell its assets (including this Agreement), the Intellectual Property, or the System to a third party; offer its ownership interests privately or publicly; merge, acquire other business entities, or be acquired by another business entity; and/or undertake a refinancing, recapitalization, leveraged buyout, or other economic or financial restructuring.

(b) **Transfer by Franchisee and Definition of Transfer**. Franchisee acknowledges that the rights and duties this Agreement creates are personal to Franchisee and its owners and Franchisor has granted Franchisee the rights under this Agreement in reliance upon Franchisor's perceptions of Franchisee's (or its owners') individual or collective character, skill, aptitude, attitude, business ability, and financial capacity. Accordingly, neither: (i) this Agreement or any interest in this Agreement; (ii) the Franchised Arcade or any right to receive all or a portion of the profits, losses, or capital appreciation relating to the Franchised Arcade; (iii) all or substantially all of the Franchised Arcade's operating assets; (iv) any ownership interest in Franchisee (if Franchisee is an entity); nor (v) a controlling ownership interest in an entity with an ownership interest in Franchisee, may be transferred without Franchisor's prior written approval. A transfer of the Franchised Arcade's ownership, possession, or control, all or substantially all of its operating assets, or the lease for the premises of the Franchised Arcade may be made only with the concurrent transfer (to the same proposed transferee) of the franchise rights (with the transferee assuming this Agreement or signing Franchisor's then-current form of franchise agreement and related documents, as Franchisor may require). Franchisee may not transfer the lease or any of such other assets separate and apart from the franchise rights. Any transfer without Franchisor's prior written approval is a breach of this Agreement and has no effect, meaning Franchisee (and its owners) will continue to be obligated to Franchisor for all Franchisee's obligations under this Agreement.

In this Agreement, the term "**transfer**" includes a voluntary, involuntary, direct, or indirect assignment, sale, gift, or other disposition, including the following events:

(i) transfer of record or beneficial ownership of stock or any other ownership interest or the right to receive (directly or indirectly) all or a portion of the profits, losses, or any capital appreciation relating to the Franchised Arcade;

(ii) a merger, consolidation, or exchange of ownership interests, issuance of additional ownership interests or securities representing or potentially representing ownership interests, or a redemption of ownership interests;

(iii) any sale or exchange of voting interests or securities convertible to voting interests, or any management or other agreement granting the right (directly or indirectly) to exercise or control the exercise of any owner's voting rights or to control Franchisee's (or an entity with an ownership interest in Franchisee) or the Franchised Arcade's operations or affairs;

(iv) transfer in a divorce, insolvency, or entity dissolution proceeding or otherwise by operation of law;

(v) transfer by will, declaration of or transfer in trust, or under the laws of intestate succession; or

(vi) pledge of this Agreement (to someone other than Franchisor) or of an ownership interest in Franchisee or its owners as security or collateral, foreclosure upon or attachment or seizure of the Franchised Arcade, or Franchisee's transfer, surrender, or loss of the Franchised Arcade's possession, control, or management.

Franchisee may grant a security interest (including a purchase-money security interest) in the Franchised Arcade's assets (not including this Agreement or the franchise rights) to a lender that finances its acquisition, development, and/or operation of the Franchised Arcade without having to obtain Franchisor's prior written approval as long as Franchisee gives Franchisor ten (10) days' prior written notice. However, Franchisee may not pledge, hypothecate, or grant a security interest in any property that bears or displays the Intellectual Property (unless the Intellectual Property is readily removable from such property) and must advise its proposed lenders of this restriction. This Agreement and the franchise rights granted to Franchisee by this Agreement may not be pledged as collateral or be the subject of a security interest, lien, levy, attachment, or execution by Franchisee's creditors or any financial institution. Any security interest that may be created in this Agreement by virtue of Section 9-408 of the Uniform Commercial Code is limited as described in Section 9-408(d) of the Uniform Commercial Code.

In the case of the lease of the premises for the Franchised Arcade, a prohibited disposition by Franchisee (or its affiliate) of the lease is deemed to include and encompass any act of the Franchisee (or its affiliate) as a result of which Franchisee (or its affiliate) relinquishes the right to possess the premises, including a proposed lease assignment, sublet of the premises, sale or other conveyance of possessory rights to the premises (whether or not with a formal lease assignment or sublet), or negotiated termination of the lease with the landlord or other event that enables another party to take over possession of the premises other than for the operation of a FANTASY CLAW ARCADE. For the avoidance of doubt, Franchisor and Franchisee agree that their intent is to prohibit any action by Franchisee as a result of which the premises of the Franchised Arcade no longer is used for the operation of a FANTASY CLAW ARCADE by a party acceptable to Franchisor under a binding franchise agreement with Franchisor.

Franchisee acknowledges that its violation of the provisions above regarding a lease disposition would result in immediate and irreparable injury to Franchisor for which no adequate remedy at law will be available because of the uniqueness and distinctiveness of the particular location for a FANTASY CLAW ARCADE in the market area, the potential exclusion of the FANTASY CLAW ARCADE brand from that market area, and the adverse impact on the goodwill of the FANTASY CLAW ARCADE brand

resulting from the cessation of operation of the Franchised Arcade at the premises. Accordingly, Franchisee hereby acknowledges Franchisor's right to seek an injunction, waives bond, and agrees not to contest any application by Franchisor for such an injunction to prohibit any actual or threatened conduct by Franchisee in violation of the lease disposition restrictions. Further, Franchisee expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising from this Agreement, will not constitute a defense to the enforcement by Franchisor of Franchisee's lease disposition covenants.

(c) **Conditions for Approval of Transfer.** If Franchisee (and its owners) is in full compliance with this Agreement, then, subject to this Section 12(c)'s other provisions:

(i) Franchisor will approve the transfer of a non-controlling ownership interest in Franchisee if the proposed transferee and its owners are of good moral character, have no interest in and do not perform services for (and have no affiliates with an interest in or performing services for) a Competitive Business, otherwise meet Franchisor's then-applicable standards for non-controlling owners of FANTASY CLAW ARCADE franchisees, and sign Franchisor's then-current form of Franchise Guaranty Agreement. References to a "controlling ownership interest" in Franchisee or one of its owners (if an entity) mean the percent of voting shares or other voting rights resulting from dividing one hundred percent (100%) of the ownership interests by the number of owners. In the case of a proposed transfer of an ownership interest in Franchisee or one of its owners, whether a "controlling ownership interest" is involved must be determined both immediately before and immediately after the proposed transfer to see if a "controlling ownership interest" will be transferred (because of the number of owners before the proposed transfer) or will be deemed to have been transferred (because of the number of owners after the proposed transfer).

(ii) If the proposed transfer is of the franchise rights granted by this Agreement or a controlling ownership interest in Franchisee or in an entity owning a controlling ownership interest in Franchisee, or is one of a series of transfers (regardless of the timeframe over which these transfers take place) in the aggregate transferring the franchise rights granted by this Agreement or a controlling ownership interest in Franchisee or in an entity owning a controlling ownership interest in Franchisee, then Franchisor will not unreasonably withhold its approval if all of the following mandatory conditions are met (provided, however, there may be no such transfer until after the Franchised Arcade has opened for business):

- (1) (a) the transferee has the necessary business experience, aptitude, and financial resources to operate the Franchised Arcade, (b) the transferee otherwise is qualified under Franchisor's then-existing standards for the approval of new franchisees or of existing franchisees interested in acquiring additional franchises (including the transferee and its affiliates are in substantial operational compliance, at the time of the application, under all other franchise agreements for FANTASY CLAW ARCADE locations to which they then are parties with Franchisor), and (c) the transferee and its owners are not restricted by another agreement (whether or not with Franchisor) from purchasing the Franchised Arcade or the ownership interest in Franchisee or the entity that owns a controlling ownership interest in Franchisee;

- (2) Franchisee has paid all amounts owed to Franchisor and its affiliates, has submitted all required reports and statements, and is not in breach of any provision of this Agreement or another agreement with Franchisor or its affiliates relating to the Franchised Arcade;
- (3) neither the transferee nor any of its direct or indirect owners (if the transferee is an entity) or affiliates operates, has an ownership interest in, or performs services for a Competitive Business;
- (4) the transferee (or its owner) and its management personnel (including managing owner), if different from Franchisee's management personnel, satisfactorily complete Franchisor's then-current initial training program;
- (5) the transferee has the right to occupy the Franchised Arcade's site for the expected franchise term;
- (6) the transferee and each of its owners (if the transfer is of the franchise rights granted by this Agreement), or Franchisee and its owners (if the transfer is of a controlling ownership interest in Franchisee or in an entity owning a controlling ownership interest in Franchisee), if Franchisor so requires, signs Franchisor's then-current form of franchise agreement and related documents (including a Franchise Guaranty Agreement), any and all of the provisions of which, including the Royalty Fee, Marketing Fund contributions, and Tech Fees, may differ materially from any and all of those contained in this Agreement, provided, however, the term of the new franchise agreement signed will equal this Agreement's unexpired term. However, if the transferee has the right to maintain possession of the Franchised Arcade for no less than an additional ten (10) years following the transfer's proposed effective date, Franchisor may (but has no obligation to) grant the transferee a full ten (10) year term under the new franchise agreement signed if the transferee commits to repair and/or replace operating assets and upgrade the Franchised Arcade in accordance with Franchisor's then-current requirements and specifications for new FANTASY CLAW ARCADE locations within the timeframe Franchisor specifies following the transfer's effective date;
- (7) Franchisee or the transferee pays Franchisor a transfer fee equal to the greater of Ten Thousand Dollars (\$10,000) or five percent (5%) of the sales price (but not to exceed Twenty Thousand Dollars (\$20,000) (\$5,000 if the Transfer is not a Controlling Transfer);
- (8) the transferee agrees to repair and/or replace operating assets and upgrade the Franchised Arcade in accordance with Franchisor's then-current requirements and specifications for a new

FANTASY CLAW ARCADE within the timeframe Franchisor specifies following the transfer's effective date;

- (9) the transferee must pay Franchisor, on or before the date Franchisor specifies, Seven Thousand Five Hundred Dollars (\$7,500) to purchase marketing and advertising for the Franchised Arcade's Transfer Marketing Plan;
- (10) Franchisee (and its transferring owners) signs a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor and its affiliates and their respective owners, officers, directors, employees, representatives, agents, successors, and assigns;
- (11) Franchisor has determined that the purchase price, payment terms, and required financing will not adversely affect the transferee's operation of the Franchised Arcade;
- (12) if Franchisee or its owners finance any part of the purchase price, they agree that the transferee's obligations under promissory notes, agreements, or security interests reserved in the operating assets or ownership interests in Franchisee are subordinate to the transferee's (and its owners') obligation to pay Royalty Fees, Marketing Fund contributions, and other amounts due to Franchisor and its affiliates and otherwise to comply with this Agreement;
- (13) You must have provided us with any material reasonably requested by us including any loan or financing documents, at least thirty (30) days prior to the proposed Transfer's effective date;
- (14) Franchisee and its transferring owners (and members of their Immediate Families) agree, for two (2) years beginning on the transfer's effective date, not to engage in any activity proscribed in Section 6 above; and
- (15) Franchisee and its transferring owners will not directly or indirectly at any time afterward or in any manner: (i) identify themselves in any business as a current or former FANTASY CLAW ARCADE or as one of Franchisor's franchisees; (ii) use any Mark, any colorable imitation of a Mark, any trademark, service mark, or commercial symbol that is confusingly similar to any Mark, or other indicia of a FANTASY CLAW ARCADE for any purpose; or (iii) utilize for any purpose any trade dress, trade name, trademark, service mark, or other commercial symbol suggesting or indicating a connection or association with Franchisor.

Franchisee acknowledges that Franchisor has legitimate reasons to evaluate the qualifications of potential transferees and to analyze and critique the terms of their purchase

contracts with Franchisee and that Franchisor's contact with potential transferees to protect Franchisor's business interests will not constitute improper or unlawful conduct. Franchisee expressly authorizes Franchisor to investigate any potential transferee's qualifications, to analyze and critique the proposed purchase terms, to communicate candidly and truthfully with the transferee regarding Franchisee's operation of the Franchised Arcade, and to withhold consent, as long as its decision is not unreasonable, even if the conditions in clauses 12(c)(i)(1) through 12(c)(i)(15) above are satisfied. Franchisee waives any claim that Franchisor's decision to withhold approval of a proposed transfer in order to protect its business interests—if that decision was reasonable despite satisfaction of the conditions in clauses 12(c)(i)(1) through 12(c)(i)(15) above—constitutes tortious interference with contractual or business relationships. Franchisor may review all information regarding the Franchised Arcade that Franchisee gives the proposed transferee, correct any information Franchisor believes is inaccurate, and give the proposed transferee copies of any reports Franchisee has given Franchisor or Franchisor has made regarding the Franchised Arcade.

Notwithstanding anything to the contrary in this Section 12 or elsewhere in this Agreement, Franchisor need not consider a proposed transfer of a controlling or non-controlling ownership interest in Franchisee, or a proposed transfer of this Agreement, until Franchisee (or an owner) and the proposed transferee first send Franchisor a copy of a bona fide offer to purchase or otherwise acquire the particular interest from Franchisee (or its owner). For an offer to be considered "bona fide," it must include a copy of all proposed agreements between Franchisee (or its owner) and the proposed transferee related to the sale, assignment, or transfer.

(d) **Transfer to an Entity.** Notwithstanding Sections 12(b) and 12(c) above, if Franchisee is in full compliance with this Agreement, Franchisee may transfer this Agreement, together with all assets associated with the Franchised Arcade, to a corporation or limited liability company conducting no business other than the Franchised Arcade and, if applicable, other FANTASY CLAW ARCADE locations and of which Franchisee owns and controls one hundred percent (100%) of the equity and voting power of all issued and outstanding ownership interests, provided that all Franchised Arcade assets are owned, and the Franchised Arcade is operated, only by that single entity. The entity must expressly assume all of Franchisee's obligations under this Agreement, but Franchisee will remain personally liable under this Agreement as if the transfer to the entity did not occur. Transfers of ownership interests in that entity are subject to the restrictions in Sections 12(b) and 12(c).

(e) **Effect of Consent to Transfer.** Franchisor's consent to any transfer is not a representation of the fairness of any contract terms between Franchisee (or the owner) and the transferee, a guarantee of the Franchised Arcade's or transferee's prospects of success, or a waiver of any claims Franchisor has against Franchisee (or its owners) or of Franchisor's right to demand full compliance with this Agreement.

(f) **Security Interests to Lender.** If Franchisee is in full compliance with this Agreement, Franchisee may pledge or give a security interest in Franchisee's interest in the Assets and the Franchised Business to a lender of the funds needed by Franchisee for Franchisee's initial investment, provided that the security interest is subordinate to Franchisee's obligations to Franchisor, that a foreclosure on such a pledge or security interest and/or any Transfer resulting from such a foreclosure shall be subject to all provisions of this Agreement, and that Franchisee obtains from the lender a written acknowledgement to Franchisor of these restrictions. Notwithstanding the foregoing, in the event Franchisee seeks and/or obtains financing whereby funding is provided with the assistance of the United States Small Business Administration ("SBA Financing"), Franchisee shall be permitted to grant the lender of such SBA Financing a senior lien on any Collateral Franchisee uses to secure the SBA Financing, and Franchisor and Franchisee further agree that (i) the provisions of Exhibit D are fully incorporated herein and applicable to

Franchisor and Franchisee, (ii) Franchisor shall subordinate its security interest or other lien on Franchisee's Collateral to that of the lender of the SBA Financing and (iii) Franchisor waives the requirement of the written acknowledgement referenced in this Section.

### **13. Transfers to Franchisee's Family Upon Death**

Upon the death or permanent disability of Franchisee (or an individual with a controlling ownership interest in Franchisee), the personal representative of such person shall transfer Franchisee's interest in this Agreement or such interest in Franchisee to an approved third party. Such disposition of this Agreement or such controlling ownership interest (including transfer by bequest or inheritance) shall be completed within a reasonable time, not to exceed ninety (90) days from the date of death or permanent disability (unless extended by probate proceedings) and shall be subject to all terms and conditions applicable to transfers as provided in this Agreement; provided, however, that for purposes of this Section, there shall be no transfer fee charged by Franchisor. Failure to transfer the interest within said period of time shall constitute a breach of this Agreement. The term "permanent disability" shall mean a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent Franchisee (or an owner of a controlling ownership interest in Franchisee) from supervising the management and operation of the Franchised Arcade for a period of ninety (90) days from the onset of such disability, impairment or condition. In any event, the Franchised Arcade must at all times be managed, at the expense of Franchisee, by a designated manager (including a Managing Owner) who has completed all of Franchisor's training requirements.

### **14. Franchisor's Right of First Refusal**

If Franchisee, any of its owners, or the owner of a controlling ownership interest in an entity with an ownership interest in Franchisee at any time determines to sell or transfer for consideration the franchise rights granted by this Agreement and the Franchised Arcade (or all or substantially all of its operating assets), a controlling ownership interest in Franchisee, or a controlling ownership interest in an entity with a controlling ownership interest in Franchisee (except to or among Franchisee's current owners or in a transfer pursuant to Section 13, which are not subject to this Section 14), Franchisee agrees to obtain from a responsible and fully-disclosed buyer, and send Franchisor, a true and complete copy of a bona fide, executed written offer (which, as noted in Section 12(c) above, may be required to include a copy of all proposed agreements related to the sale or transfer) relating exclusively to the rights granted by this Agreement and the Franchised Arcade, the controlling ownership interest in Franchisee, or the controlling ownership interest in the entity with a controlling ownership interest in Franchisee. The offer must include details of the proposed sale's payment terms and the financing sources and terms of the proposed purchase price and provide for an earnest money deposit of at least five percent (5%) of the proposed purchase price. To be a valid, bona fide offer, the proposed purchase price must be a fixed dollar amount, without any contingent payments of purchase price (such as earn-out payments), and the proposed transaction must relate exclusively to an interest in the rights granted by this Agreement and the Franchised Arcade (or all or substantially all of its operating assets), a controlling ownership interest in Franchisee, or a controlling ownership interest in the entity with a controlling ownership interest in Franchisee. It may not relate to any other interests or assets. Franchisor may require Franchisee (or its owners) to send Franchisor copies of any materials or information Franchisee sends to the proposed buyer or transferee regarding the possible transaction.

Franchisor may, by written notice delivered to Franchisee within thirty (30) days after Franchisor receives both an exact copy of the offer and all other information Franchisor requests, elect to purchase the

interest offered for the price and on the terms and conditions contained in the offer, provided that: (i) Franchisor may substitute cash for any form of payment proposed in the offer; (ii) Franchisor's credit will be deemed equal to the credit of any proposed buyer; (iii) the closing will be not less than thirty (30) days after Franchisor notifies Franchisee of Franchisor's election to purchase or, if later, the closing date proposed in the offer; (iv) Franchisee and its owners must sign the general release described in Section 12(c) above; and (v) Franchisor must receive, and Franchisee and its owners agree to make, all customary representations, warranties, and indemnities given by the seller of the assets of a business or ownership interests in a legal entity, as applicable, including representations and warranties regarding ownership and condition of, and title to, assets and (if applicable) ownership interests; Franchisee's and its owners' authorization to sell, as applicable, any ownership interests or assets without violating any law, contract, or requirement of notice or consent; liens and encumbrances on ownership interests and assets; validity of contracts and liabilities, contingent or otherwise, relating to the assets or ownership interests being purchased; and indemnities for all actions, events, and conditions that existed or occurred in connection with the Franchised Arcade before the closing of Franchisor's purchase.

Once Franchisee or its owners submit the offer and related information to Franchisor triggering the start of the thirty (30) day decision-period referenced above, the offer is irrevocable for that thirty (30) day period. This means Franchisor has the full thirty (30) days to decide whether to exercise the right of first refusal and may choose to do so even if Franchisee or its owners change its or their mind during that period and prefer after all not to sell the particular interest that is the subject of the offer. Franchisee and its owners may not withdraw or revoke the offer for any reason during the thirty (30) days, and Franchisor may exercise the right to purchase the particular interest in accordance with this Section's terms.

If Franchisor exercises its right of first refusal and closes the transaction, Franchisee and its transferring owners agree that, for two (2) years beginning on the closing date, they (and members of their Immediate Families) will be bound by the non-competition covenants contained in Section 6.

If Franchisor does not exercise its right of first refusal, Franchisee or its owners may complete the sale to the proposed buyer on the original offer's terms, but only if Franchisor approves the transfer in accordance with, and Franchisee (and its owners) and the transferee comply with the conditions in, Sections 12(b) and 12(c) above. This means that, even if Franchisor does not exercise its right of first refusal (whether or not it is properly triggered as provided above), if the proposed transfer otherwise would not be allowed under Sections 12(b) and 12(c) above, Franchisee (or its owners) may not move forward with the transfer at all. If Franchisee or its owners do not complete the sale to the proposed buyer within ninety (90) days after Franchisor notifies Franchisee that Franchisor does not intend to exercise its right of first refusal, or if there is a material change in the sale's terms (which Franchisee agrees to tell Franchisor promptly), Franchisor will have an additional right of first refusal during the thirty (30) days following either expiration of the ninety (90) day period or Franchisor's receipt of notice of the material change(s) in the sale's terms, either on the terms originally offered or the modified terms, at Franchisor's option. Franchisor has the unrestricted right to assign this right of first refusal to a third party (including an affiliate), who then will have the rights described in this Section.

## **15. Assumption of Management**

Franchisor has the right (but not the obligation), under the circumstances described below, to enter the Franchised Arcade and assume the Franchised Arcade's management, or to appoint a third party to assume its management, for any time period it deems appropriate. If Franchisor, or a third party, assumes the Franchised Arcade's management, Franchisee must pay Franchisor (in addition to the Royalty Fee, Marketing Fund contributions, and Tech Fees) three percent (3%) of the Franchised Arcade's Gross Sales, plus Franchisor's (or the third party's) direct out-of-pocket costs and expenses, during this time. If

Franchisor (or a third party) assumes the Franchised Arcade's management, Franchisee acknowledges that Franchisor (or the third party) will have a duty to utilize only reasonable efforts and will not be liable to Franchisee or its owners for any debts, losses or obligations the Franchised Arcade incurs, or to any of Franchisee's creditors for any supplies or services the Franchised Arcade purchases, while Franchisor (or the third party) manages it.

Franchisor (or the third party) may assume the Franchised Arcade's management, at Franchisee's expense, under the following circumstances:

- a) if Franchisee abandons the Franchised Arcade; or
- b) if Franchisee fails to comply with any provisions of this Agreement and does not cure the default or breach within the time period Franchisor specifies in its notice to Franchisee.

The exercise of Franchisor's rights under Subsections 15(a) or 15(b) will not affect Franchisor's right to terminate this Agreement.

## **16. Determination of Fair Market Value**

For the purpose of exercising certain rights to purchase described in this Agreement, fair market value shall be mutually determined by the corporate accountant for Franchisor and the corporate accountant for Franchisee. In the event of a disagreement, the aforesaid accountants shall appoint an independent accountant that has not provided services to either Franchisee or Franchisor for three (3) years before such appointment whose determination shall be binding. In the further event that within thirty (30) days after attempting to choose an independent accountant, the two parties' accountants are unable to agree on a third independent accountant, then each party's accountant shall identify an independent accounting firm, and a firm will be randomly selected from those identified by flipping a coin. The selected accounting firm shall evaluate fair market value, and its determination shall be binding.

## **17. Franchisee Information**

- (a) Franchisee shall furnish to Franchisor the names, addresses and telephone numbers of all shareholders, members, partners, executive officers, members of the Board of Directors and managers (including the Managing Owner), as the case may be, to be included in the Franchise Agreement Summary Pages before opening the Franchised Arcade. In the event that Franchisee is an entity, before or simultaneous with the date of execution of this Agreement, Franchisee shall provide Franchisor with you have the authority to execute, deliver and perform your obligations under this Agreement and are duly organized or formed and validly existing in good standing under the laws of the state of your incorporation or formation;
- (b) Franchisee's organizational or governing documents will recite that the issuance and transfer of any Ownership Interests in Franchisee are restricted by the terms of this Agreement, and all certificates and other documents representing Ownership Interests in you will bear a legend referring to the restrictions of this Agreement. "**Ownership Interest**" means: (a) in relation to a corporation, shares of capital stock or other equity interests in the corporation; (b) in relation to a limited liability company, membership interests or other equity interests in the limited liability company; (c) in relation to a partnership, a general or limited

partnership interest; or (d) in relation to a trust, the ownership of the beneficial interest of such trust;

- (c) The Summary Pages to this Agreement will completely and accurately describe all of Franchisee's Owners and their interests;
- (d) Franchisee and Franchisee's Owners agree to revise the information in the Summary Pages as may be necessary to reflect any ownership changes and to furnish such other information about Franchisee's organization, formation, or Owners as requested (no ownership changes may be made without Franchisor's approval);
- (e) Each Owner owning, directly or indirectly, at any time during the Term (as defined in Section 2(a) (Term), 15% or more of the legal or beneficial interests in the Entity must sign and deliver to Franchisor the standard form of Franchise Guaranty Agreement undertaking to be bound jointly and severally by all provisions of this Agreement and any other agreements between Franchisee and Franchisor. Franchisor may require, at its sole discretion, Owners with less than a 15% legal or beneficial interest in the Entity or spouses of Owners to also sign the Franchise Guaranty Agreement. A copy of the current form of Franchise Guaranty Agreement is attached as Exhibit B. All Owners that do not sign a Franchise Guaranty Agreement and, in Franchisor's sole discretion, spouses of such Owners will be required to sign the Spousal Consent form attached as Exhibit C;
- (f) At Franchisor's request, Franchisee will furnish true and correct copies of all documents and contracts governing the operation of the franchise Entity and the rights, obligations, and powers of Franchisee's Owners and agents (including the (a) articles of incorporation or organization, (b) partnership, operating or shareholder agreements, (c) bylaws, and (d) resolutions or similar authorizations for the Entity and any Parents

## **18. Damages for Breach**

In the event Franchisee breaches any of the obligations set forth in this Agreement or permits any default to continue after due notice, it shall be liable for all damages resulting therefrom, as well as Franchisor's reasonable attorneys' fees, costs of litigation and any other damages or remedies determined as appropriate by an arbitrator or, where applicable, court of competent jurisdiction. These damages are to be deemed cumulative and in addition to any other rights or remedies to which Franchisor may be entitled. EXCEPT FOR CLAIMS FRANCHISOR HAS FOR VIOLATIONS OF ITS INTELLECTUAL PROPERTY RIGHTS, FRANCHISOR AND FRANCHISEE (AND FRANCHISEE'S OWNERS AND GUARANTORS, IF APPLICABLE), HEREBY WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT IN THE EVENT OF A DISPUTE BETWEEN FRANCHISOR AND FRANCHISEE EACH SHALL BE LIMITED SOLELY TO THE RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED BY THE NON-BREACHING PARTY.

## **19. Entire Agreement**

This Agreement shall supersede all prior agreements, representations, warranties and understandings between the parties, except that nothing in this Agreement or in any related agreement is

intended to disclaim any representations made in the Franchise Disclosure Document. Any modification or waiver of any other of the provisions of this Agreement shall be effective only if made in writing and signed with the same formality as this Agreement. The rights and interest of Franchisee under this Agreement are and shall remain personal to Franchisee.

## **20. Severability**

In the event any one (1) or more of the sections or clauses contained in this Agreement shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof, this Agreement shall be construed as though such invalid, illegal or unenforceable provision had never been contained in this Agreement, and there shall be deemed substituted such other provision as will most nearly accomplish the intent of the parties if permitted by applicable law.

## **21. Governing Law**

This Agreement is a Nevada contract and is to be interpreted and construed in accordance with the laws of the State of Nevada, without regard to its conflict of laws rules, except that any Nevada law regulating the offer or sale of franchises, business opportunities, or similar interests, or governing the relationship between a franchisor and a franchisee or any similar relationship, will not apply unless its jurisdictional requirements are met independently without reference to this Section.

## **22. Survival**

This Agreement shall survive the death of the parties and the death of the heirs, executors and/or assigns, personal representatives and successors-in-interests of the parties.

## **23. Legal Counsel**

Each party has either received independent legal advice before signing this Agreement or has been advised of its rights to have the same and has elected not to retain an attorney. Each of the parties further declares that it has signed this Agreement freely and voluntarily.

## **24. Cooperation**

The parties agree to sign any and all documents, papers or other writings that are necessary to give full force and effect to this Agreement.

## **25. Waiver of Obligations and Force Majeure**

Franchisor and Franchisee may in writing unilaterally waive or reduce any contractual obligation or restriction upon the other, effective upon delivery of written notice to the other or another effective date stated in the waiver notice. However, no interpretation, change, termination, or waiver of any provision of this Agreement will bind Franchisor unless in writing, signed by one of Franchisor's officers, and specifically identified as an amendment to this Agreement. No modification, waiver, termination, discharge,

or cancellation of this Agreement affects the right of any party to this Agreement to enforce any claim or right under this Agreement, whether or not liquidated, which occurred before the date of such modification, waiver, termination, discharge, or cancellation. Any waiver granted is without prejudice to any other rights Franchisor or Franchisee has, is subject to continuing review, and may be revoked at any time and for any reason effective upon delivery of ten (10) days' prior written notice.

Franchisor and Franchisee will not waive or impair any right, power, or option this Agreement reserves (including Franchisor's right to demand Franchisee's strict compliance with every term, condition, and covenant or to declare any breach to be a default and to terminate this Agreement before the Initial Term expires) because of any custom or practice varying from this Agreement's terms; Franchisor's or Franchisee's failure, refusal, or neglect to exercise any right under this Agreement or to insist upon the other's compliance with this Agreement, including Franchisee's compliance with any of Franchisor's standards and specifications; Franchisor's waiver of or failure to exercise any right, power, or option, whether of the same, similar, or different nature, with other FANTASY CLAW ARCADE locations; the existence of franchise agreements for other FANTASY CLAW ARCADE locations containing provisions differing from those contained in this Agreement; or Franchisor's acceptance of any payments from Franchisee after any breach of this Agreement. No special or restrictive legend or endorsement on any payment or similar item given to Franchisor will be a waiver, compromise, settlement, or accord and satisfaction. Franchisor may remove any legend or endorsement, which will have no effect.

Neither Franchisor nor Franchisee will be liable for loss or damage or be in breach of this Agreement if its failure to perform obligations results from: (i) acts of God; (ii) fires, strikes, embargoes, war, terrorist acts or similar events, or riot; (iii) compliance with the orders, requests, or regulations of any federal, state, or municipal government; or (iv) any other similar event or cause. Any delay resulting from these causes will extend performance accordingly or excuse performance, in whole or in part, as may be reasonable. However, these causes will not excuse payment of amounts owed at the time of the occurrence or payment of amounts due afterward. Under no circumstances do any financing delays, difficulties, or shortages excuse Franchisee's failure to perform or delay in performing its obligations under this Agreement.

## **26. Arbitration of Disputes**

The parties agree that, if any disputes cannot be resolved directly between Franchisee and Franchisor, any action arising out of or relating to this Agreement, the making, performance or interpretation of this Agreement, or the relationship between the parties shall be resolved, except as elsewhere expressly provided in this Agreement, by binding arbitration, on demand of either party, in accordance with the Federal Arbitration Act under the Commercial Arbitration Rules then prevailing of the American Arbitration Association, including, without limitation, the Optional Rules for Emergency Measures of Protection ("AAA"), and not under any state arbitration laws. All proceedings during the arbitration that require the parties' physical presence will be conducted at a suitable location that is within ten (10) miles of where Franchisor has its principal business address when the arbitration demand is filed. The arbitrator will have no authority to select a different hearing locale other than as described in the prior sentence. Judgment on the arbitration award may be entered in any court of competent jurisdiction. Franchisee and Franchisor agree that arbitration shall be conducted on an individual basis, and may not be conducted on a class-wide, joint, or consolidated basis. The Federal Arbitration Act shall apply to all arbitration questions. Any award by the arbitrator(s) shall be final, binding and non-appealable, except for errors of law. Unless the parties agree in writing at the time an arbitration proceeding is commenced to the identity of a single arbitrator, each party shall select one (1) arbitrator and the two (2) arbitrators selected shall select a third arbitrator. The third arbitrator selected shall serve as the sole arbitrator in the matter and shall have at least ten (10) years of experience in practicing franchise law as being her or his primary area

of practice and her or his decision shall be binding. Franchisee understands that by agreeing to arbitrate it gives up jury and appeal and other rights it might have in court. Franchisee knowingly and voluntarily waives any right to litigate any dispute relating to this Agreement (except as otherwise provided in this Agreement). Franchisee further knowingly and voluntarily waives any right to arbitrate any dispute relating to this Agreement outside of ten (10) miles of where Franchisor has its principal business address when the arbitration demand is filed.

With understanding of the provisions of the above paragraph, Franchisee agrees that Franchisor, at its option, will have the right to seek preliminary injunctive relief from a court of competent jurisdiction to restrain any conduct by Franchisee in the development or operation of the Franchised Arcade that could materially damage the goodwill associated with the Intellectual Property, provided that if Franchisee counters by initiating AAA arbitration in the required forum, Franchisor agrees to arbitrate the entire dispute from that point on, except preliminary injunctive relief (and permanent injunctive relief also, if Franchisee will not agree that the preliminary injunction shall remain effective indefinitely until the arbitrator shall dissolve it), leaving the court action pending, if it chooses, to facilitate enforcement. Franchisee agrees Franchisor will not be required to post a bond to obtain any injunctive relief with respect to use of the Intellectual Property or use of Franchisor's trade secrets, including, but not limited to, processes and/or operational techniques.

**FRANCHISOR AND FRANCHISEE (AND FRANCHISEE'S OWNERS AND GUARANTORS) IRREVOCABLY WAIVE THE RIGHT TO TRIAL BY JURY AND THE RIGHT TO PARTICIPATE IN ANY CLASS ACTION, WHETHER AT LAW OR IN EQUITY, BROUGHT BY FRANCHISOR AND/OR FRANCHISEE. FRANCHISOR AND FRANCHISEE (AND FRANCHISEE'S OWNERS AND GUARANTORS) ACKNOWLEDGE THAT THEY MAKE THIS WAIVER KNOWINGLY, VOLUNTARILY, WITHOUT DURESS, AND ONLY AFTER CONSIDERING THIS WAIVER'S RAMIFICATIONS.**

#### **27. Consent to Jurisdiction**

Subject to the arbitration obligations in Section 26, Franchisee and its owners agree that all judicial actions brought by Franchisor against Franchisee or its owners, or by Franchisee or its owners against Franchisor, its affiliates, or their respective owners, officers, directors, agents, or employees, must be brought exclusively in the state or federal court of general jurisdiction located closest to where Franchisor has its principal business address when the action is commenced. Franchisee and each of its owners irrevocably submit to the jurisdiction of such courts and waive any objection they might have to either jurisdiction or venue. Despite the foregoing, Franchisor may bring an action seeking a temporary restraining order or temporary or preliminary injunctive relief, or to enforce an arbitration award, in any federal or state court in the state in which Franchisee resides or the Franchised Arcade is located.

#### **28. Limitations on Recovery**

Franchisee agrees that the only person or entity from which it may seek damages or any remedy for any dispute arising under this Agreement, including the breach of this Agreement, is the Franchisor, its successors or assigns. Franchisee agrees that it will not name Franchisor's shareholders, directors, officers, employees or agents in any arbitration or legal action. Franchisee acknowledges that Franchisor has relied on Franchisee's agreement to the provisions of this Section 28 in signing this Agreement.

## **29. Indemnification**

As used in this Section, the phrase “Losses and Expenses” shall include, all losses, compensatory, exemplary or punitive damages, fines, charges, costs, lost profits, attorneys’ fees, accountants’ fees, expert witness fees, expenses, court costs, settlement amounts, judgments, compensation for damages to Franchisor’s reputation and goodwill, costs of or resulting from delays, financing, costs of advertising material and media time/space and costs of changing, substituting or replacing the same, and any and all expenses of recall, refunds, compensation, public notices and other such amounts incurred in connection with the matters described.

(a) Franchisor shall not be liable by reason of any act or omission of Franchisee in its conduct of the operation of its Franchised Arcade or for any claim, cause of action or judgment arising therefrom against Franchisee or Franchisor. Franchisee agrees to hold harmless, defend and indemnify Franchisor and its owners, officers, directors, agents and employees (“Indemnitees”) from and against any and all Losses and Expenses arising out of or in connection with any claim or cause of action in which Franchisor shall be a named defendant and which arises, directly or indirectly, out of the operation of, or in connection with, the Franchised Arcade or Franchisee’s activities under this Agreement, other than a claim resulting directly from Franchisor’s gross negligence.

(b) Franchisee shall promptly pay to Franchisor an amount equal to all taxes levied or assessed, including unemployment taxes, sales taxes, use taxes, withholding taxes, excise taxes, personal property taxes, intangible property taxes, gross receipt taxes, taxes on royalties or any similar taxes or levies, imposed upon or required to be collected or paid by Franchisor or Franchisor’s affiliates by reason of the furnishing of products, intangible property (including trademarks and trade names) or services by Franchisor to Franchisee through the sale, license or lease of property or property rights provided by this Agreement.

(c) Franchisee shall promptly notify Franchisor of any action, suit, proceeding, claim, demand, inquiry or investigation as described in Section 29(a). If Franchisor is or may be named as a party in any such action, Franchisor may elect (but under no circumstances will be obligated) to undertake the defense and/or settlement thereof. No such undertaking by Franchisor shall, in any manner or form, diminish Franchisee’s obligation to indemnify the Indemnitees and to hold them harmless.

(d) With respect to any action, suit, proceeding, claim, demand, inquiry or investigation, Franchisor may, at any time and without notice, in order to protect persons or property or the reputation or goodwill of Franchisor or others, order, consent or agree to any settlement or take any remedial or corrective action as Franchisor deems expedient, if, in Franchisor’s sole judgment, there are reasonable grounds to believe that:

(i) any of the acts or circumstances enumerated in Section 29(a) have occurred; or

(ii) any act, error or omission of Franchisee may result directly or indirectly in damage, injury or harm to any person or any property.

(e) All Losses and Expenses incurred under this Section 29 shall be chargeable to and paid by Franchisee based on its obligations of indemnity hereunder, regardless of any actions, activity or defense undertaken by Franchisor or the subsequent success or failure of such actions, activity or defense.

(f) Under no circumstances shall the Indemnities be required or obligated to seek recovery from third parties or otherwise mitigate their losses to maintain a claim against Franchisee. Franchisee agrees that the failure to pursue such recovery or mitigate loss will in no way reduce the amounts recoverable by the Indemnitees from Franchisee.

(g) The Indemnitees assume no liability whatsoever for any acts, errors or omissions of any persons with whom Franchisee may contract, regardless of the purpose. Franchisee shall hold harmless and indemnify the Indemnitees and each of them for all Losses and Expenses that may arise out of any acts, errors or omissions of such third parties with whom Franchisee may contract.

### **30. Set-off Rights**

At all times, Franchisor may set off any amounts Franchisee or its owners owe Franchisor or its affiliates against any amounts that Franchisor or its affiliates owe Franchisee or its owners, whether in connection with this Agreement or otherwise. Franchisor and its affiliates have no obligation to pay Franchisee or its owners any monies until Franchisor's and its affiliates' set-off rights have been fully quantified.

### **31. Notices**

All acceptances, approvals, requests, notices, and reports required or permitted under this Agreement will not be effective unless in writing and delivered to the party entitled to receive the notice in accordance with this Section 31. All such acceptances, approvals, requests, notices, and reports will be deemed delivered at the time delivered by hand; or one (1) business day after deposit with a nationally-recognized commercial courier service for next business day delivery; or three (3) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid; and must be addressed to the party to be notified as follows: Franchisor will address notices to Franchisee at the location of the Franchised Arcade that Franchisee is operating, or to the address at the start of this Agreement (until Franchisee designates a different address), or to the Managing Owner's address, at Franchisor's option. All notices to Franchisor shall be addressed to Fantasy Claw Arcade Franchise LLC, 3110 Polaris Ave Suite #8, Las Vegas, Nevada 89102. Payments and certain information and reports Franchisee must send Franchisor under this Agreement will be deemed delivered on any of the applicable dates described above or, if earlier, when Franchisor actually receives them electronically (all payments, information, and reports must be received on or before their due dates in the form and manner specified in this Agreement). Notices will be addressed to the addresses above unless and until a different address has been designated by written notice to the other party.

### **32. Independent Contractors**

This Agreement does not create a fiduciary relationship between Franchisee and Franchisor (or any of its affiliates). Franchisee has no authority, express or implied, to act as an agent for Franchisor or its affiliates for any purpose. Franchisee is, and will remain, an independent contractor responsible for all obligations and liabilities of, and for all losses or damages to, the Franchised Arcade and its assets, including any personal property, equipment, fixtures, or real property, and for all claims or demands based on damage to or destruction of property or based on injury, illness, or death of any person resulting directly or indirectly from the Franchised Arcade's operation.

Franchisor and Franchisee are entering this Agreement with the intent and expectation that they are and will be independent contractors. Further, Franchisor and Franchisee are not and do not intend to be partners, joint venturers, associates, or employees of the other in any way, and Franchisor (and its affiliates) will not be construed to be jointly liable for any of Franchisee's acts or omissions under any circumstances. Franchisor (and its affiliates) are not the employer or joint employer of the Franchised Arcade's employees. Franchisee's Managing Owner is solely responsible for managing and operating the Franchised Arcade and supervising its employees. Franchisee agrees to identify itself conspicuously in all dealings with customers,

suppliers, public officials, Franchised Arcade personnel, and others as the Franchised Arcade's owner, operator, and manager under a franchise Franchisor has granted and to place notices of independent ownership at the Franchised Arcade and on the forms, business cards, stationery, advertising, e-mails, and other materials Franchisor requires from time to time.

Franchisor (and its affiliates) will not exercise direct or indirect control over the working conditions of Franchised Arcade personnel, except to the extent such indirect control is related to Franchisor's legitimate interest in protecting the quality of its products, services, or brand. Franchisor (and its affiliates) does not share or codetermine the employment terms and conditions of the Franchised Arcade's employees and does not affect matters relating to the employment relationship between Franchisee and the Franchised Arcade's employees, such as employee selection, promotion, termination, hours worked, rates of pay, other benefits, work assigned, discipline, adjustment of grievances and complaints, and working conditions. To that end, Franchisee must notify Franchised Arcade personnel that Franchisee is their employer and that Franchisor, as the franchisor of FANTASY CLAW ARCADE locations, and its affiliates are not their employer or joint employer and do not engage in any employer-type activities for which only franchisees are responsible, such as employee selection, promotion, termination, hours worked, rates of pay, other benefits, work assigned, discipline, adjustment of grievances and complaints, and working conditions. Franchisee also must obtain an acknowledgment (in the form Franchisor specifies or approves) from all Franchised Arcade employees that Franchisee (and not Franchisor or its affiliates) are their employer.

### **33. Franchisee Representations**

(a) FRANCHISEE ACCEPTS THE TERMS, CONDITIONS AND COVENANTS CONTAINED IN THIS AGREEMENT AS BEING REASONABLE AND NECESSARY TO MAINTAIN FRANCHISOR'S STANDARDS OF QUALITY, SERVICE AND UNIFORMITY AND TO PROTECT AND PRESERVE THE GOODWILL OF THE MARKS. FRANCHISEE ACKNOWLEDGES THAT OTHER FRANCHISEES OF FRANCHISOR HAVE BEEN OR WILL BE GRANTED FRANCHISES AT DIFFERENT TIMES AND IN DIFFERENT SITUATIONS. FRANCHISEE FURTHER ACKNOWLEDGES THAT THE PROVISIONS OF THE FRANCHISE AGREEMENTS BASED ON WHICH SUCH FRANCHISES WERE GRANTED MAY VARY MATERIALLY FROM THOSE CONTAINED IN THIS AGREEMENT AND THAT FRANCHISEE'S OBLIGATION ARISING HEREUNDER MAY DIFFER SUBSTANTIALLY FROM OTHER FRANCHISEES.

(b) EVEN THOUGH THIS AGREEMENT CONTAINS PROVISIONS REQUIRING FRANCHISEE TO OPERATE THE FRANCHISED ARCADE IN COMPLIANCE WITH FRANCHISOR'S SYSTEM, FRANCHISOR DOES NOT HAVE ACTUAL OR APPARENT AUTHORITY TO CONTROL, DIRECTLY OR INDIRECTLY, THE DAY-TO-DAY CONDUCT AND OPERATION OF FRANCHISEE'S BUSINESS OR EMPLOYMENT DECISIONS.

(c) FRANCHISEE UNDERSTANDS FRANCHISOR RETAINS THE ABSOLUTE RIGHT TO ENTER INTO AGREEMENTS WITH OTHER FRANCHISEES THAT MAY CONTAIN DIFFERENT TERMS THAN THOSE CONTAINED HEREIN OR TO FORGIVE, ABATE OR REDUCE FRANCHISE FEES AND MARKETING FUND OR LOCAL ADVERTISING COOPERATIVE CONTRIBUTIONS IN SUCH MANNER AS FRANCHISOR DEEMS IN FRANCHISOR'S BUSINESS JUDGMENT TO BE THE PROPER WAY TO PROCEED.

(d) FRANCHISEE ACKNOWLEDGES THAT THE PRESIDENT OF THE UNITED STATES OF AMERICA HAS ISSUED EXECUTIVE ORDER 13224 (THE "EXECUTIVE ORDER") PROHIBITING TRANSACTIONS WITH TERRORISTS AND TERRORIST ORGANIZATIONS AND THAT THE GOVERNMENT OF THE UNITED STATES HAS ADOPTED

AND MAY IN THE FUTURE ADOPT OTHER ANTI-TERRORISM MEASURES (THE “ANTI-TERRORISM MEASURES”). FRANCHISOR THEREFORE REQUIRES CERTAIN REPRESENTATIONS AND WARRANTIES THAT THE PARTIES WITH WHOM IT DEALS ARE NOT DIRECTLY OR INDIRECTLY INVOLVED IN TERRORISM. THEREFORE, FRANCHISEE HEREBY REPRESENTS AND WARRANTS THAT NEITHER FRANCHISEE NOR ANY OF ITS EMPLOYEES, AGENTS, REPRESENTATIVES OR, AS APPLICABLE, ITS PRINCIPALS, MEMBERS, OFFICERS OR DIRECTORS, NOR ANY OTHER PERSON OR ENTITY ASSOCIATED WITH FRANCHISEE (EACH, INDIVIDUALLY, A “FRANCHISEE PARTY” AND COLLECTIVELY, THE “FRANCHISEE PARTIES”) IS:

(i) A PERSON OR ENTITY LISTED IN THE ANNEX TO THE EXECUTIVE ORDER;

(ii) A PERSON OR ENTITY OTHERWISE DETERMINED ACCORDING TO THE EXECUTIVE ORDER TO HAVE COMMITTED ACTS OF TERRORISM OR TO POSE A SIGNIFICANT RISK OF COMMITTING ACTS OF TERRORISM (SUCH A PERSON OR ENTITY AND THOSE PERSONS AND ENTITIES LISTED IN THE ANNEX TO THE EXECUTIVE ORDER ARE REFERRED TO IN THIS AGREEMENT AS “TERRORISTS”);

(iii) A PERSON OR ENTITY WHO ASSISTS, SPONSORS OR WHO SUPPORTS TERRORISTS OR ACTS OF TERRORISM (“SPONSORS OF TERRORISM”); OR

(iv) OWNED OR CONTROLLED BY TERRORISTS OR SPONSORS OF TERRORISM.

FURTHERMORE, FRANCHISEE REPRESENTS AND WARRANTS THAT NEITHER FRANCHISEE NOR ANY FRANCHISEE PARTY WILL, DURING THE TERM OF THIS AGREEMENT, BECOME A PERSON OR ENTITY DESCRIBED IN CLAUSES (a)–(d) ABOVE.

**THE ACKNOWLEDGMENTS IN SECTIONS 33(e) THROUGH 33(g) BELOW APPLY TO ALL FRANCHISEES AND FRANCHISES EXCEPT NOT TO ANY FRANCHISEES AND FRANCHISES THAT ARE SUBJECT TO THE STATE FRANCHISE REGISTRATION/DISCLOSURE LAWS IN CALIFORNIA, HAWAII, ILLINOIS, INDIANA, MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, NORTH DAKOTA, RHODE ISLAND, SOUTH DAKOTA, VIRGINIA, WASHINGTON, AND WISCONSIN.**

(e) FRANCHISEE ACKNOWLEDGES THAT IT HAS CONDUCTED AN INDEPENDENT INVESTIGATION OF THE PROPOSED FRANCHISE AND RECOGNIZES THAT THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT INVOLVES BUSINESS RISKS AND THAT ITS SUCCESS WILL BE LARGELY DEPENDENT UPON THE ABILITY OF FRANCHISEE AS AN INDEPENDENT BUSINESSPERSON OR BUSINESS. FRANCHISOR EXPRESSLY DISCLAIMS THE MAKING OF, AND FRANCHISEE ACKNOWLEDGES THAT IT HAS NOT RECEIVED, ANY WARRANTY, GUARANTEE OR REPRESENTATION OTHER THAN THOSE DESCRIBED IN THE FRANCHISE DISCLOSURE DOCUMENT, EXPRESS OR IMPLIED, FROM ANY EMPLOYEE OR AGENT OF FRANCHISOR AS TO THE POTENTIAL SALES VOLUMES, PROFITS OR LEVEL OF SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT OR THE SUITABILITY OF THE ACCEPTED LOCATION OF THE FRANCHISED ARCADE. FRANCHISOR HAS NOT REPRESENTED THAT: (I) FRANCHISEE WILL EARN, CAN EARN OR IS LIKELY TO EARN A GROSS OR NET PROFIT; (II) FRANCHISOR HAS

KNOWLEDGE OF THE RELEVANT MARKET; OR (III) THE MARKET DEMAND WILL ENABLE FRANCHISEE TO EARN A PROFIT FROM THE FRANCHISED ARCADE.

(f) FRANCHISEE ACKNOWLEDGES THAT IT RECEIVED A COPY OF THE FRANCHISE DISCLOSURE DOCUMENT, THE ATTACHMENTS TO IT AND THE AGREEMENTS RELATED TO IT, IF ANY, AT LEAST FIFTEEN (15) CALENDAR DAYS (AND, IN TRANSACTIONS INVOLVING IOWA, MICHIGAN, AND NEW YORK, AT LEAST TEN (10) BUSINESS DAYS) BEFORE THE DATE ON WHICH THIS AGREEMENT WAS SIGNED.

(g) FRANCHISEE RECOGNIZES THAT THE SYSTEM MAY EVOLVE AND CHANGE OVER TIME AND THAT THE LICENSE AND OPERATION OF THE FRANCHISED ARCADE INVOLVES SUBSTANTIAL RISK AND ITS SUCCESS IS DEPENDENT PRIMARILY UPON THE BUSINESS ACUMEN AND EFFORTS OF FRANCHISEE AND OTHER FACTORS BEYOND FRANCHISOR'S CONTROL. FRANCHISEE HAS CONDUCTED AN INDEPENDENT INVESTIGATION OF THE FRANCHISE AND HAD AMPLE TIME AND OPPORTUNITY TO CONSULT WITH INDEPENDENT PROFESSIONAL ADVISORS, INCLUDING LAWYERS AND ACCOUNTANTS, AND HAS NOT RELIED UPON ANY EXPRESS OR IMPLIED GUARANTEE AS TO POTENTIAL VOLUMES, REVENUES, PROFITS OR SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY FRANCHISEE. FRANCHISEE AND FRANCHISOR DO NOT INTEND FOR FRANCHISOR OR FRANCHISOR'S AFFILIATES TO INCUR ANY LIABILITY IN CONNECTION WITH OR ARISING FROM ANY ASPECT OF FRANCHISOR'S SYSTEM OR FRANCHISEE'S USE OF THE SYSTEM OR THE OPERATION OF THE FRANCHISED ARCADE, WHETHER OR NOT IN ACCORDANCE WITH THE REQUIREMENTS OF THE MANUAL.

#### **34. No Waiver or Disclaimer of Reliance in Certain States**

The following provision applies only to franchisees and franchises that are subject to the state franchise registration/disclosure laws in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin:

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

*Signature page follows*

**IN WITNESS WHEREOF**, the parties have hereunto set their hands and seals the day and year first above written.

**FANTASY CLAW ARCADE FRANCHISE  
LLC:**

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

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

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

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

**FRANCHISEE:**

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

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

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

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

## EXHIBIT A – to the Franchise Agreement

### SITE SELECTION ADDENDUM

FANTASY CLAW ARCADE FRANCHISE LLC (“Franchisor”) and \_\_\_\_\_ (“Franchisee”) have this day entered into a FANTASY CLAW ARCADE Franchise Agreement (“Franchise Agreement”) and desire to supplement its terms as set out below in this Site Selection Addendum (“Addendum”). The parties agree as follows:

#### AGREEMENT

1. **Time to Locate Site:** Within ninety (90) days after the Effective Date of the Franchise Agreement (as defined in this Agreement), Franchisee shall acquire or lease, at Franchisee’s expense, commercial real estate that is properly zoned for the use of the business to be conducted by Franchisee under the Franchise Agreement (a “Franchised Arcade”) at a site approved by Franchisor as provided for in this Agreement. Failure by Franchisor to acquire or lease a site for the Franchised Arcade within the time required in Section 1 hereof shall constitute a default under Section 10(a) of the Franchise Agreement and under this Addendum, and Franchisor, in its sole discretion, may terminate the Franchise Agreement and this Addendum according to the terms of Section 10(a) of the Franchise Agreement.

2. **Site Selection Assistance:** Franchisor shall provide Franchisee with leasing guidelines (“Leasing Guidelines”) to assist Franchisee in its site selection. Franchisee must follow the Leasing Guidelines.

3. **Site Selection Package Submission and Approval:** Franchisee shall submit to Franchisor, in the form specified by Franchisor, a copy of the site plan and such other information or materials as Franchisor may reasonably require, together with an option contract, letter of intent or other evidence satisfactory to Franchisor which confirms Franchisee’s favorable prospects for obtaining the site. Franchisor shall have thirty (30) days after receipt of such information and materials from Franchisee to accept or reject, as it deems best, the proposed site as the location for the Franchised Arcade. In the event Franchisor does not reject a proposed site by written notice to Franchisee within said thirty (30) days such site shall be deemed accepted by Franchisor.

4. **Lease Responsibilities:** Within thirty (30) days of site acceptance by Franchisor, Franchisee shall sign a lease which shall be coterminous with the Franchise Agreement, or a binding agreement to purchase the site. Franchisor’s acceptance of any lease is conditioned upon inclusion in the lease of Franchisor’s standard Franchised Arcade Lease Rider attached as Exhibit 1 to this Addendum. However, Franchisor shall not be responsible for review of the Lease for any terms other than those contained in the Franchised Arcade Lease Rider.

5. **Site Evaluation Services:** Franchisor shall have the right, but not the obligation, to perform any on-site evaluation, as Franchisor may deem advisable. If on-site evaluation is deemed necessary and appropriate by Franchisor (on its own initiative or at Franchisee’s request) for any Franchised Arcade to be established, Franchisee shall reimburse Franchisor for all reasonable expenses incurred by Franchisor in connection with such on-site evaluation, including the cost of travel, lodging and meals.

6. **Accepted Location:** After the location for the Franchised Arcade is accepted by Franchisor according to Sections 1 and 3 of this Agreement, and leased or acquired by Franchisee according to Section 4 hereof, the location shall constitute the Accepted Location described in Section 3(a) of the Franchise Agreement. The Accepted Location shall be specified on a separate piece of paper and be attached as Exhibit 2, which shall become a part of the Franchise Agreement.

#### Exhibit A

This Site Selection Addendum shall be considered an integral part of the Franchise Agreement between the parties and the terms of this Addendum shall be controlling with respect to the subject matter hereof. Except as modified or supplemented by this Addendum, the terms of the Franchise Agreement are hereby ratified and confirmed.

IN WITNESS WHEREOF, each party has caused its duly authorized representative to duly sign and deliver this Addendum on the date first above written.

FRANCHISEE:

FANTASY CLAW ARCADE FRANCHISE LLC

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

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

Exhibit 1 – to the Site Selection Addendum

FANTASY CLAW ARCADE FRANCHISE LLC

**RIDER**

TO THAT CERTAIN LEASE

DATED \_\_\_\_\_, 20\_\_

(THE “FORM LEASE”)

BETWEEN

\_\_\_\_\_  
A(N)  
AS LANDLORD

AND

\_\_\_\_\_  
A(N)  
AS TENANT

FOR THE PREMISES (“PREMISES”) KNOWN AS: \_\_\_\_\_

In the event of a conflict between the terms and conditions set forth within this Rider and the terms and conditions set forth in the Form Lease to which this Rider is attached, the terms and conditions set forth within this Rider shall govern and control.

1. **Permitted Use.** The Premises are leased to Tenant for the operation of a franchised arcade. The Tenant may also use the Premises for promotions, celebrations, meetings, and other group functions where Tenant’s services and products will be offered or sold.

2. **Signage.** Despite anything contained within the Form Lease to the contrary, Tenant shall, subject to the requirements of local law, have the right to utilize its standard signage and other proprietary marks and identification on both the exterior and within the interior of the Premises as approved by FANTASY CLAW ARCADE FRANCHISE LLC, a Nevada corporation and franchisor of the Fantasy Claw Arcade concept (“Franchisor”).

3. **Assignment and Subletting.** Landlord’s consent to an assignment of the Form Lease or subletting of the Premises shall not be required in connection with an assignment or subletting as a part of a merger, reorganization or sale of all or substantially all of Tenant’s assets or business permitted by Franchisor under its Franchise Agreement with Tenant or an assignment or sublet to the Franchisor, any parent, subsidiary or permitted affiliated corporation of Tenant or Franchisor, or another FANTASY CLAW ARCADE franchisee. Landlord shall approve as an assignee or sublessee any tenant who has become a transferee of the Franchise Agreement as a result of a permitted merger, reorganization or sale of all or substantially all of Tenant’s assets. Tenant shall also have the right, without the consent of Landlord, to assign this Lease to a company incorporated or to be incorporated by Tenant or a partnership formed or to be formed by Tenant, provided that Tenant owns or beneficially controls a majority of the issued and outstanding shares of capital stock of the company or is the managing general partner of the partnership and such company or partnership operates a FANTASY CLAW ARCADE under a Franchise Agreement with Franchisor.

4. **Notices; Opportunity to Cure.** Copies of any demand letters, default notices or other similar notices of non-compliance (“Notice”) sent by Landlord to Tenant shall also be sent to Franchisor at the following address:

Bradley Howard  
FANTASY CLAW ARCADE FRANCHISE LLC  
3110 Polaris Ave Suite #8  
Las Vegas, NV 89102

In the event Tenant fails to cure or otherwise remedy the subject matter of the Notice, Landlord shall grant Franchisor the identical period of time in which to cure same (said cure period to commence immediately upon written notice from Landlord to Franchisor (at the address set forth in this Agreement) that Tenant has failed to cure in a timely manner) and Landlord agrees to accept the performance of Franchisor within said period of time as performance by Tenant according to the terms of the Form Lease.

5. **Option to Lease.** Landlord hereby agrees that, in the event of (a) the termination or expiration of the Franchise Agreement by and between Tenant and Franchisor; (b) the termination of the Form Lease for any cause whatsoever including, without limitation, a default by Tenant under the Form Lease after expiration of any applicable notice and cure periods; or (c) Tenant’s failure to exercise any extension option contained in the Form Lease, Franchisor shall have the option to lease the Premises according to the same terms and conditions as are contained in the Form Lease, in accordance with the following:

(a) Landlord agrees to promptly give written notice to Franchisor (at the address set forth in this Agreement) in the event the Form Lease is terminated as the result of a default by Tenant or in the event Tenant fails to exercise any remaining options to extend the term of the Form Lease;

(b) If Franchisor elects to lease the Premises, Franchisor shall notify Landlord in writing of its election to exercise this option to lease within 30 days after (1) termination or expiration of the Franchise Agreement; (2) Franchisor’s receipt of notice from Landlord that the Form Lease has been terminated; or (3) receipt of notice from Landlord that Tenant has failed to exercise an option to extend the term of the Form Lease;

(c) If Franchisor elects to lease the Premises, Franchisor shall sign and deliver to Landlord a lease containing all of the same terms and conditions (including rental rates, terms and remaining options to extend the term of the Lease) as are contained in the Lease; provided, however, that Franchisor’s leasehold interest shall not be subject to any defaults or claims that may exist between Landlord and Tenant and any lease shall permit Franchisor to assign the lease or sublease the Premises to a franchisee of Franchisor for use as a FANTASY CLAW ARCADE franchised location; at which point, the new franchisee shall sign and deliver to Landlord a lease containing all of the same terms and conditions (including rental rates, terms and remaining options to extend the term of the Lease) as are contained in the Lease, and Franchisor shall be released from any and all liability under the lease; and

(d) Nothing contained in this Agreement shall affect Landlord’s right to recover any and all amounts due under the Form Lease from Tenant or to exercise any right of Landlord against Tenant as provided under the Form Lease.

Landlord acknowledges that it may not, without Franchisor’s approval, allow Tenant to effect any disposition of the Premises as a result of which Tenant relinquishes the right to possess the Premises,

including a proposed lease assignment, sublet of the Premises, sale or other conveyance of possessory rights to the Premises (whether or not with a formal lease assignment or sublet), or negotiated termination of the lease with Landlord or other event that enables another party to take over possession of the premises other than for the operation of a FANTASY CLAW ARCADE location.

6. **De-identification.** Landlord and Tenant hereby acknowledge that in the event the Franchise Agreement expires or is terminated, Tenant is obligated under the Franchise Agreement to take certain steps to de-identify the location as a FANTASY CLAW ARCADE Franchised Arcade operated by Tenant. Landlord agrees to cooperate fully with Franchisor in enforcing the provisions of the Franchise Agreement against Tenant, including allowing Franchisor, its employees and agents to enter and remove signs, decor and materials bearing or displaying any marks, designs or logos of Franchisor; provided, however, that Landlord shall not be required to bear any expense thereof. Tenant agrees that if Tenant fails to de-identify the Premises promptly upon termination or expiration as required under the Franchise Agreement, Franchisor may cause all required de -identification to be completed at Tenant’s sole cost and expense.

7. **Assignment of Interest.** This Rider is binding and shall inure to the benefit of Landlord, Tenant and Franchisor, their assigns and successors-in-interest. The Franchisor is an intended beneficiary of this Rider with the full right to enforce its terms against both Tenant and Landlord.

**LANDLORD:**

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

**TENANT:**

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

Agreed to:

**FRANCHISOR:**

FANTASY CLAW ARCADE FRANCHISE LLC

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

Exhibit 2 – to the Site Selection Addendum

**ACCEPTED LOCATION**

The Accepted Location will be at:

AGREED TO BY:

FRANCHISEE:

\_\_\_\_\_

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

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

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

FRANCHISOR:

**FANTASY CLAW ARCADE FRANCHISE  
LLC**

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

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

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

**EXHIBIT B – to the Franchise Agreement**

**FRANCHISE GUARANTY AGREEMENT**

**THIS FRANCHISE GUARANTY AGREEMENT** is given this date \_\_\_\_\_, by each of the undersigned parties.

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement (the “Agreement”) on this date by FANTASY CLAW ARCADE FRANCHISE LLC (“Franchisor”), each of the undersigned personally and unconditionally (a) guarantees to Franchisor and its successors and assigns, for the term of the Agreement (including extensions) and afterward as provided in the Agreement, that \_\_\_\_\_ (“Franchisee”) will punctually pay and perform each and every undertaking, agreement, and covenant set forth in the Agreement (including any amendments or modifications of the Agreement) and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement (including any amendments or modifications of the Agreement), including (i) monetary obligations, (ii) obligations to take or refrain from taking specific actions and to engage or refrain from engaging in specific activities, including, but not limited to, the non-competition, confidentiality, and transfer requirements, and (iii) the enforcement and other provisions in the Agreement, including the arbitration provision.

Each of the undersigned consents and agrees that: (1) his or her direct and immediate liability under this Guaranty will be joint and several, both with Franchisee and among other guarantors; (2) he or she will render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (3) this liability will not be contingent or conditioned upon Franchisor’s pursuit of any legal or equitable remedies against Franchisee or any other person; (4) this liability will not be diminished, relieved, or otherwise affected by any extension of time, credit, or other indulgence which Franchisor may from time to time grant to Franchisee or to any other person, including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims (including the release of other guarantors), none of which will in any way modify or amend this Guaranty, which will continue and be irrevocable during the term of the Agreement (including extensions) and afterward, for so long as any performance is or might be owed under the Agreement by Franchisee or its owners, and for so long as Franchisor has any cause of action against Franchisee or its owners; and (5) this Guaranty will continue in full force and effect for (and as to) any extension or modification of the Agreement and despite the transfer of any interest in the Agreement or Franchisee, and each of the undersigned waives notice of any and all renewals, extensions, modifications, amendments, or transfers.

Each of the undersigned waives: (i) all rights to payments and claims for reimbursement or subrogation which any of the undersigned may have against Franchisee arising as a result of the undersigned’s execution of and performance under this Guaranty, for the express purpose that none of the undersigned will be deemed a “creditor” of Franchisee under any applicable bankruptcy law with respect to Franchisee’s obligations to Franchisor; and (ii) acceptance and notice of acceptance by Franchisor of his or her undertakings under this Guaranty, all presentments, demands, and notices of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed, protest, notices of dishonor, and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed, and any other notices and legal or equitable defenses to which he or she may be entitled.

Franchisor has no present or future duty to the undersigned under this Guaranty, and each of the undersigned waives any right to claim or assert any such duty or obligation and to discover from Franchisor or require Franchisor to disclose to the undersigned any financial or other information concerning Franchisee, any other guarantor, or any collateral securing any of Franchisee’s obligations to Franchisor.

Exhibit B

If Franchisor is required to enforce this Guaranty in a judicial or arbitration proceeding, and prevails in such proceeding, Franchisor is entitled to reimbursement of its costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants', arbitrators', and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether incurred prior to, in preparation for, or in contemplation of the filing of any such proceeding. If Franchisor is required to engage legal counsel in connection with any failure by the undersigned to comply with this Guaranty, the undersigned must reimburse Franchisor for any of the above-listed costs and expenses Franchisor incurs even if Franchisor does not commence a judicial or arbitration proceeding.

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

**GUARANTOR(S)**

\_\_\_\_\_  
[Signature of Guarantor]

\_\_\_\_\_  
[Print Name and Date]

\_\_\_\_\_  
[Signature of Guarantor]

\_\_\_\_\_  
[Print Name and Date]

\_\_\_\_\_  
[Signature of Guarantor]

\_\_\_\_\_  
[Print Name and Date]

**EXHIBIT C – to the Franchise Agreement**

**SPOUSAL CONSENT**

NOTE: THE SPOUSE OF EACH OWNER OF FRANCHISEE MUST SIGN THIS SPOUSAL CONSENT.

The individual(s) listed below represents to Fantasy Claw Arcade Franchise LLC (“Company”) that each is the spouse of the individual(s) who is an owner of the franchisee entity (“Franchisee”) that has signed a Franchise Agreement with the Company dated \_\_\_\_\_, 20\_\_.

In consideration of the Company’s grant to Franchisee of the rights under the Franchise Agreement, each of the individual spouses listed below agrees, in consideration of benefits received and to be received by each of them, jointly and severally, and for themselves and their heirs, legal representatives, and assigns, that they and each of them:

1. must be firmly bound by all of the terms, provisions, and conditions in the Franchise Agreement;
2. unconditionally guarantee the full and timely performance by Franchisee of all of Franchisee’s obligations under the Franchise Agreement, including, without limitation, any of Franchisee’s indebtedness arising under or by virtue of the Franchise Agreement; and
3. agree to be bound by the confidentiality and non-competition covenants in the Franchise Agreement.

\_\_\_\_\_  
Name

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

## **EXHIBIT D – to the Franchise Agreement**

### **PROVISIONS APPLICABLE TO SBA FINANCING**

For the purpose of Franchisee’s application for funding from a lender in which funding is provided with the assistance of the U. S. Small Business Administration (the “SBA”), and at all times that the SBA has an interest in any SBA-assisted financing provided to Franchisee, Franchisor and Franchisee agree as follows:

1. With respect to a partial interest in the Franchised Business, Franchisor may exercise its option to purchase or its right of first refusal only if the proposed transferee is not a current owner or family member of a current owner of Franchisee.

2. If Franchisor’s consent is required for any transfer (full or partial) of the Franchised Business, Franchisor will not unreasonably withhold such consent.

3. If Franchisee owns the real estate where the Franchised Business operates, Franchisee will not be required to sell the real estate upon default or termination of the Franchise Agreement, but Franchisee may be required to lease the real estate for the remainder of the Term (excluding additional renewals) for fair market value.

4. If Franchisee owns the real estate where the Franchised Business operates, Franchisor has not and will not during the Term of the Franchise Agreement record against the real estate any restrictions on the use of the property, including any restrictive covenants, branding covenants or environmental indemnification, control or use restrictions. If any such restrictions are currently recorded against Franchisee’s real estate, they must be removed in order for Franchisee to obtain SBA financial assistance.

5. If Franchisee owns the real estate where the Franchised Business operates, the right of Franchisor to assume Franchisee’s lease has not and will not during the Term of the Franchise Agreement be recorded against the real estate and may not include any attornment language unless it is subordinated to any SBA financial assistance.

6. For other than regularly scheduled payments and payments otherwise authorized in the Franchise Agreement, Franchisor does not have the authority to unilaterally share, commingle, or withdraw funds from Franchisee’s bank account.

7. The Franchise Agreement does not prevent Franchisee from having meaningful oversight over the operations of the Franchised Business. Meaningful oversight includes the authority to:

- i. Approve the annual budget of the Franchised Business;
- ii. Have control over the bank accounts of the Franchised Business; AND
- iii. Have oversight over the employees operating the Franchised Business (who must be employees of Franchisee).

Franchisee agrees that the Franchise Agreement does not prevent Franchisee from having meaningful oversight over the operations of the Franchised Business by requiring Franchisee to comply with quality, marketing, and operations standards that govern Franchisee’s use of Franchisor’s System.

**EXHIBIT C**  
**DEVELOPMENT RIGHTS AGREEMENT**

**FANTASY CLAW ARCADE  
DEVELOPMENT RIGHTS AGREEMENT**

This Development Rights Agreement (the “DRA”) is made by and between **FANTASY CLAW ARCADE FRANCHISE, LLC (“FANTASY CLAW ARCADE”)**, a Nevada corporation whose principal business address is 3110 Polaris Ave Suite #8, Las Vegas, Nevada 89102 (“we,” “us,” or “our”), and \_\_\_\_\_, a(n) \_\_\_\_\_ (“you” or “your”). This DRA is effective as of the date we sign it, which is set forth next to our signature on the Signature Page at the end (the “Effective Date”).

**RECITALS**

A. We have created, designed, and developed an arcade concept that offers skill-based claw machines and prizes.

B. We currently use, promote, and license certain trademarks, service marks, and other commercial symbols for this arcade concept, including “FANTASY CLAW ARCADE®,” and from time to time may create, use, and license new trademarks, service marks, and commercial symbols (collectively, the “Marks”).

C. We offer and grant franchises to operate a “FANTASY CLAW ARCADE” using the FANTASY CLAW ARCADE business system, business formats, methods, procedures, designs, layouts, trade dress, standards, specifications, and Marks, all of which we periodically may improve, further develop, and otherwise modify.

D. Simultaneously with signing this DRA, we and you (or your Approved Affiliate, as defined in Section 2 below) also are signing as of the Effective Date a franchise agreement (the “First Franchise Agreement”) for the construction, development, and operation of the first FANTASY CLAW ARCADE to be developed within the Territory (defined below). We and you are signing this DRA because you want the right to construct, develop, and operate multiple FANTASY CLAW ARCADES within the Territory over a certain time period (besides the FANTASY CLAW ARCADE covered by the First Franchise Agreement), and we are willing to grant you those development rights if you comply with this DRA’s terms.

Now, therefore, in consideration of the mutual covenants, agreements, and obligations set forth in this DRA, we and you agree as follows:

1. **Grant of Development Rights**

(a) Subject to your strict compliance with this DRA, we grant you the right (directly or through your Approved Affiliates) to construct, develop, and operate \_\_\_\_\_ (\_\_\_) new FANTASY CLAW ARCADES (including the FANTASY CLAW ARCADE covered by the First Franchise Agreement), according to the mandatory development schedule described in Exhibit A to this DRA (the “Schedule”), within the geographic area described in Exhibit B (the “Territory”).

(b) If you (and your Approved Affiliates, as applicable) are fully complying with all of your (and their) obligations under this DRA, the First Franchise Agreement, and all other franchise agreements then in effect between us and you (and your Approved Affiliates, as applicable) for the construction, development, and operation of FANTASY CLAW ARCADES, then during this DRA's term only, we (and our affiliates) will not—except with respect to FANTASY CLAW ARCADES proposed to be located at or within Non-Traditional Venues or Restricted Venues (both defined below)—establish and operate, or grant to others the right to establish and operate, FANTASY CLAW ARCADES that have their physical locations within the Territory. We (and our affiliates) reserve the right without any restrictions whatsoever to pursue and establish, or franchise or license others to pursue and establish, FANTASY CLAW ARCADES to be located at or within Non-Traditional Venues and Restricted Venues having their physical locations within the Territory but only if you (or your Approved Affiliates) cannot or choose not to pursue the opportunity when it becomes available, no matter the reason for your (or your Approved Affiliate's) decision not to pursue the opportunity.

A “Non-Traditional Venue” is defined in this DRA to mean a captive-venue location, including, without limitation, airports, hospitals or medical centers, limited-access highway food facilities, bus or train locations, entertainment and sports complexes, convention centers, military facilities, schools, colleges, and universities, office facilities, department and retail super-stores, off-site sales accounts, convenience stores, supermarkets, shopping malls, and home-improvement retailers.

A “Restricted Venue” is a physical location within Territory (which need not be a Non-Traditional Venue) for which that location's owner or manager sets financial, experience, or organizational standards for an acceptable operator that you (or your Approved Affiliate) do not and cannot satisfy when the opportunity becomes available.

Our, our affiliate's, or another franchisee's or licensee's establishment and operation of a FANTASY CLAW ARCADE at or within a Non-Traditional Venue or a Restricted Venue physically located in the Territory will not count toward your compliance with the Schedule. However, FANTASY CLAW ARCADES that you (or your Approved Affiliates) establish and operate at or within a Non-Traditional Venue physically located in the Territory will count toward your compliance with the Schedule.

(c) The location exclusivity described in clause (b) above (with the noted exceptions for Non-Traditional Venues and Restricted Venues) is the only restriction on our (and our affiliates') activities within the Territory during this DRA's term. You acknowledge and agree that we and our affiliates have the right to engage, and grant to others the right to engage, in any other activities of any nature whatsoever within and throughout the Territory, including, without limitation, the types of activities in which we and our affiliates reserve the right to engage under Section 3.2 of the First Franchise Agreement. After this DRA expires or is terminated (regardless of the reason for termination), we and our affiliates have the right, without any restrictions whatsoever, to:

(i) establish and operate, and grant to others the right to establish and operate, FANTASY CLAW ARCADES having their physical locations within the Territory; and

(ii) continue to engage, and grant to others the right to engage, in any other activities we (and our affiliates) desire within and throughout the Territory.

YOU ACKNOWLEDGE AND AGREE THAT TIME IS OF THE ESSENCE UNDER THIS DRA, AND YOUR RIGHTS UNDER THIS DRA ARE SUBJECT TO TERMINATION (WITHOUT ANY CURE OPPORTUNITY) IF YOU DO NOT COMPLY STRICTLY WITH THE DEVELOPMENT OBLIGATIONS PROVIDED IN THE SCHEDULE. WE HAVE THE RIGHT TO ENFORCE THIS DRA STRICTLY.

## 2. Development Obligations

(a) To maintain your rights under this DRA, you (and/or your Approved Affiliates) must, by the deadlines specified in the Schedule, (i) find an acceptable site for each FANTASY CLAW ARCADE required to be developed within the Territory pursuant to this DRA, (ii) sign a separate franchise agreement (and related documents) with us for each such FANTASY CLAW ARCADE and pay us the fees due under that franchise agreement (see Section 4 below), (iii) sign an acceptable lease for each such FANTASY CLAW ARCADE, and then (iv) construct, develop, and open for business each such FANTASY CLAW ARCADE.

(b) If you or your owners establish a new legal entity to construct, develop, and operate one or more of the FANTASY CLAW ARCADES required to be developed pursuant to this DRA, and either (i) you own 100% of that legal entity or (ii) that legal entity's ownership is completely identical to your ownership, that legal entity automatically will be considered an "Approved Affiliate" under this DRA. However, if you do not own 100% of that new legal entity or that legal entity's ownership is not completely identical to your ownership, you first must seek our approval for that new entity to be permitted to construct, develop, and operate the proposed FANTASY CLAW ARCADE as an Approved Affiliate. We have the right to refuse any such request if you and/or your owners do not (1) own and control at least seventy-five percent (75%) of the new entity's ownership interests and (2) have the authority to exercise voting and management control of the FANTASY CLAW ARCADE proposed to be owned by the new entity.

(c) You (and/or your Approved Affiliates) will operate each FANTASY CLAW ARCADE under a separate franchise agreement (and related documents) with us. The franchise agreement (and related documents, including Guaranty and Assumption of Obligations) that you and your owners (or your Approved Affiliate and its owners) must sign for each FANTASY CLAW ARCADE to be constructed and developed pursuant to this DRA will be our then-current form of franchise agreement (and related documents, including Guaranty and Assumption of Obligations), any or all terms of which may differ substantially and materially from any or all terms contained in the First Franchise Agreement, provided that the Royalty Fee due for each FANTASY CLAW ARCADE to be developed under this DRA will be six percent (6%) of the FANTASY CLAW ARCADE's "Gross Sales" (as defined in Section 4.2 of the First Franchise Agreement). If you fail to construct and develop at least three (3) FANTASY CLAW ARCADES under this DRA according to the Schedule, the Royalty Fee on all of your (and your Approved Affiliates') operating FANTASY CLAW ARCADES will immediately rise to seven percent (7%) of Gross Sales for the remainder of their franchise terms.

(d) Despite any contrary provision contained in the First Franchise Agreement or newly-signed franchise agreements, your (and your Approved Affiliates') FANTASY CLAW ARCADES within the Territory must be open and operating by the dates specified in the Schedule. To retain your rights under this DRA, each FANTASY CLAW ARCADE constructed, developed, and opened pursuant to this DRA must operate continuously throughout this DRA's term in full compliance with its franchise agreement.

### 3. **Subfranchising and Sublicensing Rights**

This DRA does not give you any right to franchise, license, subfranchise, or sublicense others to construct, develop, and operate FANTASY CLAW ARCADES. Only you (and/or your Approved Affiliates) have the right to construct, develop, open, and operate FANTASY CLAW ARCADES pursuant to this DRA. This DRA also does not give you (or your Approved Affiliates) any independent right to use the FANTASY CLAW ARCADE® trademark or the other Marks. The right to use the Marks is granted only under a franchise agreement signed directly with us. This DRA only grants you potential development rights if you fully comply with its terms.

### 4. **Development Fee**

As consideration for the development rights we grant you under this DRA, you must pay us a total of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_) (the "Development Fee") when you sign this DRA. The Development Fee consists of (a) the Thirty-Thousand Dollar (\$30,000) initial franchise fee due under the First Franchise Agreement, plus (b) the Ten-Thousand Dollar (\$10,000) Development Services Fee due under the First Franchise Agreement, plus (c) deposits equaling Ten-Thousand Dollars (\$10,000) toward the initial franchise fee due for each additional FANTASY CLAW ARCADE you have committed under this DRA to construct, develop, and operate after the first FANTASY CLAW ARCADE. This DRA will not be effective, and you will have no development rights, until we receive the Development Fee. The Development Fee is:

- (i) consideration for the rights we grant you in this DRA and for reserving the Territory for you to the exclusion of others (except with respect to Non-Traditional Venues and Restricted Venues) while you are in compliance with this DRA;
- (ii) fully earned by us when we and you sign this DRA; and
- (iii) not refundable under any circumstances, even if you do not comply or attempt to comply with the Schedule and we then terminate this DRA for that reason.

However, each time you (or your Approved Affiliate) sign a franchise agreement for the next FANTASY CLAW ARCADE to be constructed and developed within the Territory, we will apply the deposit related to that FANTASY CLAW ARCADE (which is part of the Development Fee) toward the initial franchise fee due for that FANTASY CLAW ARCADE (leaving only the Twenty-Thousand Dollar (\$20,000) balance of the initial franchise fee due at signing). The initial franchise fee for each FANTASY CLAW ARCADE to be constructed and developed under this DRA is Thirty Thousand Dollars (\$30,000). In addition, each time you (or your Approved

Affiliate) sign a franchise agreement for the next FANTASY CLAW ARCADE to be constructed and developed within the Territory, you must pay us the Ten-Thousand Dollar (\$10,000) Development Services Fee due under that franchise agreement.

## 5. **Grant of Franchises**

(a) You must send us a separate application for each FANTASY CLAW ARCADE that you (or your Approved Affiliate) desire to construct and develop within the Territory. You must locate, evaluate, and select the arcade's site. You must give us all information and materials we request to assess each proposed site. We will not search for or select the site for you. In granting you development rights under this DRA, we are relying on your knowledge of the real estate market in the Territory and your ability to locate and access sites. We have the right (but no obligation) to recommend to you a vendor for site-selection services.

(b) We will give you our then-current criteria for FANTASY CLAW ARCADE sites (including, without limitation, population density and other demographic characteristics, visibility, traffic flow, competition, accessibility, parking, ingress and egress, size, and other physical and commercial characteristics) to help in the site-selection process. We will not unreasonably withhold site acceptance if, in our and our affiliates' experience and based on the factors identified above, the proposed site is not inconsistent with sites that we and our affiliates regard as favorable or that otherwise have been successful sites in the past for FANTASY CLAW ARCADES. However, we have the absolute right to reject any site not meeting our criteria or to require you to acknowledge in writing that a site you have chosen, while acceptable to us, is not recommended due to its incompatibility with certain factors bearing on a site's suitability as a location for a FANTASY CLAW ARCADE.

We will review potential sites that you identify within the Territory and have the right, but no obligation, to visit the Territory as we deem necessary to review potential sites for each FANTASY CLAW ARCADE to be constructed and developed under this DRA. We have the right to condition our acceptance of a proposed site, or a proposed site visit, on your first sending us complete site reports and other materials (including, without limitation, photographs and digital recordings) we request. We agree to use reasonable efforts to review and accept (or not accept) sites you propose within thirty (30) days after we receive all requested information and materials. You have no right to proceed with a site that we have not accepted.

(c) You also must send us for our written acceptance, which we will not unreasonably withhold, any lease or sublease that will govern your occupancy and lawful possession of each FANTASY CLAW ARCADE site before you sign it. You have no right to sign any lease or sublease that we have not accepted in writing. We have the right (but no obligation) to guide you in the leasing process but will not negotiate the lease or sublease for you or provide any legal advice.

(d) If we accept the proposed site but you (or your Approved Affiliate) have not yet signed a separate franchise agreement (and related documents, including Guaranty and Assumption of Obligations) for that FANTASY CLAW ARCADE, you (or your Approved Affiliate) must do so on or before the date specified on the Schedule. If you (or your Approved

Affiliate) fail to do so, or cannot obtain lawful possession of the proposed site, we have the right to withdraw our acceptance of the proposed site and exercise any of our other rights under this DRA. After you and your owners (or your Approved Affiliate and its owners) sign the franchise agreement (and related documents), its terms and conditions will control the construction, development, and operation of the FANTASY CLAW ARCADE (except that the required opening date is governed exclusively by the Schedule in this DRA, as provided in Section 2(d) above).

(e) In addition to our rights with respect to proposed FANTASY CLAW ARCADE sites, we have the right to delay your (and your Approved Affiliates') construction, development, and/or opening of additional FANTASY CLAW ARCADES within the Territory for the time period we deem best if at any time we believe that such delay is in the best interests of the FANTASY CLAW ARCADE brand, including for reasons related to lack of sites meeting our criteria, supply-chain issues, or our assessment in our sole judgment that you (or your Approved Affiliate) are not yet operationally, managerially, or otherwise prepared (no matter the reason) to construct, develop, open, and/or operate the additional FANTASY CLAW ARCADE in full compliance with our standards and specifications. We have the right to delay additional development and/or a FANTASY CLAW ARCADE's opening for the time period we deem best as long as the delay will not in our reasonable opinion cause you to breach your development obligations under the Schedule (unless we are willing to extend the Schedule proportionately to account for the delay).

## 6. Term

This DRA's term begins on the Effective Date and ends on the date when (a) you (or your Approved Affiliate) open for business the final FANTASY CLAW ARCADE to be constructed and developed under the Schedule, or (b) this DRA otherwise is terminated, but in any event this DRA's term will end no later than \_\_\_\_\_.

## 7. Termination

We have the right at any time to terminate this DRA and your rights under this DRA to develop FANTASY CLAW ARCADES within the Territory, such termination to be effective upon our delivery to you of written notice of termination, if:

(a) you fail to satisfy either your development obligations under the Schedule or any other obligation under this DRA, which defaults you have no right to cure; or

(b) the First Franchise Agreement or another franchise agreement between us and you (or your Approved Affiliate) for a FANTASY CLAW ARCADE is terminated by us in compliance with its terms or by you (or your Approved Affiliate) for any (or no) reason; or

(c) we have delivered a formal written notice of default to you (or your Approved Affiliate) under the First Franchise Agreement or another franchise agreement between us and you (or your Approved Affiliate) for a FANTASY CLAW ARCADE, and you (or your Approved Affiliate) fail to cure that default within the required timeframe; or

(d) you (or your Approved Affiliate), without our prior written approval, cease operating any FANTASY CLAW ARCADE.

No portion of the Development Fee is refundable upon termination of this DRA or under any other circumstances. If we terminate this DRA solely because you fail to satisfy your development obligations under the Schedule, we will keep the full Development Fee but otherwise will not seek to recover damages from you due solely to such failures.

Termination of this DRA under any of clauses (a), (b), (c), or (d) above is not deemed to be the termination of any franchise rights because this DRA grants you no separate franchise rights. Franchise rights arise only under franchise agreements signed directly with us. While you will lose all further rights to develop FANTASY CLAW ARCADES within the Territory if this DRA is terminated, termination of this DRA does not affect any franchise rights previously granted under any then-effective individual franchise agreements.

## 8. **Assignment**

(a) Your development rights under this DRA are not assignable at all. This means we will not under any circumstances allow the development rights to be transferred. A transfer of the development rights would be deemed to occur (and would be prohibited) if there is an assignment of this DRA, a transfer of a controlling ownership interest in you or in an entity with a controlling ownership interest in you, or any other event attempting to assign the development rights. An assignment (direct or indirect) of only a non-controlling ownership interest in you is permitted (and would not be deemed to be a transfer of your development rights). References to a “controlling ownership interest” in you or one of your owners (if an entity) mean the percent of voting shares or other voting rights resulting from dividing one hundred percent (100%) of the ownership interests by the number of owners. In the case of a proposed transfer of an ownership interest in you or one of your owners, whether a “controlling ownership interest” is involved must be determined both immediately before and immediately after the proposed transfer to see if a “controlling ownership interest” will be transferred (because of the number of owners before the proposed transfer) or will be deemed to have been transferred (because of the number of owners after the proposed transfer).

(b) We have the right to change our ownership or form and/or assign this DRA to a third party without restriction. Specifically and without limiting the foregoing, you agree that we have the right to sell our assets (including this DRA), the Marks, or the FANTASY CLAW ARCADE® franchise system to a third party; offer our ownership interests privately or publicly; merge, acquire other business entities, or be acquired by another business entity; and/or undertake a refinancing, recapitalization, leveraged buyout, securitization, or other economic or financial restructuring.

## 9. **Representations and Warranties**

You and your owners, jointly and severally, represent, warrant, and covenant to us that your execution and delivery of, and performance of your obligations under, this DRA have not violated and will not violate (a) any other agreement or commitment to which you or they are a

party or by which you or they are otherwise bound, or (b) the rights of, or duties owed to, any third party.

#### **10. Indemnity**

To the maximum extent permitted by law, you and your owners, jointly and severally, agree to indemnify, defend, and forever hold harmless us and our parent and other affiliated entities, and our and their respective officers, directors, owners, principals, employees, agents, representatives, successors, and assigns (collectively, the “**Fantasy Claw Arcade's Parties**”), against, and to reimburse the Fantasy Claw Arcade's Parties for, any losses, liabilities, expenses, or damages (actual or consequential), including, without limitation, reasonable attorneys’, attorney assistants’, accountants’, and expert witness fees, collection costs, costs of investigation and proof of facts, court costs, and other litigation and travel and living expenses, which the Fantasy Claw Arcade's Parties suffer directly or indirectly arising from or with respect to (a) any breach or alleged breach by you or your owners of any representation or warranty set forth in this DRA, or (b) any claim or allegation by any third party that our signing this DRA with you or granting you the development rights, or any related activities, violate any law or any rights of, or duty owed to, such third party. This indemnification obligation is in addition to the indemnification obligations currently referenced in Section 11 below.

#### **11. Incorporation of Other Terms**

Sections 5, 6, 21, 23, 25, 26, 27, 28, 29, 31, and 33 of the First Franchise Agreement, entitled “Confidential Information,” “Restrictive Covenant,” “Governing Law,” “Legal Counsel,” “Waiver of Obligations and Force Majeure,” “Arbitration of Disputes,” “Consent to Jurisdiction,” “Limitations on Recovery,” “Indemnification,” “Notices,” and “Franchisee Representations,” respectively, are incorporated by reference in this DRA and will govern all aspects of this DRA and our and your relationship as if fully restated within the text of this DRA (whether or not the First Franchise Agreement is terminated before this DRA expires or is terminated).

This DRA and all exhibits to this DRA constitute the entire agreement between the parties with respect to its subject matter and supersede any and all prior negotiations, understandings, representations, and agreements with respect to its subject matter. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you.

#### **12. No Waiver or Disclaimer of Reliance in Certain States**

The following provision applies only to developers and franchises that are subject to the state franchise registration/disclosure laws in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin:

No statement, questionnaire, or acknowledgement signed or agreed to by you in connection with the commencement of the franchise relationship shall have the

effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.

*[Signature Page Follows]*

**In Witness Whereof**, we and you have signed and delivered this DRA, to be effective as of the Effective Date set forth next to our signature below.

**FANTASY CLAW ARCADE  
FRANCHISE, LLC**, a Nevada corporation

**DEVELOPER**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_, 20\_\_\*\*

\_\_\_\_\_  
[Name]

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_, 20\_\_

\*\*Effective Date

**EXHIBIT A**

TO FANTASY CLAW ARCADE  
DEVELOPMENT RIGHTS AGREEMENT

**E. DEVELOPMENT SCHEDULE**

You agree to construct, develop, and open < \_\_\_\_ ( ) > FANTASY CLAW ARCADES in the Territory, including the FANTASY CLAW ARCADE that is the subject of the First Franchise Agreement, according to the following Schedule:

<b>Arcade Number</b>	<b>Date by which You Must Identify an Acceptable Arcade Site (Deadline)</b>	<b>Date by which You Must Sign Franchise Agreement for the Acceptable Arcade Site and Pay Related Fees (Deadline)</b>	<b>Date by which You Must Sign Lease for the Acceptable Arcade Site (Deadline)</b>	<b>Date by which Arcade Must Open for Business at Acceptable Site (Opening Deadline)</b>	<b>Minimum Cumulative Number of Franchised FANTASY CLAW ARCADES to be Open and Operating in Territory No Later Than the Opening Deadline</b>
1		20 days after date in previous column			1
2		20 days after date in previous column			2
3		20 days after date in previous column			3
4		20 days after date in previous column			4
5		20 days after date in			5

Arcade Number	Date by which You Must Identify an Acceptable Arcade Site (Deadline)	Date by which You Must Sign Franchise Agreement for the Acceptable Arcade Site and Pay Related Fees (Deadline)	Date by which You Must Sign Lease for the Acceptable Arcade Site (Deadline)	Date by which Arcade Must Open for Business at Acceptable Site (Opening Deadline)	Minimum Cumulative Number of Franchised FANTASY CLAW ARCADES to be Open and Operating in Territory No Later Than the Opening Deadline
		previous column			

**FANTASY CLAW ARCADE FRANCHISE, LLC,**  
a Nevada corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_, 20\_\_

**DEVELOPER**

\_\_\_\_\_  
[Name]

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_, 20\_\_

**EXHIBIT B**

**TO FANTASY CLAW ARCADE FRANCHISE, LLC  
DEVELOPMENT RIGHTS AGREEMENT**

**F. DESCRIPTION AND MAP OF TERRITORY (attached, if applicable)**

(If there is any inconsistency between a narrative description and a pictorial identification of the Territory, the narrative description of the Territory will prevail.)

**FANTASY CLAW ARCADE  
FRANCHISE, LLC**, a Nevada corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_, 20\_\_

**DEVELOPER**

\_\_\_\_\_  
[Name]  
  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_, 20\_\_

**EXHIBIT C**

TO FANTASY CLAW ARCADE FRANCHISE, LLC  
DEVELOPMENT RIGHTS AGREEMENT

**G. DEVELOPER AND ITS OWNERS**

**Effective Date:** This Exhibit C is current and complete as of \_\_\_\_\_, 20\_\_

**Form.** Developer was incorporated or formed on \_\_\_\_\_, 20\_\_, under the laws of the State of \_\_\_\_\_. Developer has not conducted business under any name other than its corporate, limited liability company, or partnership name and (if applicable) \_\_\_\_\_. The following lists Developer’s directors or managers (if applicable) and officers as of the effective date shown above:

<b><u>Name</u></b>	<b><u>Position(s) Held</u></b>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

**Owners.** The following lists the full name of every person who or entity that is, as of the effective date shown above, one of Developer’s direct or indirect owners and fully describes the nature of each owner’s interest (attach additional pages if necessary):

<b><u>Owner’s Name</u></b>	<b><u>Description of Interest</u></b>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

*[Signature Page Follows]*

**FANTASY CLAW ARCADE  
FRANCHISE, LLC,**  
a Nevada corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_, 20\_\_

**DEVELOPER**

\_\_\_\_\_  
[Name]  
  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_, 20\_\_

**EXHIBIT D**  
**FINANCIAL STATEMENT**



**FANTASY CLAW ARCADE  
FRANCHISE LLC**

FINANCIAL STATEMENTS

WITH INDEPENDENT AUDITOR'S REPORT

AS OF DECEMBER 31, 2024 AND FOR THE PERIOD FROM  
INCEPTION (FEBRUARY 21, 2024) TO DECEMBER 31, 2024



# FANTASY CLAW ARCADE FRANCHISE LLC

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### ***Independent Auditor's Report***

To the Members  
Fantasy Claw Arcade Franchise LLC  
Las Vegas, Nevada

#### ***Opinion***

We have audited the accompanying financial statements of Fantasy Claw Arcade Franchise LLC which comprise the balance sheet as of December 31, 2024, and the related statement of operations, members' equity, and cash flows for the period from inception (February 21, 2024) to December 31, 2024, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fantasy Claw Arcade Franchise LLC as of December 31, 2024, and the results of its operations and its cash flows for the period from inception (February 21, 2024) to December 31, 2024, in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

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

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

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

***Restrictions on Use***

The use of this report is restricted to inclusion within the Company's Franchise Disclosure Document (FDD) and is not intended to be, and should not be, used or relied upon by anyone for any other use.

Kezas & Dunbar

St. George, Utah  
May 21, 2025

FANTASY CLAW ARCADE FRANCHISE LLC  
BALANCE SHEET  
As of December 31, 2024

	<u>2024</u>
<b>Assets</b>	
Current assets	
Due from related party, net	\$ 25,364
Total current assets	<u>25,364</u>
Total assets	<u><u>\$ 25,364</u></u>
<b>Liabilities and Members' Equity</b>	
Members' equity	\$ 25,364
Total liabilities and members' equity	<u><u>\$ 25,364</u></u>

The accompanying notes are an integral part of the financial statements.

FANTASY CLAW ARCADE FRANCHISE LLC  
STATEMENT OF OPERATIONS

For the period from inception (February 21, 2024) to December 31, 2024

	<u>2024</u>
Operating revenue	
Related party royalties	\$ 40,042
Related party marketing fees	<u>13,347</u>
Total operating revenue	<u>53,389</u>
Operating expenses	
Professional fees	14,535
General and administrative	<u>13,490</u>
Total operating expenses	<u>28,025</u>
Net income	<u><u>\$ 25,364</u></u>

The accompanying notes are an integral part of the financial statements.

FANTASY CLAW ARCADE FRANCHISE LLC  
STATEMENT OF MEMBERS' EQUITY  
For the period from inception (February 21, 2024) to December 31, 2024

	<u>2024</u>
Beginning members' equity	\$ -
Net income	25,364
Balance at December 31, 2024	<u>\$ 25,364</u>

The accompanying notes are an integral part of these financial statements.

FANTASY CLAW ARCADE FRANCHISE LLC  
STATEMENT OF CASH FLOWS  
For the period from inception (February 21, 2024) to December 31, 2024

	<b>2024</b>
Cash flow from operating activities:	
Net income	\$ 25,364
Adjustments to reconcile net income to net cash provided by operating activities:	
Changes in operating assets and liabilities:	
Due from related party, net	(25,364)
Net cash provided by operating activities	-
 Net change in cash and cash equivalents	 -
 Cash at the beginning of the period	 -
Cash at the end of the period	\$ -
 Supplemental disclosure of cash flow information:	
Cash paid for interest	\$ -

The accompanying notes are an integral part of the financial statements.

**FANTASY CLAW ARCADE FRANCHISE LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2024**

(1) Nature of Business and Summary of Significant Accounting Policies

*(a) Nature of Business*

Fantasy Claw Arcade Franchise LLC, (the Company), was organized on February 21, 2024 in the state of Nevada as a limited liability company. The Company sells franchises that operate a retail entertainment venue featuring claw machines, arcade games, and related items under the name “FANTASY CLAW ARCADE” and other service marks.

The Company uses the accrual basis of accounting, and their accounting period is the 12-month period ending December 31 of each year.

*(b) Accounting Standards Codification*

The Financial Accounting Standards Board (“FASB”) has issued the FASB Accounting Standards Codification (“ASC”) that became the single official source of authoritative U.S. generally accepted accounting principles (“GAAP”), other than guidance issued by the Securities and Exchange Commission (“SEC”), superseding existing FASB, American Institute of Certified Public Accountants, emerging Issues Task Force and related literature. All other literature is not considered authoritative. The ASC does not change GAAP; it introduces a new structure that is organized in an accessible online research system.

*(c) Use of Estimates*

Preparation of the Company's financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*(d) Accounts Receivable*

Accounts receivable are recorded for amounts due based on the terms of executed franchise agreements for franchise sales, royalties and other sales transactions. These accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of outstanding amounts.

When determining the allowance for doubtful receivable, the Company has adopted ASC 326, *Financial Instruments—Credit Losses*. This standard requires that management utilize the Current Expected Credit Losses (“CECL”) model to recognize the appropriate allowance for doubtful receivables. This model requires entities to estimate and recognize expected credit losses over the life of the financial instrument. For trade receivables, management has elected to apply a simplified approach, based on historical loss experience and adjustments for current and forecasted economic conditions. Management regularly evaluates individual customer receivables, considering their financial condition, credit history and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as income when received. As of December 31, 2024, the Company did not have an allowance for uncollectible accounts. As of December 31, 2024, the accounts receivable balance was the due from related party amount of \$25,364. See Note 2 for due from related party note.

*(e) Revenue Recognition*

Upon inception, the Company adopted ASC 606, Revenue from Contracts with Customers. ASC 606 provides that revenues are to be recognized when control of promised goods or services is transferred to a customer in an amount that reflects the considerations expected to be received for those goods or services. In implementing ASC 606, the Company evaluated all revenue sources using the five-step approach: identify the contract, identify the performance obligations, determine the transaction price, allocate the transaction price, and recognize revenue. For each franchised location, the Company enters into a formal franchise agreement that clearly outlines the various components of the transaction price and the Company's performance obligations.

**FANTASY CLAW ARCADE FRANCHISE LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2024

The Company's revenues consist of initial franchise fees and royalties and marketing fees based on a percentage of gross revenues.

*Royalties and marketing fees*

Upon evaluation of the five-step process, the Company has determined that royalties and marketing fees are to be recognized in the same period as the underlying sales.

*Initial franchise fees*

The Company is required to allocate the transaction price associated with initial franchise fees between the franchise license and associated performance obligations. In identifying the associated performance obligations, the Company has elected to adopt the practical expedient for private company franchisors outlined in ASC 952-606, *Franchisors—Revenue from Contracts with Customers*. In addition, the practical expedient allows franchisors to account for pre-opening services as a single distinct performance obligation, which the Company has elected to adopt. These pre-opening services include the following services (which the Company may or may not provide all of):

- Assistance in the selection of a site
- Assistance in obtaining facilities and preparing the facilities for their intended use, including related financing, architectural, and engineering services, and lease negotiation
- Training of the franchisee's personnel or the franchisee
- Preparation and distribution of manuals and similar material concerning operations, administration, and record keeping
- Bookkeeping, information technology, and advisory services, including setting up the franchisee's records and advising the franchisee about income, real estate, and other taxes about local regulations affecting the franchisee's business
- Inspection, testing, and other quality control programs

In determining the allocation of transaction price (the initial franchise fee) to either the license or to the pre-opening services, the Company has determined that the standalone selling price of its pre-opening services exceeds the initial franchise fee received; as such, the Company allocates the entire initial franchise fees to those pre-opening services. The franchise fees are then recognized as revenue when those pre-opening services have been completed (which generally occurs upon commencement of the associated franchised location's operations).

As of December 31, 2024, the Company has not charged any initial franchise fees. All revenue for the period from inception to December 31, 2024 was from a related party. The related party royalties and marketing fees for the period from inception to December 31, 2024 were \$40,042 and \$13,347, respectively.

*(f) Income Taxes*

The entity is structured as a limited liability company ("LLC") under the laws of the State of Nevada. A limited liability company is classified as a partnership for federal and state income tax purposes and, accordingly, the income or loss of the Company will be included in the income tax returns of the members. Therefore, there is no provision for federal and state income taxes.

The Company follows the guidance under ASC 740, *Accounting for Uncertainty in Income Taxes*. ASC 740 prescribes a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in the tax return. If taxing authorities were to disallow any tax positions taken by the Company, the additional income taxes, if any, would be imposed on the members rather than the Company. Accordingly, there would be no effect on the Company's financial statements.

The Company's income tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed. As of December 31, 2024, no years were open to examination.

**FANTASY CLAW ARCADE FRANCHISE LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2024

*(g) Advertising Costs*

The Company expenses advertising costs as incurred. For the period from inception to December 31, 2024, advertising expenses were \$13,219.

*(h) Fair Value of Financial Instruments*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. For certain of the Company's financial instruments, including cash and cash equivalents and accounts receivable, the carrying amounts approximate fair value due to their short maturities.

(2) Due From Related Party

During the period from inception to December 31, 2024, an affiliated company paid expenses on behalf of the Company for routine business transactions with a resulting payable at year-end of \$28,025. As noted in Note 1, all revenue earned during the period from inception to December 31, 2024 was from the affiliated company and was not received by year-end, resulting in a receivable of \$53,389. As of December 31, 2024, this resulted in a net receivable balance of \$25,364.

(3) Commitments and Contingencies

The Company may be subject to various claims, legal actions and complaints arising in the ordinary course of business. In accounting for legal matters and other contingencies, the Company follows the guidance in ASC 450, *Contingencies*, under which loss contingencies are accounted for based upon the likelihood of incurrence of a liability. If a loss contingency is "probable" and the amount of loss can be reasonably estimated, it is accrued. If a loss contingency is "probable" but the amount of loss cannot be reasonably estimated, disclosure is made. If a loss contingency is "reasonably possible," disclosure is made, including the potential range of loss, if determinable. Loss contingencies that are "remote" are neither accounted for nor disclosed.

In the opinion of management, all matters are of such kind, or involve such amounts, that unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

(4) Subsequent Events

Management has evaluated subsequent events through May 21, 2025, the date on which the financial statements were available to be issued.

**EXHIBIT E**  
**OPERATIONS MANUAL TABLE OF CONTENTS**



# The FCA Way

Franchise Operations Manual

Private and Confidential

Version 1.0 - Updated Apr 2025

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**EXHIBIT F**  
**FRANCHISED OUTLETS**

**EXHIBIT G**  
**STATE ADDENDA**

**ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT AND  
FRANCHISE AGREEMENT REQUIRED BY THE STATE OF HAWAII**

**SINCE THE FRANCHISOR'S AUDITED FINANCIAL STATEMENTS, AS OF JANUARY 11, 2023, INDICATE THE FRANCHISOR'S LIABILITIES EXCEED ITS ASSETS, A DEFERRAL OF THE PAYMENT OF THE INITIAL FRANCHISE FEE AND ANY OTHER INITIAL PAYMENTS MADE BY THE FRANCHISEE TO THE FRANCHISOR WILL NOT BE REQUIRED UNTIL ALL OF THE PRE-OPENING OBLIGATIONS OF THE FRANCHISOR HAVE BEEN SATISFIED AND THE FRANCHISE HAS OPENED FOR BUSINESS IN ACCORDANCE WITH THE HAWAII REVISED STATUTES (HRS) 482E-8 (E).**

The parties hereto have duly executed, sealed and delivered this Addendum dated \_\_\_\_\_  
\_\_\_\_\_.

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

FRANCHISOR:  
Fantasy Claw Arcade Franchise LLC

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT**  
**REQUIRED BY THE STATE OF MINNESOTA**

The Commissioner of Commerce for the State of Minnesota requires that certain provisions contained in franchise documents be amended to be consistent with Minnesota Franchise Act, Minn. Stat. Section 80.01 et seq., and of the Rules and Regulations promulgated under the Act (collectively the “Franchise Act”). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

1. Item 6, Non-Sufficient Funds Fee, is amended to state:

Pursuant to Minn. Stat. § 604.113, the Non-Sufficient Funds Fee is \$30.00 per occurrence.

2. Item 17 is amended to state:

(a) Minn. Stat. § 80C.21 and Minnesota Rules § 2860.4400(J) prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in this Franchise Disclosure Document or agreement(s) shall abrogate or reduce (1) any of your rights as provided for in Minn. Stat. Chapter 80C or (2) your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

(b) In accordance with Minn. Stat. § 80C.14 subd. 3-5, except in certain specified cases, we will give you 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the Franchise Agreement. Additionally, we will not unreasonably withhold our consent to a transfer of your Board and Brush Creative Studio.

(c) In accordance with Minnesota Rules 2860.4400(D), we cannot require you to assent to a general release.

(d) In accordance with Minnesota Rules 2860.4400(J), we cannot require you to consent to liquidated damages.

(e) Minn. Stat. § 80C.17 subd. 5 requires that an action be commenced pursuant to the Franchise Act within three (3) years after the cause of action accrues.

(f) You cannot consent to us obtaining injunctive relief. We may seek injunctive relief. See Minnesota Rules 2860.4400(J).

**NEW YORK STATE ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**

1. The following information is added to the cover page of the Franchise Disclosure Document:

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR RESOURCES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

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

Except as provided above, the following applies to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal, or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions other than routine litigation incidental to the business that is significant in the context of the number of franchisees and the size, nature, or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten years immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the "Summary" sections of Item 17(c), titled "Requirements for a franchisee to renew or extend," and Item 17(m), entitled "Conditions for franchisor approval of transfer":

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; this proviso intends that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), titled “Termination by a franchisee”: “You may terminate the agreement on any grounds available by law.”
5. The following is added to the end of the “Summary” sections of Item 17(v), titled “**Choice of forum**”, and Item 17(w), titled “**Choice of law**”:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

6. Franchise Questionnaires and Acknowledgements--No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
7. Receipts--Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earliest of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

**ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT**  
**REQUIRED BY THE STATE OF WASHINGTON**

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

**AMENDMENT TO THE FANTASY CLAW ARCADE FRANCHISE LLC  
FRANCHISE AGREEMENT REQUIRED BY THE STATE OF WASHINGTON**

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

- 1. Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.
- 2. Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.
- 3. Site of Arbitration, Mediation, and/or Litigation.** In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
- 4. General Release.** A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).
- 5. Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
- 6. Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
- 7. Termination by Franchisee.** The franchisee may terminate the franchise agreement under any ground permitted under state law.
- 8. Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that

permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

**9. Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).

**10. Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).

**11. Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.

**12. Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

**13. Attorneys' Fees.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

**14. Noncompetition Covenants.** Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.

**15. Nonsolicitation Agreements.** RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

**16. Questionnaires and Acknowledgments.** No statement, questionnaire, or

acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**17. Prohibitions on Communicating with Regulators.** Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

**18. Advisory Regarding Franchise Brokers.** Under the Washington Franchise Investment Protection Act, a “franchise broker” is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

The parties hereto have duly executed this Washington Amendment to the Franchise Agreement on the same date as that on which the Franchise Agreement was executed.

FRANCHISOR:  
FANTASY CLAW ARCADE FRANCHISE LLC

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

\_\_\_\_\_  
(Print Name, Title)

FRANCHISEE:

\_\_\_\_\_

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

\_\_\_\_\_  
(Print Name, Title)

PRINCIPAL:

\_\_\_\_\_

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

PRINCIPAL:

\_\_\_\_\_

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

**EXHIBIT H**

**FRANCHISE DISCLOSURE QUESTIONNAIRE**

**(This Franchise Disclosure Questionnaire will not be used if the franchise is to be operated in, or you are a resident of, California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin)**

## FRANCHISE DISCLOSURE QUESTIONNAIRE

**DO NOT SIGN THIS FRANCHISE DISCLOSURE QUESTIONNAIRE IF THE FRANCHISE IS TO BE OPERATED IN, OR YOU ARE A RESIDENT OF, CALIFORNIA, HAWAII, ILLINOIS, INDIANA, MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, NORTH DAKOTA, RHODE ISLAND, SOUTH DAKOTA, VIRGINIA, WASHINGTON, OR WISCONSIN.**

**Do not sign this Questionnaire if you are a resident of Maryland or the business is to be operated in Maryland.**

As you know, FANTASY CLAW ARCADE FRANCHISE LLC and you are preparing to enter into a Franchise Agreement for the operation of a Fantasy Claw Arcade franchise. The purpose of this Questionnaire is to determine whether any statements or promises were made to you that FANTASY CLAW ARCADE FRANCHISE LLC has not authorized or that may be untrue, inaccurate or misleading. Its purpose is also to be certain that you understand the limitations on claims that may be made by you by reason of the purchase and operation of your franchise. The questionnaire cannot be signed and dated the same day as the Acknowledgment of Receipt of the Franchise Disclosure Document (FDD), but must be signed and dated the same day you remit your franchise fee. Please review each of the following questions carefully and provide honest responses to each question. If you answer “NO” to any of the questions below, please explain your answer on the back of this sheet.

1. Have you received and personally reviewed the Franchise Agreement and each exhibit or schedule attached to it?
2. Have you received and personally reviewed the FANTASY CLAW ARCADE FRANCHISE LLC Franchise Disclosure Document (“Disclosure Document”) we provided you?
3. Did you sign a receipt for the Disclosure Document indicating the date you received it?
4. Do you understand all the information contained in the Disclosure Document and the Franchise Agreement?
5. A) Have you reviewed the Disclosure Document and Franchise Agreement with an attorney, accountant or other professional advisor?  
B) Have you discussed the benefits and risks of operating a Fantasy Claw Arcade franchise with your professional advisor?  
C) Did you discuss the benefits and risks of operating a Fantasy Claw Arcade franchise with an existing Fantasy Claw Arcade franchisee?  
D) Do you understand the risks of operating a Fantasy Claw Arcade franchise?
6. Do you understand the success or failure of your franchise will depend in large part upon your skills, abilities and efforts and those of the persons you employ, as well as many factors beyond your control such as competition, interest rates, the economy, inflation, labor and supply costs, lease terms and the marketplace?
7. Is it true that no employee or other person speaking on behalf of FANTASY CLAW ARCADE FRANCHISE LLC made any statement or promise regarding the costs involved in

operating a Fantasy Claw Arcade franchise that is not contained in the Disclosure Document or that is contrary to, or different from, the information contained in the Disclosure Document?

8. Is it true that no employee or other person speaking on behalf of FANTASY CLAW ARCADE FRANCHISE LLC made any statement or promise regarding the actual, average or projected profits or earnings, the likelihood of success, the amount of money you may earn, or the total amount of revenue a Fantasy Claw Arcade franchise will generate that is not contained in the Disclosure Document or that is contrary to or different from the information contained in the Disclosure Document?
  
9. Is it true that no employee or other person speaking on behalf of FANTASY CLAW ARCADE FRANCHISE LLC made any statement or promise or agreement, other than those matters addressed in your Franchise Agreement, concerning advertising, marketing, media support, marketing penetration, training, support service or assistance that is contrary to, or different from, the information contained in the Disclosure Document?

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS QUESTIONNAIRE, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.

\_\_\_\_\_  
Signature of Franchise Applicant

\_\_\_\_\_  
Date

\_\_\_\_\_  
Name (please print)

\_\_\_\_\_  
Signature of Franchise Applicant

\_\_\_\_\_  
Date

\_\_\_\_\_  
Name (please print)

\_\_\_\_\_  
Signature of Franchise Applicant

\_\_\_\_\_  
Date

\_\_\_\_\_  
Name (please print)

### **State Effective Dates**

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

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

<b>State</b>	<b>Effective Date</b>
California	
Hawaii	
Minnesota	
New York	
Washington	

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

**EXHIBIT I**  
**RECEIPT**

**RECEIPT**

This Franchise Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Franchise Disclosure Document and all exhibits carefully.

If Fantasy Claw Arcade Franchise LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

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

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

The name and principal business address and telephone number of each franchise seller offering the franchise is:

Brad Howard  
3110 Polaris Ave Suite #8  
Las Vegas, Nevada 89102  
(614) 582-6477

Issuance Date: June 5, 2025

I received a Disclosure Document dated \_\_\_\_\_, that included the following Exhibits:

- EXHIBIT A: State Franchise Regulators and Agents for Service of Process
- EXHIBIT B: Franchise Agreement
- EXHIBIT C: Development Rights Agreement
- EXHIBIT D: Financial Statements
- EXHIBIT E: Operations Manual Table of Contents
- EXHIBIT F: Franchised Outlets
- EXHIBIT G: State Addenda
- EXHIBIT H: Franchise Disclosure Questionnaire
- EXHIBIT I: Receipt

Date Received: \_\_\_\_\_  
(If other than date signed)

DATE: \_\_\_\_\_

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

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

City, State: \_\_\_\_\_

\_\_\_\_\_  
(Signature of recipient)

Please return signed receipt to Fantasy Claw Arcade Franchise LLC  
3110 Polaris Ave Suite #8  
Las Vegas, Nevada 89102

**RECEIPT**

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- EXHIBIT I: Receipt

Date Received: \_\_\_\_\_  
(If other than date signed)

DATE: \_\_\_\_\_

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

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

City, State: \_\_\_\_\_

\_\_\_\_\_  
(Signature of recipient)

**KEEP FOR YOUR RECORDS**