

FRANCHISE AGREEMENT



FUNBOX FRANCHISE LLC

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FRANCHISE AGREEMENT

THIS AGREEMENT has been entered this ____ day of ^{3/14/2023}_____, 202____. It is by and between **FUNBOX FRANCHISE LLC**, a Nevada limited liability company, and our successors and assigns ("we, us") and Mustafa Saleem, ("you"). For purposes of this Agreement "you" may include an individual, corporation, partnership, limited liability company or other legal entity. "You" includes any corporation, partnership, limited liability company, individual, combination of individuals, or other legal entity that owns a majority interest of you, or in which you own a majority interest. The term "you" will include all persons who succeed to your interest by transfer or by operation of law.

We have certain rights to, have registered in various jurisdictions, and intend to continue to develop names, trademarks, service marks, logos, commercial symbols, and styles. These include, but are not limited to, the *FunBox*[®], *FunBox Park*, and *FunBox Amusement Park*, names and logos (the "Service Marks"). We own valuable goodwill and have valuable expertise, confidential information, methods, procedures, techniques, uniform standards, operations manuals, inventory control guidelines, systems, layouts, merchandise, and materials. These are connected with the operation, promotion, and advertising of businesses that offer amusement park and selfie museum services and related merchandise to the public under the Service Marks (the "Method of Operation").

You want to operate a high-caliber amusement park (the "FunBox Park") and to use our Method of Operation and Service Marks.

You have read this Agreement and our Franchise Disclosure Document. You understand and accept the terms, conditions and covenants contained in this Agreement. They are necessary to maintain our high standards of quality, service and uniformity at all franchises. They protect and preserve the goodwill of the Service Marks and the confidentiality and value of the Method of Operation.

If you operate your Franchise below the standards we require, customers who patronize that location will be less likely to patronize other FunBox locations. This would damage the business of others. It will be difficult for us to obtain new franchisees for FunBox Parks if a prospective purchaser observes that you do not maintain the required standards.

You acknowledge that this Agreement was accompanied by a Franchise Disclosure Document, which you received at (1) the first personal meeting with us (in Maryland, New York, and Rhode Island); or (2) 14 calendar days before signing any franchise or related agreement or making any payment with the franchisor or an affiliate in connection with the franchise sale. In addition, you acknowledge either:

- receipt of this Agreement containing all substantive terms at the time of delivery of the Franchise Disclosure Document; or
- if we unilaterally or materially altered the terms and conditions of our standard franchise agreement or any related agreements attached to the Franchise Disclosure Document, you acknowledge that you received a complete and final copy of this Agreement and its exhibits not less than 7 calendar days before you signed this Agreement.

You have read this Agreement and our Franchise Disclosure Document. You understand and accept the terms, conditions and covenants contained in this Agreement. They are necessary to maintain our high standards of quality, service and uniformity at all franchises. They protect and preserve the goodwill of the Service Marks and the confidentiality and value of the Method of Operation.

You realize that entering into this Agreement will obligate you to operate your franchised business in strict accordance and conformity with the standards, specifications and procedures as set forth in the Operations Manual that we will loan to you. You furthermore realize that there is a risk in owning any business venture including this one and that running a business can be very hard work. If you operate your Franchise below the standards we require, customers who patronize that franchise location will be less likely to patronize other FunBox Park locations in our franchise system. This would damage the business of others. It will be difficult

for us to obtain new franchisees if a prospective purchaser observes that you do not maintain the required standards.

You acknowledge that the terms of our prior franchise offerings may have materially differed from the terms of this Agreement.

We expressly disclaim the making of and you acknowledge that you have not received or relied upon, any warranty or guaranty, express or implied, as to the revenues, profits or success of the business venture contemplated by this Franchise Agreement, except those representations specifically disclosed in our Franchise Disclosure Document. You acknowledge that you have read this Agreement and our Franchise Disclosure Document and that you have no knowledge of any representations by us, or our officers, directors, shareholders, employees or agents that are contrary to the statements made in our Franchise Disclosure Document or to the terms of this Agreement. We do not furnish nor do we authorize our salespersons to furnish any oral or written information concerning the actual or potential sales, costs, income or profits of any of our franchise operation that is inconsistent with disclosures in our Franchise Disclosure Document. Actual results vary from unit to unit and we cannot estimate the results of any particular franchise.

THEREFORE, in consideration of the mutual promises and covenants contained in this Agreement, the parties agree as follows:

1) **GRANT OF FRANCHISE AND FRANCHISE TERRITORY**

1.1 **Grant of Franchise and Franchise Territory.** We grant to you, and you accept from us, the franchise, license, and privilege to use the Service Marks, the Method of Operation, and merchandise bearing the Service Marks, for **5** years from the date of this Agreement. This grant solely is for the operation by you of one FunBox Park which can be operated at different times and in multiple locations (each location is called a "Franchise Premises") within the geographical territory identified in the attached Exhibit 1 ("the Franchise Territory"). Co-branding is permitted between our FunBox concept and other compatible concepts. If either the Franchise Territory or the location for your franchised operations has not been determined when this Agreement is executed, you are responsible for selecting the initial site for your franchise within the area designated in Exhibit 1. The Franchise Territory and your initial franchise site must be in the United States of America, legally available pursuant to state and federal franchise and business opportunity disclosure and registration laws and pursuant to our contractual commitments (including those with our other franchisees) and in compliance with our franchise placement, market development and demographic criteria. You must secure a satisfactory Franchise Premises and lease agreement for the franchise in the territory you have selected, and we have approved within **6** months after the date of the Franchise Agreement, complete all mandatory training to our satisfaction, and open the franchise within **15** months after the date of the Franchise Agreement.

During the term of this Agreement, we agree not to establish, or license anyone else to establish, any business using the applicable Service Marks or the Method of Operation within the Franchise Territory without your prior written consent. However, we may purchase or be purchased by, or merge or combine with, competing business, wherever located. We will not operate a FunBox Park, or grant to ourselves or another person a FunBox franchise within the Franchise Territory.

We will designate your Franchise Territory. We will analyze your market area, to help determine site feasibility and to help in selection of the initial franchise location. In analyzing a proposed site, we examine its general location, traffic patterns, parking, size, physical characteristics, proximity to competing businesses, lease terms, sign visibility, neighborhood economic profile, population density and accessibility. The exact determination of the location for the franchise premises will depend upon our approval and your and our market analysis, market penetration plans and franchise placement strategies and existing franchise commitments. You must obtain our prior written approval for each site within your territory and each lease related to it. Our response to your request for approval of a site will be given within 30 days after we receive your written request.

If you and we cannot agree on an initial site for your franchise premises, we may terminate the Franchise Agreement by refunding to you the Initial Franchise Fee and any amounts paid for purchases of products and supplies from us or our affiliates (you must return the products and supplies to us or our affiliates).

Some of our franchises may be placed at a location where another, separate business is operated under another business name. If the Franchise Premises is at that type of location, it will be deemed "co-branded" for the purposes of this Agreement. [Exhibit 2 to this Agreement is the "Co-Branding Addendum" for operation of the Franchise Premises.]

1.2 **Locations for Franchise Premises.** You may operate the Franchise which includes one park at up to two locations and at different times within the Franchise Territory. You can only operate one single park within the Territory however if you decide to operate two or more parks within the Territory, you will be required to purchase another park and pay the then-current franchise fee. All land, buildings, and improvements at the location, including parking, are called the "Franchise Premises." Relocation of the Franchise Premises will require our prior written approval. Among other things, we may require as a condition to our approval of your relocation or of your purchase of additional franchises from our existing franchisees or affiliates, or your purchase of additional franchises from us that you sign a general release, in a form we prescribe, following applicable law, to release us from any claims you may have against us.

1.3 **Assistance in Site Location.** You are responsible for finding the locations of the Franchise Premises within the Franchise Territory. If you request assistance in selecting a site for the Franchise Premises, we will provide reasonable assistance in finding a location acceptable to you. We do not guarantee success for any location you select. We will not be liable for any consequences of your choice of any franchise site. Any site recommendation or approval we make is not a representation that any particular site is available or legally appropriate for use as a franchise site. It is your responsibility to investigate all applicable zoning, licensing, leasing and other requirements for any proposed site. You must ensure that the site you select complies with these requirements.

You acknowledge and agree that any location we select or approve, and any lease we approve will be approved solely on the basis and with the understanding that it meets our minimum acceptable criteria. The criteria are not a representation or guarantee that the location will be successful or that the terms of the lease are reasonable. You acknowledge that you are responsible for reviewing and determining the appropriateness and desirability of the lease and of the location. We will have no liability with respect to the selection or approval of a location or any lease for the Premises, nor liability with respect to any site recommendations we make.

You will pay all out-of-pocket expenses for travel, meals, and lodging we incur to help you locate sites and to negotiate a lease for you. You will bear all other site selection and negotiation expenses.

Before you enter a lease or purchase agreement for the Franchise Premises, you will submit the lease or purchase documents to us for approval. Lease documents must include the Franchise Premises Lease Agreement Rider attached in Exhibit 3 or otherwise include an assignment of the lease in a form we approve, pursuant to which we may assume the lease as provided in Section 4, below.

If you request, we in our sole discretion may find and develop premises to lease to you for your Franchise. If you lease premises from us, the lease may provide for reasonable compensation and profit to us for our primary liability and responsibility under the lease.

1.4 **Franchise Premises Development.** You will be responsible to construct, remodel, repair, furnish, decorate and equip the Franchise Premises.

- A. We will furnish standard construction plans and a schedule of equipment packages for the Franchise Premises. Final construction and site plans must be prepared by an architect or designer we approve. All costs for site-specific plans will be your responsibility. Site plans, and any modifications to them, must be approved in writing by us prior to construction. All approvals

will be solely within our discretion to maintain a uniform image and decor, consistent with our franchise system concepts.

- B. The initial construction and the final tear down of the temporary inflatable park shall be done by workers that are legal and capable of this type of work. If construction and remodeling is required, it must be done by a licensed and bonded contractor whom we approve in advance in writing in a sound and workman-like manner in compliance with applicable codes and regulations.
- C. You will comply with the standards and specifications we establish for architectural design, FunBox Park layout, equipment, furnishings, and fixtures, among other things. Modifications or variations require our prior written consent.
- D. You will comply within a time we deem reasonable with any requirement we impose to modify the Franchise Premises layout, furnishings, fixtures, equipment, decorations, and decor.
- E. All equipment will conform to our equipment specifications as adopted from time to time. If we require any changes in or additions to equipment, you will modify, replace or add to your existing equipment at your sole expense.

1.5 **Relocation of the Franchise Premises.** You will not relocate the Franchise Premises without our prior written approval. Any relocation will be at your sole expense. This Agreement will govern your operations at any replacement Franchise Premises. You may decide to relocate the Franchise Premises for the following reasons:

- If the lease for the site of the Franchise Premises expires or terminates and cannot be renewed during the term of this Agreement,
- the site is destroyed, condemned, or otherwise rendered unusable,
- in your and our judgment there is a change in character of the location of the Franchise Premises sufficiently detrimental to your business potential to warrant its relocation, or
- you reasonably decide to relocate the Franchise Premises for cause.

If so, you may relocate the Franchise Premises to another site within the Franchise Territory, if:

- i) You are not in breach of this Agreement;
- ii) Your lease was not ended by the lessor because of your breach of the lease agreement;
- iii) You evidence to our satisfaction your ability to obtain and commence operations at the new location within a time we deem reasonable after you vacate the original location;
- iv) You develop, construct, remodel, furnish, decorate and equip, at your sole expense, the new location according to our then current specifications and standards; and
- v) You pay all reasonable out-of-pocket expenses we incur because of the relocation. The term "Franchise Premises" will include the relocated business site;
- vi) You satisfy our then current franchise placement and demographics criteria, as expressed in the Operations Manual.

1.6 **You Will Not Advertise Outside Territory.** Except with our prior written permission, you will not place, under any circumstances, advertisements using the Service Marks in or originating from any area other than the Franchise Territory. Except as authorized in Section 2 of this Agreement, only we may place internet, national or regional advertising.

1.7 **Rights We Reserve.** We retain all rights not specifically granted to you under this Agreement. Except as otherwise provided in this Agreement, we retain the right, in our sole discretion and without granting any right to you:

- A To use or license the use of the Service Marks or any other trademarks, service marks, logos or commercial symbols in connection with the sale of any services or products other than those directly contemplated being used, offered, or sold by you under this Agreement. We expressly reserve the right to sell, or earn rebates and fees from the sale by others licensed or authorized by us to sell, proprietary products on a wholesale basis that will not carry a FunBox brand.
- B To operate and grant to others the right to operate FunBox businesses outside the Franchise Territory on such terms and conditions as we deem appropriate.
- C To sell products or services anywhere, including within the Franchise Territory, through channels of distribution other than the FunBox retail business currently reserved to you in the Franchise Territory, including Internet, other forms of media now or in the future developed, wholesale and mail order channels. The Internet is a channel of distribution reserved exclusively to us, and you may not independently market on the Internet or conduct e-commerce except as otherwise allowed by us in the Operations Manual.
- D To establish, operate, own or franchise any business, including competitive businesses, outside of the Franchise Territory.

1.8 **Nonexclusive.** We reserve the right to market, solicit sales, and sell, lease, rent or otherwise dispose of franchise products and services to any person or customer we want. These include national accounts, commercial customers, franchisees, end users or any other customer we may select. We may exercise our right directly or indirectly by or through independent contractors that may include franchisees, dealers, and brokers. We will not place nor authorize anyone else to place a FunBox Park in the Franchise Territory. You acknowledge that we have made no other representation concerning exclusivity in any geographic territory or for any customer segment. You acknowledge that certain promotions and sales of FunBox Park admission packages will require you to provide services to the clients and customers of other FunBox Parks. As expressed from time to time in the Operations Manual, you will honor all sales and promotions we have approved and you will offer full service to all FunBox customers and clients whether or not the sale or promotion was made at your Franchise Premises. We will require other FunBox Parks to honor all of your promotions and sales that have been approved by us.

We may advise or offer guidance to you relative to your prices for the goods and services you offer for sale that in our judgment constitute good business practices. This guidance will be based on our experience and the experience of our franchisees and an analysis of the costs of the products and services and the prices charged by our competitors.

We will, to the extent permitted by relevant law, establish price ceilings or minimum or maximum allowable prices on the products and services you offer and sell. Except as so specified by us or as otherwise required in this Agreement and in the Operations Manual, you may determine the prices at which you sell products and services, as well as the terms and conditions of sale.

2) **PAYMENT OF FEES AND OTHER FINANCIAL REQUIREMENTS**

2.1 **Initial Franchise Fee.** The Initial Franchise Fee is \$_____ [\$25,000 for the first location and \$25,000 for a second location. If you also pay the Franchise Fee for a second location at the same time as your signing of this Agreement, we will discount that fee by 15%.] It is paid in consideration of our sales expenses, administrative overhead, return on investment, and start-up costs related to the execution of this Agreement and the opening of the Franchise Premises and for our lost or deferred opportunity to sell franchises in the Franchise Territory to others.

Except as provided in Sections 3 & 4, below, none of the Initial Franchise Fee is refundable.

2.2 **Monthly Royalty Fee.** You will pay to us a Royalty Fee equal to **8** percent of the total Gross Revenue derived from the franchise. The Royalty Fee is paid monthly in the manner prescribed from time to time in the operations manual. In addition, you agree that we may develop and impose fines for your failure to comply with our requirements as outlined in the Operations Manual. You agree to pay these fines when we apply them to you.

This payment may be required to be made by automatic account withdrawal or other automatic processes we reasonably specify in the Operations Manual, such as check, cash, certified check, money order, credit or debit card, automatic pre-authorized payment plan, electronic funds transfer or the Internet. If we attempt a draw or other process that is returned unsatisfied for any reason, we may charge you a **\$50** fee for each unsatisfied attempt.

We reserve the right to require you to process some or all membership applications and payment plans submitted by your customers, together with the related automatic account withdrawal, automatic payment, credit and debit card payment, automatic pre-authorized payment plan, electronic funds transfer and other forms of direct or Internet payment, through us or through other service providers and using processes we designate and outline in the Operations Manual. We may take Royalty Fee, product purchase and other payments you owe to us out of the automatic payments made by your customers and remit to you the balance. The companies we designate to process memberships and related payment arrangements may include companies that are affiliated with us or in which we or our owners otherwise have ownership or control. If we elect, the designated companies may charge you not more than 5% for the service and will allocate and distribute payments received to you, while delivering to us all related royalty, advertising and other fees as outlined in this Agreement and pursuant to the processes we outline in the Operations Manual.

2.3 **Advertising Standards.** You recognize the value of advertising and the importance of the standardization of advertising and promotion to the furtherance of the goodwill and the public image of the FunBox system and the Method of Operation. We will direct all internet, regional, and national advertising programs. We will have sole discretion over the creative concepts, materials, endorsements, placement, and allocation of moneys for advertising. We will maintain, administer, direct, prepare, and review national, regional, or local advertising materials and programs as we will in our sole discretion deem proper. We are under no obligation to ensure that expenditures are proportionate to contributions of franchisees for any given market area or that any franchise benefits directly or proportionately from the development or placement of advertising. We will not be obligated to expend on advertising during any specific period of time. We may create an advertising advisory board made up of FunBox franchisees. These franchisees will make recommendations on your behalf as to types of advertising, promotion and public relations. We will use these and other recommendations which we feel are appropriate when drafting a budget and program each year for advertising.

2.4 **General Advertising Program.** We will make disbursements for national, regional or local advertising, public relations, marketing, market research and promotional campaigns designed to promote and enhance the value of the Service Marks and general public recognition and acceptance of the Service Marks.

A. **Establishment of Advertising Programs.** At any time and from time to time, we will have the right to create or modify advertising regions for the purpose of establishing regional advertising, marketing and promotional programs. We will promptly notify you and our other franchisees, of the establishment, modification and geographical boundaries of regional advertising regions. We may require all franchisees located within each geographic region to meet periodically for the purpose of creating and establishing regional advertising programs. Each open and operating franchise, and each FunBox Park we own and operate will be entitled to one vote at these meetings. For the purpose of this subsection, each FunBox Park we own will be deemed to be a franchise.

If at any meeting of the franchisees in an advertising region, **65** percent of the franchises vote to contribute to a regional advertising program, all franchises within that region will be obligated to make a contribution to a regional advertising fund in the amount established by the vote (the "Regional Advertising

Fund"). No advertising region may require any franchisee in that region to make a contribution to a Regional Advertising Fund in excess of **2** percent of that franchisee's Gross Revenue.

We may require that each Regional Advertising Fund be administered pursuant to standards and procedures outlined in the Operations Manual by representatives elected by each region, at a meeting we call for this purpose.

B. Obligation to Deliver Price Lists. You will deliver to us current price lists of all goods and services you sell in, at or through your Franchise. We will have the right to rely upon the accuracy of the price lists, and may use the information to advertise, market and promote the Franchise, and the goods and services you sell. At any time, you may amend, modify or change the price list by notifying us in writing. Price changes will not be effective for a period of **30** days after the notification, to enable us to modify advertising or promotional materials we use to advertise your goods or services. You will adhere to the price lists while they are effective. You may not sell any membership rights at a price less than that we specify from time to time in the Operations Manual.

C We May Advertise "Suggested Retail Prices". In national or regional advertising programs, we may include "suggested retail prices" for the goods or services sold by you and our other franchisees. We will include within all our advertising the phrase "available at participating locations only" or other cautionary language to advise the consumer that the suggested retail prices may not be adhered to by all our franchisees. We may compel you to charge "suggested retail prices" to the extent permitted by state and federal laws and regulations.

D Discount Programs. From time to time, we may develop and market special discount or free coupon programs. You will have the right, but not the obligation, to participate in these programs. We will notify you of the creation and provisions of a discount or coupon program. Within **5** days after receipt of the notice, you will advise us whether or not you wish to participate in that program. If you notify us that you wish to participate, you will adhere to all provisions of the program. If you elect to be excluded from a program, we will have the right to advise consumers, by advertising, sales solicitation or otherwise, that you are not a participant. You will not be entitled to the benefits of that program. We will establish the discount or coupon programs in our sole discretion, and will not have any obligation to consult or confer with you or any other of our franchisees with respect to the nature, content or amount of any discount or coupon established pursuant to any program.

We may develop and market special promotional items which will be made available to you at our cost plus a reasonable mark up. You will maintain a representative inventory of such promotional items to meet public demand. You will have the right to purchase alternative promotional items provided that alternative goods conform to our specifications and quality standards. You must fully and accurately participate in, honor, accept and redeem all promotional and marketing materials that we authorize.

We may establish and require you to join, participate in, and pay into, Multi-Area Marketing Programs. "Multi-Area Marketing Programs" include regional, national or international programs designed to increase business, such as multi-area customers, Internet, directory, affinity, vendor, and co-branding programs. These programs may require your cooperation (including refraining from certain channels of marketing and distribution), participation (including payment of commissions or referral fees), and adherence to maximum pricing to the extent permitted by law. All these programs are our confidential information.

E Your Obligation to Advertise Locally and to Participate in Internet and Social Media Marketing. Each month that the park is open, you will expend in your Franchise Territory the greater of **\$1,000** or **2** percent of your Gross Revenue to advertise and promote the Franchise (the "Local Advertising Contribution"). You are encouraged, but not required, to conduct public relations and free media activities to drive business to your franchise, however these activities to not count. You will report the nature, extent and amount of these local expenditures, in the form and at the times we require in the Operations Manual.

You will submit to us all advertising copy and other advertising and promotional materials, public relations programs and press releases, radio and television advertising, specialty and novelty items, signs, boxes, bags and papers before you use them in your local advertising program. You will not use any advertising copy, public relations program, press release or other promotional material until we approve it. As a condition of our approval, you must permit us and our other franchisees that we authorize to use your materials without compensation to you. Your failure to conform to our provisions or requirements and subsequent non-action by us to require you to cure or remedy your failures and defaults will not be deemed a waiver of future or additional failures and defaults by you under this provision or any other provision of this Agreement.

You will advertise your franchise in a dignified manner to enhance our franchise system's reputation for quality and integrity. At any time and from time to time, we may require you to submit to us advertising copy, promotional materials, public relations programs and press releases you use in your local advertising programs. If, after review of any material, we, in good faith, believe that it is not in keeping with our franchise system's reputation of quality and integrity, or degrades or debases the good will or reputation of the franchise system, we will promptly notify you. You will immediately cease using any such material.

All Internet marketing is part of our marketing programs described in the Operations Manual and defined below, and must be coordinated through us and approved by us. You may not market independently on the Internet or acquire an independent Internet domain name or web site. You may not independently market using any digital, electronic or computerized form or any form of media now or in the future developed (e.g. materials to be made available through the internet, interactive electronic transmissions, etc.). For the purposes of this Agreement, "Internet" means any of one or more local or global interactive communications media, that is now available, or that may become available, and successor technology to the internet and or wireless communication, and includes web sites and domain names and social media, and the successor technology to internet, web sites, web page or wireless communication and social media. Unless the context otherwise indicates, Internet includes, but is not limited to, online document completion and purchasing systems, and methods of accessing limited access electronic networks, such as Intranets, Extranets, and WANs.

You specifically acknowledge and agree that placing any information related to the Franchise or the Franchise Premises on a web site will be deemed "advertising" under this Agreement and will be subject to (among other things) our approval. (As used in this Agreement, the term "web site" means an interactive electronic document, contained in a network of computers linked by communications software that you operate or authorize others to operate and that refers to the franchise, proprietary marks, us or the Method of Operation. The term web site includes, but is not limited to, Internet and World Wide Web home pages and social media.) In connection to any web site, you agree to the following:

1. We will allow you to establish a web page as part of our web site.
2. You will not establish or use any other web site or web page without our prior written approval.
3. Before establishing the web page or any other web site, you will submit to us a sample of the content, format and information in the form and manner we may reasonably require.
4. In addition to any other applicable requirements, you will comply with our standards and specifications for web sites as prescribed by us from time to time in the Operations Manual or otherwise in writing or on a franchisee forum intranet system. By "Intranet" we mean all communications systems utilized by us to communicate with you and our other franchisees, or by which you report data or information to us, or receive data, information or other materials from us. This includes, as applicable, as many different systems or processes as may in fact be used from time to time, including any banking remote or Internet access system.

5. If you propose any material revision to the web page or site or any of the information contained in the web site, you will submit the revision to us for our prior written approval.
6. You may only offer approved products or services on your web page or site. Any web site changes made without our approval will put you in default of this Franchise Agreement.
7. We retain the sole right to market on the Internet, including all use of web sites, domain names, URL's, linking, meta-tags, advertising, auction sites, e-commerce, and co-branding arrangements. You will provide us content for our Internet marketing, and follow our Intranet and Internet usage requirements. We also retain the sole right to use the Service Marks on the Internet, including on web sites, as domain names, directory addresses, meta-tags, and in connection with linking, advertising, co-branding, and other arrangements. We retain the right to approve any linking or other use of our web site. You may not establish a presence on or market using the Internet except as we may specify, and only with our prior written consent. We intend that any franchisee web site be accessed only through our home page. All Internet marketing is a part of Multi-Area Marketing Programs, and must be coordinated through us and approved by us.
8. If you want to independently advertise or promote in any media (including the Internet), you must obtain our prior written approval, except when using materials and media previously approved by us.
9. Subject to the terms of use on our web site, we may gather, develop and use in any lawful manner information about any visitor to the web site, including but not limited to your customers, franchisees or prospective franchisees regardless of whether they were referred to you via the web site or were otherwise in contact with you.
10. We have established or may establish in the future an intranet or comparable on-line facility. You must use it in the manner we require. You understand and agree that we may elect to provide certain assistance, deliver information and materials or otherwise communicate with you via the Internet or the intranet. At your sole expense, you will maintain and update as needed all computer system requirements and services necessary to access the Internet and the intranet in the manner we require. You are required to have DSL or other high speed Internet service to your business or home office where you will be able to access downloads from us of advertising materials, operations manual revisions, training materials and corporate news.

F You Are to Use Local Advertising Materials We Supply. We will have the right to approve or disapprove the content of all of your advertising. We will supply to you an Advertising Manual which will contain samples of local advertisements we approve. You will use only the advertising materials contained in the Advertising Manual, and may not, without our prior written consent, place any advertisement, in any media, which materially varies from the form and content of the approved advertisements in the Advertising Manual.

G Your Grand Opening Expenditures. Within 30 days after commencement of the Franchise, you will conduct a grand opening advertising program in accordance with the provisions of the Operations Manual.

H Trademark and Copyright Notices. You will use the Service Marks in strict conformity to the Operations Manual, and will include in any advertisement, or promotional materials which use the Service Marks, trademark notices as are required by the Operations Manual. All copyrighted materials we supply to you or otherwise used by you in connection with the Franchise will contain copyright notices as required by the Operations Manual.

2.5 **"Revenue" Defined.** "Revenue" means all receipts generated by the Franchise from any source, including, but not limited to, sales, parties, open play, food and beverage sales, merchandise sales,

party deposits, arcade, direct or indirect barter transactions, rentals, vending, exchanges, repairs, services, viewings, labor, service charges, service contracts, etc., and excludes discounts, refunds and sales taxes. Credit transactions will be included in Revenue as of the date of the transaction without deduction for uncollected credit accounts. The proceeds from any business interruption insurance or eminent domain recovery you receive will be included in "Revenue." "Gross Monthly Revenue" means the total Revenue for any calendar month.

The exact basis and calculation of gross receipts will follow the requirements and procedures outlined in the Operations Manual to take into consideration the needs and requirements of the co-branded location. You will obtain and keep, or make arrangements for us to have access to a complete and accurate set of books and records of the operation of all businesses operating at and all business done through the co-branded location although gross receipts will be limited to franchise related sales.

2.6 You Will Pay Taxes and Indebtedness. You will pay all taxes, assessments, liens, encumbrances, accounts, and other debts, regardless of their nature, assessed against you, the Franchise Premises, or inventory, materials, fixtures, and equipment used in the Franchise. Payment will be made when due and before delinquent except when being contested in good faith by appropriate proceedings. If we are charged with any tax by the authorized taxing authority of any state or political subdivision, including taxes on sales made to or licenses granted to you, or sales made by you at the Franchise Premises, you will pay these taxes. You will pay to us promptly and when due the amount of all sales taxes, personal property taxes and similar taxes imposed upon, required to be collected, or on account of collection by us of the Initial Franchise Fee, the Royalty Fee, or any other payments you make to us pursuant to this Agreement.

You acknowledge that one of the benefits accruing to you and all of our other franchisees is the economy of mass purchasing power made available through us. Your failure to pay or repeated delay in making prompt payment in accordance with the terms of the invoice or statements rendered to you for payments due, or misdirection of supplies or other abuses will result in a loss of credit standing and goodwill and a loss of benefits derived to us and other franchisees using the Method of Operation. You expressly agree to promptly make all product purchase payments on invoices and statements rendered to you in accordance with the terms of the invoices and statements and to make timely remittances of rent as required on your lease. You authorize us to communicate with all the lease holders, suppliers, distributors, manufacturers and vendors with whom you do business and you authorize them to communicate with us regarding all aspects of your purchases from and dealings with them. You authorize us to instruct the suppliers, distributors, manufacturers and vendors (and you instruct them to comply with our instruction) to immediately cease sales and deliveries to you upon the occurrence of any default by you under this Agreement.

2.7 Royalty Fees, Local Advertising Contributions, and Other Sums To Be Paid Promptly. You will not set off any claim for damages or money due to you from us against any payments to be paid by you to us under this Agreement or any related agreement between the parties. No endorsement or statement on any check or payment of any sum less than the full sum due from you to us will be construed as an acknowledgment of payment in full or as an accord and satisfaction. We will have the right to accept any check or payment without prejudice to our rights to recover the balance due or to pursue any other remedy available to us.

A late charge will be added to any sums to be paid under this Agreement that remain unpaid after the date due. The late charge will equal the **Prime Interest Rate** then in effect at the main branch of Wells Fargo in Las Vegas, Nevada, plus **10** percent. These late charges will not exceed any limits placed upon late charges by applicable local laws.

Our acceptance of late charges will not constitute a waiver of the breach created by your non-payment of any amount when due. Notwithstanding the payment of any late charges, we may exercise any rights or remedies granted by this Agreement upon your breach or any rights or remedies otherwise granted by law.

Nothing contained in this Agreement obligates us to accept any payments after due or to commit to extend credit to or otherwise finance your operation of the Franchise. You acknowledge that failure to pay all amounts when due will constitute grounds for termination of this Agreement.

Upon your failure to pay us as and when due, we may, at our election, deduct the unpaid sums from any monies or credit we hold for your account. You agree that you will not withhold payment of any amounts due to us on the grounds of any alleged non-performance by us, or in the event of any dispute or a claim by you, or for any other reason whatsoever.

2.8 **Records.** You will keep a complete and accurate set of books and records of the operation of the Franchise, produce quarterly financial statements in accordance with generally accepted accounting practices for each calendar quarter and furnish copies of these statements to us within 30 days after the end of each quarter.

In addition to the information we obtain from your computer systems, we may require you to furnish to us, as outlined in the Operations Manual on or before the 10th of each month, an itemized report of the Gross Revenue for the prior calendar month. This report must be certified by you to be true and correct. The report will be in the form and will include such supporting documentation as we may reasonably demand from time to time. Royalty Fees due based upon the Gross Revenue for the preceding month will accompany the report. If you fail to deliver any report in a timely fashion, we may unilaterally estimate the Royalty Fees you owe and we may draw such fees from your accounts pursuant to automatic account withdrawal or other automatic processes we reasonably specify in the Operations Manual. The estimates will be based upon your historically reported Gross Revenue and our experience with other franchised and company owned locations. These withdrawals will be adjusted to reflect actual amounts owed, once reasonably determined. If the Franchise Premises is in a co-branded location, you will maintain and keep, or make arrangements for us to have access to, a complete and accurate set of books and records of the operation of all business done through the co-branded location, although Revenue will be limited to franchise related receipts.

You will keep records of all business done and Revenue received through the Franchise. These records will include, but are not limited to, order sheets, cash register tapes, sales and rental agreement forms, daily sales summaries, tax returns, financial statements, and invoices. You will date, file in consecutive order, retain for a period of 5 years, and make available to us for inspection and audit all of your records.

Our right to inspect will include the right to examine your books, tax returns, tax reports, and records of other businesses owned, in whole or in part, or operated by you to determine whether all revenue to be reported by you has been properly reported and that appropriate fees and contributions have been paid. We may establish a uniform list of accounts and a uniform bookkeeping system for all of our franchisees. You agree to maintain your books and records in the manner we require. You agree to maintain your books and records in the manner we require. You will submit to us financial and operational reports and information as we may require to (i) provide you with consultation and advice in accordance with this Agreement; (ii) monitor your compliance with the obligations to pay fees on actual Gross Revenue; (iii) monitor performance under this Agreement generally and your purchases, revenue, operating costs, expenses and profitability; (iv) develop chain-wide statistics; (v) develop new operating procedures; (vi) develop new proprietary products, remove unsuccessful authorized products, including unsuccessful proprietary products, and improve and enhance the Method of Operation; and (vii) implement changes in the Method of Operation to respond to competitive and marketplace changes.

You will submit to us a list of all shareholders, members, partners or other owners of the franchise business and the respective interests held by each as of the end of each fiscal year. Provided, however, if your shares are publicly traded, the list of shareholders required will include only those owning 5 percent or more of the shares outstanding. The required report will be submitted to us within 90 days after the end of your fiscal year.

2.9 **Audits.** We may audit your reports, books, statements, business records, cash control devices, and tax returns at any time during normal business hours. Audits will be conducted at our expense unless you understate the Gross Revenue for any reported period or periods by more than 2 percent or unless you fail to deliver any required report of Gross Monthly Revenue or any required financial statement in a timely manner. In the event of an understatement or failure to deliver, you will reimburse us for all audit costs. These will include, among other things, the charges of any independent accountant and the travel

expenses, room, board, and compensation of our employees incurred in connection with the audit. You will immediately pay all Royalty Fees, Local Advertising Contributions and late payment charges that the audit determines are owed. These payments will not prejudice any other remedies we may have under this Agreement or by law.

2.10 **You are to Pay all Franchise Costs.** All the costs of the Franchise, including opening and operating costs, will be your sole obligation. We will have no costs, liability or expense whatsoever with respect to your opening and operation of the Franchise. You will not use or employ the Service Marks in performing any activity or incurring any obligation or indebtedness in a manner that could result in making us liable for them. You are responsible for any employee wages and compensation, payroll taxes and other required withholding, worker's compensation and benefits. You will control your own employees and contractors. You will take all steps necessary to maintain a safe and healthy environment for your workers and customers.

You will pay all of the operating expenses of your franchise business in a timely manner. You understand and agree that your failure to do so could materially harm the reputation of Method of Operation and of the Service Marks and our ability and the ability of our franchisees to obtain favorable purchase, lease or finance terms. If you have a bona fide dispute with any supplier or vendor which you believe justifies non-payment or partial payment, you must promptly notify the supplier or vendor of the particulars of your claim and diligently pursue resolution of the claim or prosecution of appropriate legal action. Any trade debt which remains unpaid for more than 30 days after the date it is due will constitute a breach of this Agreement unless, before the end of the 30-day period (i) you and the supplier or vendor agree to alternative payment terms; or (ii) you initiate appropriate legal action to contest the trade debt. We will have no liability for your debts or obligations to third parties.

2.11 **Attendance at Conventions.** We may hold conventions for the franchisees that make up our franchise system. They may be held at a different location each time. The convention may include programs on sales and marketing techniques, performance specifications, advertising programs, training suggestions, and committee elections, among other things. Your attendance at each convention is strongly encouraged. You will bear all expenses of attending, including travel, lodging, meals and entertainment.

2.12 **Application of Payments.** We have the right, in our sole discretion, to apply any payment from you to any past due indebtedness you owe to us or our affiliates, whether from fee payments, purchases, late payment charges, or for any other reason. This section will apply regardless of how you may designate a particular payment is to be applied. For the purposes of this Agreement, and all other instruments and agreements relating to it, we will have the right to treat any payment received from you as payment on account. We may apply any monies received from you in the following priority:

- a) to the payment of any sales or use taxes required to be paid in connection with any dealings between you and us pursuant to this Agreement;
- b) to the payment of interest on overdue amounts;
- c) to the payment of accrued late charges;
- d) to the payment of overdue or outstanding amounts;
- e) to the payment of current Royalty Fees;
- f) to the payment of current Regional Marketing Fund contributions;
- g) to the payment of the purchase price for all or any items you purchase from us or FunBox Suppliers,
- h) to the payment of rent and any other amounts payable by you to us, and

- i) to the payment of all attorney's fees and costs of collection associated with the collection of any sum,

in any order that we, in our discretion, decide and notwithstanding any contrary designations by you as to the application your payments.

3) **TRAINING**

3.1 **Mandatory Training.** We will provide a mandatory online and telephonic training course for you and up to four of your franchise managers and employees. This training course will cover all aspects of the operation of the Franchise, including financial controls, marketing techniques, service methods, deployment of labor, and maintenance of quality standards. You and the managers/employees must complete the course no later than **1** week prior to opening the Franchise for business. You must ask us to schedule a training session at least **30** days before the session is to start. You and the managers/employees must complete this mandatory training program to our exclusive satisfaction or we may terminate this Agreement upon refunding the Initial Franchise Fee.

You are encouraged to begin training before incurring any costs or expenses related to the planned opening of the Franchise. We will not be liable for any costs or expenses you incur if we terminate this Agreement because you or your managers/employees fail to satisfactorily complete the mandatory training course.

You will pay the transportation, board and lodging, and wage expenses you and the managers/employees incur related to this training. The training course will be approximately **20** hours long.

If the Franchise is managed by any persons other than you, you will notify us of these managers. Each manager you hire must successfully complete the mandatory training program within one month after being hired. You will bear all costs of the training, including a reasonable training fee at our then current rates. Each of your employees will complete a training program as prescribed in the Operations Manual. All training programs for your employees will be conducted under the direction of you or your designated manager who has successfully completed the mandatory training course. Many small businesses fail when the owner does not take an active day-to-day role in the operation and management of the business. If you do not act as the daily manager at the business location you must have in your employ a manager who runs your day-to-day operations. We strongly recommend that all individual franchisees and all partners and owners of franchisee entities devote their full time and best efforts to the day-to-day operation of the franchise with no operational or management commitments in other businesses except other franchises offered by us.

Individuals:

If you will be operating your franchise as an individual, you must [we strongly recommend that you] devote your full time and best efforts to the day-to-day operation of your franchise with no operational or management commitments in other businesses except other franchises offered by us.

Partnerships:

If you will be operating your franchise as a partnership, one or more partners must participate in the actual day to day operation of your franchise or you must have in your employ a manager who runs your day-to-day operations. The partner or partners who are in charge of running your franchise or your manager must have successfully completed our training course.

Corporations, Limited Liability Companies:

If you will be operating your franchise as a corporation, limited liability company, or other legal entity, you must have in your employ a general manager. This general manager can be you, any member of your board, an officer of your corporation or member of your limited liability company. The general manager who is in charge of running your franchise must have successfully completed our training course.

Managers/Training:

No matter what form of business you decide to use, the person assigned to running the day-to-day operations of the business must have completed our training course and must, in our view, have a sufficient command of the English language to serve customers and conduct business with us, with suppliers and with other parties. Anyone in your employ who is a manager or crew leader of your franchise operations must also have completed our required training course.

3.2 **Supplemental Training.** At the time the Franchise is ready to be opened for business and upon not less than **30** days prior written notice to us, we will provide the full-time services of a trainer at the Franchise Premises for **1** work day to assist with employee training, form use, FunBox Park decor, merchandise display, sales assistance, and use of the Operations Manual. We will bear the trainer's expenses for this assistance.

At your option and upon not less than **30** days' prior written notice to us, you may receive additional training online or at agreed upon locations. All expenses of this training will be borne by you, including but not limited to your travel, lodging, meals, compensation, and our reasonable costs and expenses including a reasonable training fee at our then current rates.

This additional training consists of visits to our franchises, work experience, and observation of franchise operations. The duration of training is negotiable depending upon your needs.

You will not receive any compensation for services rendered by the trainee during this or any other training.

From time to time, we may provide refresher training programs or seminars and may require that you or your managers attend and complete them to our satisfaction. These programs and seminars will be held at locations we designate and will be provided without charge to you. You will be exclusively responsible for paying all travel, living and other expenses and compensation of attending these programs and seminars. Each year, you or the designated managers of your Franchise will be required to attend up to **12** hours of programs and seminars, depending upon program and seminar availability.

4) **COMMENCEMENT OF OPERATIONS**

4.1 **Time to Complete Training and Commence Operation.** You will secure all necessary agreements and permissions to establish your Franchise Premises within 6 months of signing this Agreement and purchase the Inflatable Park Components within **30 days** of signing this Agreement. You or your manager will complete to our exclusive satisfaction the mandatory training defined above and commence full and continuous operation of the Franchise within **15** months after execution of this Agreement. Prior to commencing operation, you will procure all necessary licenses, permits and improvements and purchase initial inventory. Any failure to commence operation caused by a war or civil disturbance, a natural disaster, a labor dispute, shortages or other events beyond your reasonable control will be excused for a period of time that is reasonable under the circumstances.

If this commencement of operation obligation is not fulfilled, we may terminate this Agreement and retain the Initial Franchise Fee.

4.2 **You Are to Obtain Permits and Licenses.** Prior to commencing business operations and within the time stated in Paragraph 4.1 above, you will obtain all local permits and licenses necessary to operate the Franchise, including all equipment permits and employee training required by relevant state laws, if any.

4.3 **Lease Assumption and Real Property Security Assignments.** Unless otherwise agreed in writing, any lease you enter into will provide that you may assign that lease to us without penalty or charge. The lease will further provide that upon termination or expiration of this Agreement, we will have an option, exercisable within 30 days after termination or expiration, to be substituted for you in all respects under the

lease and to sublease the premises to another franchisee. You will deliver to us a true copy of the lease and any additions or amendments to it promptly after they are executed.

If you own the premises used for the operation of the Franchise, you will not mortgage, pledge, or otherwise assign as security the premises during the term of this Agreement without our prior written approval. Upon termination or expiration of this Agreement, you will give us a reasonable and good faith opportunity to lease the premises and to continue business operations there. The fair value of and fair terms for the lease and for all related equipment, fixtures, signs, equipment leases and personal property will be determined in Las Vegas, Nevada by three appraisers. Each party must select one appraiser. The two appraisers chosen must then select a third appraiser. Each party will pay for its own appraiser and each party will pay half for the third appraiser. The parties may then present evidence of the value of the lease and fair terms for the transaction. The appraisers must exclude from their decision any amount or factor for the "goodwill" or "going concern" value. The decision of the majority of the appraisers will be conclusive. Any time within **30** days after receiving the appraisers' decision, at our option we may enter into the lease at the price and upon the terms determined by the appraisers.

Any lease or sublease of the Franchise Premises will contain substantially the following provisions: (see the Franchise Premises Lease Rider, Exhibit 3)

- A. Anything contained in this lease to the contrary notwithstanding, lessor agrees that without lessor's consent, this lease and your right, title and interest, may be assigned by you to us, without cost or penalty;
- B. You agree that lessor may, upon our written request disclose to us, all reports, information or data in lessor's possession respecting sales made in, upon or from the leased premises;
- C. Lessor will give written notice to us (concurrently with the giving of notice to you) of any breach by you under the lease. We will have the right, in our sole discretion, to cure any breach at your expense. Notice will be sent to the address we may, from time to time, specify in writing to lessor;
- D. A provision reserving to us the right, at our election, to receive an assignment of the leasehold interest upon termination or expiration of the franchise grant;
- E. A provision which expressly permits the lessor of the premises to provide us all sales and other information lessor may have related to the operation of the Franchised Premises, as we may request;
- F. A provision which requires the lessor concurrently to provide us with a copy of any written notice of deficiency under the lease sent to you and which grants to us, in our sole discretion, the right (but not obligation) to cure any deficiency under the lease, should you fail to do so within **15** business days after the expiration of the period in which you had to cure any such default;
- G. A provision which evidences your right to display the Proprietary Marks in accordance with the specifications required by the Confidential Operations Manual, subject only to the provisions of applicable law;
- H. A provision that the premises be used for the operation of your franchise facility; and
- I. A provision that expressly states that any default by you under the lease will be considered a default by you under this Agreement and any default by you under this Agreement will be considered a default by you under the lease.
- J. You will not extend, renew or cancel the lease without our prior written consent, which consent will not be unreasonably withheld.

If we cure any breach by you under the lease or sublease, the total amount of all costs and payments we incur in effecting the cure will be immediately due and owing by you to us.

5) **FRANCHISE STANDARDS OF OPERATION**

5.1 **Operations Manual, Minimum Inventory, Supplies, Decor, Plans and Specifications, and Public Relations.** Our industry is highly competitive. Continuous efforts to maintain, update and improve the Method of Operation are essential. The developments we will make for the benefit of our Franchise System as a whole are contemplated throughout the term of this Agreement. The continuous development of the Method of Operation in this manner is an important and beneficial aspect of the relationship you want to have with us. We agree to lend to you a copy of our Operations Manual once you have paid to us the Initial Franchise Fee, in full. The Operations Manual describes the Method of Operation, including specifications, standards, operating procedures, accounting and bookkeeping methods, marketing ideas, inventory requirements and control techniques, plans and specifications, fixture and decor requirements, co-branding requirements, fines for your failure to comply with our requirements, opening public relations and other rules that we may prescribe from time to time and identify as part of the Operations Manual. The Operations Manual is and will remain confidential and our exclusive property. You will not disclose, copy or duplicate any part of the Operations Manual for any reason. Nothing in this Agreement may be construed as an incorporation of the Operations Manual or as making the Operations Manual part of this Agreement.

Among other things, the Operations Manual may contain information, requirements and standards related to:

- Planning and consulting
- Site selection assistance
- Permitting and zoning assistance
- Facility design assistance
- Furnishing and fixture design and standards
- Equipment standards and assistance
- Computer programs for point of sale, marketing, accounting, scheduling and reporting
- Inventory management assistance and training
- Written operations standards and assistance
- Initial and ongoing operational training
- Management and employee training
- Marketing and advertising
- Standards, ongoing training and ongoing support
- Insurance guidance and standards
- Warranty programs

The Operations Manual includes materials in whatever form (including electronic) we provide to you that describe the guidelines, advice, and requirements regarding the operation of your franchise, including user manuals and related instruction materials. It includes amendments, supplements, and new documents made and identified by us as part of the Operations Manual. The Operations Manual may be delivered to you by hard paper copy, computer diskette, CD-ROM, via an intranet or other downloading mechanism to your computer or via another medium chosen at our discretion.

The Operations Manual, in part, may consist of confidential:

- A. Manual or manuals;
- B. Any intranet or password protected portion of an Internet site;
- C. Any other embodiment of the Method of Operations, including notices of new standards and techniques including all media identified by us as part of the Operations Manual; or

- D. Any amendments, supplements, derivative works, and replacements; whether embodied in electronic or other media.

We develop minimum requirements for product preparation, merchandise, inventory, supplies, stationery, business forms, advertising, decor, plans and specifications, materials, fixtures, and signs, among other things. These requirements are outlined in the Operations Manual. You will purchase all initial inventory items and additional items specified in the Operations Manual. We may amend the Operations Manual, including changes which may affect minimum requirements for your franchise operations. You will strictly adhere to the requirements of the Operations Manual as we amend. You will implement immediately all changes at your cost, unless we otherwise specify. We reasonably may restrict you from producing, stocking, and selling certain services and goods, from time to time, as specified in the Operations Manual.

You may purchase some equipment, inventory, and supply items from us at our then current prices. If you desire to purchase any items from us, payment must be made when you place your order. The items we offer include among other things equipment, merchandise, and supplies that bear the Service Marks. You may offer these items only at the Franchise Premises to retail customers. You must purchase items that bear the Service Marks from us or suppliers we approve from time to time.

Proprietary items and supplies may be private labeled by us. We retain the right to make a reasonable profit on any items, supplies and materials you buy from us. We may also make a reasonable profit on supplies we purchase in bulk quantities and sell to you.

We may obtain money, goods, services, or other benefits from persons and entities with whom you do business, on account of that business with you. These may include rebates, refunds, commissions, co-operative payments, or discounts. We will accumulate them, annually account to our franchise system for them and either use them for advertising, use them for programs that benefit all franchisees such as conventions, use them to provide supplemental training and promotional services to our franchisees, or return them at reasonable times to all our franchisees pro rata, based upon the volume of related business.

Any products and goods sold, licensed, or leased by or through us to you will be sold, licensed, or leased in accordance with the terms expressly set forth in the Operations Manual or as otherwise provided for in writing by us or the manufacturer of the products and goods. **EXCEPT AS EXCLUSIVELY SET FORTH IN WRITING AND SIGNED BY US, WE MAKE NO EXPRESS OR IMPLIED WARRANTIES WITH RESPECT TO THE PRODUCTS AND GOODS, AND ALL WARRANTIES, EXPRESS OR IMPLIED, INCLUDING BUT NOT RESTRICTED TO, THE IMPLIED WARRANTY OF TITLE AND THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, ARE EXPRESSLY DISCLAIMED. UNDER NO CIRCUMSTANCES WILL OUR LIABILITY IN CONNECTION WITH ANY PRODUCTS OR GOODS EXCEED THE DOLLAR AMOUNT OF THE PURCHASE PRICE OR LICENSE FEE PAID BY YOU FOR THE PRODUCTS OR GOODS. IN NO EVENT WILL WE BE LIABLE TO ANY PARTY, INCLUDING BUT NOT LIMITED TO, YOU AND YOUR CUSTOMERS, FOR ANY TORT DAMAGES OR INDIRECT, SPECIAL, GENERAL, INCIDENTAL, OR CONSEQUENTIAL DAMAGES, INCLUDING BUT NOT LIMITED TO, LOSS OF PROFITS OR ANTICIPATED PROFITS AND LOSS OF GOODWILL, ARISING IN CONNECTION WITH THE USE (OR INABILITY TO USE) THE PRODUCTS OR GOODS FOR ANY PURPOSE WHATSOEVER, EVEN IF WE ARE AWARE OR HAVE BEEN ADVISED OF THE POSSIBILITY OF POTENTIAL LOSS OR DAMAGES.**

We will not be liable to you if we are unable to deliver equipment, inventory or supply items to you because of any loss, damage, or delay caused by strikes, riots, fire, insurrection, war, elements, embargoes, failure of carriers, inability to obtain transportation facilities, forces majeure, acts of God or of the public enemy, or any other cause beyond our control.

You will purchase all products, supplies and materials required for the operation of the Franchise from manufacturers, suppliers or distributors approved by us. All specifications that we require of you and lists of approved suppliers will be included in the Operations Manual. We will use our best judgment to set and modify specifications in order to maintain the integrity and quality of the franchise system.

You must sell, offer for sale, distribute or deliver only such services or products that meet the specifications and standards of quality and quantity in the Operations Manual. You must sell or offer to sell all approved items and services. You must refrain from deviating from our standards and specifications and must discontinue selling or offering for sale any such items as we may, in our discretion, disapprove in writing at any time.

You are required to maintain an inventory of authorized and approved equipment and supplies sufficient in quantity to satisfy customer demand.

Inflatable Park Lifecycle. You agree that inflatable parks have a maximum life of 4 years from the delivery date of the park or 24 months of outdoor operations. Upon the end of the usable life of the inflatable park, you agree to either have the park destroyed and disposed of fully with all branding fully removed and all parts being unusable, or you agree to list the park for sale through us for a potential customer outside the United States of America. We do not guarantee that we can sell the park or the price that may be obtained. You agree that no other party can market or sell the park(s). If you accept an offer for the purchase of a park and we approve the sale of that park, you will pay any and all costs of selling and shipping the park(s) to the buyer. We reserve the right to refuse any sale for any reason. You understand that selling a park outside of this Agreement or in any way giving or lending the park in the United States of America will damage our brand and our other franchisees.

Restrictions On Resale of Products. You, your family, employees, partners, principals, members, managers, directors and shareholders may not resell the products, supplies or equipment that you buy from us that are used in the operation of your franchised business.

With advance written notice, you may request our approval to obtain products, supplies or materials from sources that we have not previously approved. We may require you to give us sufficient information, photographs, drawings, samples, and other data to allow us to determine whether the items from these other sources meet our specifications and standards, as established from time to time. These specifications and standards will relate to quality, aroma, texture, composition, absorbency, strength, finish and appearance, and the suppliers' capacity and facility to supply your needs in the quantities, at the times, and with the reliability necessary for efficient operation. We may require that samples from any supplier be delivered to a designated independent testing laboratory for testing prior to approval and use. You will reimburse us for the actual cost of the tests. We will license any supplier that can meet or exceed our quality control and confidential formula requirements and standards, for a reasonable license fee, to produce and deliver products to you but to no other person. Our confidential manufacturing requirements, equipment, designs, systems and formulas will be disclosed to potential suppliers only after we have received reasonable evidence that the proposed supplier is trustworthy and reputable; has the capacity to consistently adhere to our standards, requirements and testing procedures; will maintain the confidentiality of the designs, systems and formulas; and will adequately supply your reasonable needs. We may require a Confidentiality, Non-Use and Non-Disclosure Agreement signed by the proposed supplier prior to release of any confidential information. We will not unreasonably withhold approval of a supplier you propose. We will notify you in writing of the approval or disapproval of any supplier you propose.

From time to time, we or our agents may inspect any proposed or approved manufacturer's, supplier's or distributor's facilities and products to assure proper production, processing, packaging, storing, and transportation. Permission for inspection will be a condition of our continued approval of any manufacturer, supplier or distributor. Should we determine from any inspection that a manufacturer, supplier or distributor fails to meet our specifications and standards, we will give written notice describing this failure to you and to the manufacturer, supplier or distributor, together with a notice that unless the failure or deficiency is corrected within **30** days, the manufacturer, supplier or distributor will no longer be approved.

5.2 **Standards to Be Maintained.** You will follow the Method of Operation and maintain standards of product preparation, merchandising, and service that we prescribe.

- A You will operate the Franchise in a clean, orderly, and respectable manner in strict compliance with this Agreement and the Operations Manual. The Franchise Premises will be used only as a

Franchise operating under this Agreement. You will only use signs, fixtures, equipment, materials, food products, inventory, decor, plans, and services that conform to our specifications to conduct the Franchise.

- B You will maintain signs approved by us on the Franchise Premises. These signs must comply with local sign ordinances, regulations, and bylaws. The signs will describe the premises only as a FunBox Franchise.

Subject to local law, illuminated outdoor signs will be lighted 24 hours a day, seven days a week.

- C We may enter upon the Franchise Premises at reasonable times to verify your compliance with the terms of this Agreement. To do so, we may:

- (1) Inspect the Franchise Premises;
- (2) Observe your operation of the franchise business for any consecutive or intermittent periods we deem necessary;
- (3) Interview your personnel, customers, vendors, and co-branded partners; and
- (4) Inspect and copy any books, records and documents related to the operation of the franchise, the co-branded location, and any other franchise information we may require.

You and anyone acting as your agent will cooperate fully with us and our agents in connection with these inspections, observations, and interviews. You expressly waive any rights of privacy or confidentiality you have with your personnel, customers, vendors, and co-branded partners in reference to these inspections, observations, and interviews.

- D You will comply with all applicable ordinances, regulations, bylaws, laws, and statutes. You will not permit unlawful activities on the Franchise Premises and will not sell, exchange, offer, hold, show, rent, or permit to be sold, exchanged, offered, held, shown, or rented any material or service you know or reasonably suspect to have been obtained in violation of law or to be otherwise illegal.

You will secure and maintain in full force all required licenses, permits, and certificates related to the operation of the Franchised Business and will operate the Franchised Business in full compliance with all applicable laws, ordinances, and regulations, including without limitation, all government laws and ordinances related to occupational hazards and health; EEOC laws; Americans with Disabilities Act; copyright laws protecting owners of artistic works; consumer protection; trade regulations; workers' compensation; unemployment insurance and withholding; and payment of federal and state income taxes, social security taxes, and sales, use, and property taxes. You will furnish to us within **120** days after the receipt of equipment, a copy of the receipt for payment of all use taxes, personal property taxes, and like taxes and assessments.

- E You will not install or use any vending machines, juke boxes, games or musical devices on the Franchise Premises without our prior written approval.

- F You will not sell or dispense any products or services or activities other than those we specifically recognize and approve in writing.

- G We may employ professional shopping services to monitor your compliance with this Agreement. You will repurchase merchandise and otherwise fully reimburse these shopping services for goods, services, and other items they receive, lease, or buy from you in the process of verifying compliance. You will hold us harmless from any such charges incurred by any shopping service. We will pay all other charges made by the shopping services.

- H You, at your expense, will maintain the Franchise Premises and equipment and furnishings in good repair, attractive appearance, and sound operating condition in compliance with the Operations Manual. At our request, you will make necessary repairs to the Franchise Premises in order to maintain uniform appearance and to protect the reputation of the Service Marks. You will commence all repairs and changes within a reasonable time after notice from us, and you will proceed with due diligence until completion. You will not make any change in the layout and decor of the Franchise Premises without our prior written approval.

If you do not maintain the Franchise Premises, including without limitation the Inflatable Park Components as required, after notice to you, we at our option, may make the necessary maintenance and repairs and charge the cost to you. If we make or direct the making of repairs, we will not incur any liability to you, including but not limited to, liability for interruption of your business during the course of making the maintenance and repairs.

- I You will keep your franchise open for business in compliance with the Operations Manual, including some holidays we designate, during the hours specified or approved in writing by us or required by the lease of the premises on which the Franchise is operated. We may change these requirements from time to time as designated in the Operations Manual.
- J At all times you will ensure that your copy of the Operations Manual (including the Advertising Manual) and any other manuals given to you are kept current and up to date with amendments and updates we provide to you. In the event of any dispute as to the contents of the Operations Manual, the terms of our master copies maintained at our principal place of business will be controlling.
- K You will participate in and cooperate with us in all gift card and customer service programs we establish or adopt from time to time. This includes, but is not limited to, our "FunBox" program that allows a FunBox customer to use the facilities of any FunBox location pursuant to processes, procedures, and rules outlined in the Operations Manual. You will use the customer loyalty and gift card programs we designate to capture customer contact information, track purchases, reward repeat purchases or issue cash value for gift redemption in any FunBox Park. You agree to accept all "FunBox" customers and to accept the unused cash value from gift cards issued through your franchise and through any FunBox Park. We will settle balances owed inter-store through a monthly reconciliation process and issue credit or debit notes for amounts owed and due.

At our request, you will use reasonable efforts to secure the names, addresses and other information we reasonably require of your clients and customers and will allow us to use the information. You will not divulge your customer names, addresses or other information, with or without remuneration, to any third party. You will respond promptly to each customer inquiry or complaint and resolve all reasonable complaints to the customer's satisfaction.

5.3 **Service Marks, Operations Manual, and Method of Operation Are Our Exclusive Property.** You agree that the Service Marks, Operations Manual, and Method of Operation are our sole and exclusive property. Except the Franchise granted to you in this Agreement, nothing in this Agreement or any other agreement will give you or others any right, title, or interest whatsoever in or to the Service Marks, Operations Manual, or Method of Operation. Your license to use the Service Marks is non-exclusive. We, in our sole discretion, may operate under the Service Marks and may grant licenses to others to use the Service Marks on any terms and conditions we deem appropriate. In those states and nations where applicable, you agree to execute on request all documents necessary to record you as a registered user of the Service Marks. You will not use the Service Marks as part of any electronic mail address or in any electronic mail message except in accordance with the Operations Manual and only for the purposes of the Franchise.

You will immediately notify us of any infringement of, or challenge to, your use of the Service Marks or any marks identical to or confusingly similar to the Service Marks, including any claims of infringement or unfair competition. While we will make reasonable efforts to protect your rights to use the Service Marks, we will

have sole discretion to take or not to take action, as we deem appropriate. If we undertake the defense or prosecution of any litigation or administrative action involving you or any litigation or administrative action involving the Service Marks, you agree to execute any and all documents and to do all acts and things that in the opinion of our counsel are necessary or advisable to carry out the defense or prosecution. This may be done either in our name or in your name, as we will elect. We will not be required to participate in your defense or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving the Service Marks or if the proceeding is resolved unfavorably to you. Instead, at any time, you will modify or discontinue use of any franchise names or Service Marks, or will use one or more substitute names or marks, if we so direct in writing at any time. Our sole obligation in this event will be to reimburse you for your tangible costs in complying with our direction (i.e., cost of changing signs, stationery, etc.). Under no circumstances will we be liable to you for any other damages, costs, losses, rights, or detriments related to any modification, discontinuance, or substitution. All obligations or requirements imposed upon you relating to the Service Marks will apply with equal force to any modified or substituted names or marks.

You will not contest, directly or indirectly: Our ownership, title, right, or interest in the Service Marks, the Operations Manual, or the Method of Operation; or our exclusive right to register, use, or license others to use the Service Marks, Operations Manual, and Method of Operation. You will not advertise or use the Service Marks without following our then current guidelines and requirements. These may include, but will not be limited to, the placement of appropriate © or ® copyright and registration marks, or the designations ™ or SM, where applicable.

Any and all goodwill associated with the Service Marks, including any goodwill that might be deemed to have arisen through your activities, will accrue directly and exclusively to our benefit, except as otherwise provided by applicable law. You appoint us as your agent and attorney-in-fact to amend or cancel any Registered User or Business Name filings obtained by you or on your behalf that involve or pertain to the Service Marks.

You will prepare all products offered at the Franchise Premises in strict compliance with the Operations Manual and will apply the Service Marks to these products as we specifically direct.

You will not use the Service Marks on products or services that come from any source other than us or sources we approve in writing except for products you prepare or produce pursuant to the Operations Manual and the Method of Operation.

We make no representation or warranty, express or implied, as to the use, exclusive ownership, validity or enforceability of the Service Marks.

We and you will use reasonable best efforts to continuously improve the products, processes and services used in the Method of Operation and to develop new products, processes and services for use as part of the Method of Operation. All the improvements, inventions and developments you make, develop or create for use in the Method of Operation will be our property and we alone will hold any patent, trademark registration or other form of protection for those improvements, inventions, developments, processes, methods and practices.

5.4 You Will Not Use Names or Marks in Combination. Except as provided in this Agreement, you will not use or give others permission to use the Service Marks, or any colorable imitation of them, combined with any other words or phrases. You and your owners, officers, and agents will not form or participate in the formation of any company, firm, corporation, or other entity having a name containing the words of the Service Marks. You may not combine or associate with any name or symbol of the Service Marks with any other name or word in any advertising or sign. The Service Marks must be used in exact conformity with specifications we set in the Operations Manual.

5.5 Service Marks, Operations Manual, and Method of Operation May Be Changed. You acknowledge that the Service Marks, Operations Manual, and Method of Operation, including any future amendments or modifications to them, have substantial value, and that the conditions, restrictions, covenants not to compete, and other limitations imposed by this Agreement are necessary, equitable, and reasonable for

the general benefit of you, Us, and others enjoying any lawful economic interest in the Service Marks, Operations Manual, and Method of Operation.

You understand and agree that the Method of Operation must not remain static if it is to meet presently unforeseen future changes in technology, competitive circumstances, demographics, consumer trends, social trends and other marketplace variables and to best serve the interests of you, us and our other franchisees. We may add to, subtract from, change or modify any part of the Service Marks, Operations Manual, or Method of Operation from time to time at our sole discretion. This may include changes to the products, equipment, signage, trade dress, décor, design, appearance, operations, programs, services, methods, standards, forms, policies and procedures of the Method of Operation or abandoning the Method of Operation altogether in favor of another system in connection with a merger, acquisition, or other business reason. You will accept, use, and protect, for the purposes of this Agreement, all additions, subtractions, changes and modifications as if they were a part of the Service Marks, Operations Manual, and Method of Operation at the time this Agreement is executed. You will bear all costs and expenses which may be reasonably necessary as a result of such changes or modifications. Under no circumstances will we be liable to you for any damages, costs, losses, or detriments related to of these changes or modifications.

Complete and detailed uniformity of the Service Marks, Operations Manual, and Method of Operation under the varying conditions to be experienced by our franchisees may not be possible or practicable. Therefore, we reserve the right, at our discretion, to accommodate your special needs, or those of any other of our franchisees. These needs may result from the peculiarities of a particular site or location, density of population, business potential, populations of trade area, existing business practices, requirements of local law or local customers, landlord requirements, or any other condition which we deem to be important to the successful operation of the franchisee's business. From time to time, we may allow certain franchisees to depart from normal system standards and routines to experiment with or test new products, equipment, designs, and procedures. In no event will any variance or testing be deemed a waiver of any of our rights, or an excuse for you to not perform any of your duties under this Agreement. We may require you at any time to commence full compliance with the Operations Manual and the Method of Operation. We will not be required to grant any variance to you under any circumstances. You will not require us to disclose or grant a like or similar variation to you.

5.6 You Will Not Communicate Confidential Information. You specifically acknowledge that you will receive valuable specialized and confidential information, including information regarding our operational, sales, promotional, and marketing methods and techniques, operating procedures, processes, practices, lists of suppliers, customer lists, manuals, marketing and sales techniques and strategies, and the Method of Operation. Unless required by court order or applicable law, you agree not to copy, download to internet, intranet, modem, fax, e-mail, mail or send any confidential material or divulge any material directly or indirectly to any other person or enterprise outside of our franchise system. During the term of this Agreement and after it expires or is terminated, you will never communicate, fax, e-mail, post on an internet electronic bulletin board, divulge or use in any other manner, either for your benefit or the benefit of any other person, persons, partnerships, associations, companies or corporations any confidential or proprietary information, knowledge or know-how concerning the Method of Operation or any information we have communicated to you in written, verbal or electronic form, including intranet passwords, for the operation of your franchised business.

You will assure that all communications and media connections with us and with your customers and access to financial information (especially bank account and credit card information) are at all times kept secure. This includes wireless, cable, internet, broadband or other communications and media connections. Your security measures must be in compliance with all legal requirements and, particularly, with all security requirements of the relevant banks and issuing credit card companies.

The Method of Operation includes valuable proprietary and confidential information. Unless required by court order or applicable law, you agree to not communicate or divulge the contents of our Operations Manuals or any other information related to the Method of Operation or to the operation of the Franchise or our franchise system to any person or entity except those we authorize in writing to receive the information. You agree that these contents and information are confidential. They are our exclusive property, and you may only use them

in the Franchise subject to the provisions and duration of this Agreement. You agree to fully and strictly adhere to all security procedures we prescribe for maintaining the confidentiality of the information. You agree to disclose information to your employees only to the extent necessary to perform the franchise business. You will not reverse engineer, decompile or disassemble any items embodying the Method of Operation or our confidential information.

The Method of Operation is a technologically advanced program of accounting, identification procedures, management systems, techniques and business operations and systems that would, if used by other persons, firms or entities, give a substantial competitive advantage which we presently enjoy. Any and all information, knowledge and know how, not generally known about the Method of Operation and our products, services, standards, specifications, systems, procedures and techniques, including information, manuals, contracts, customer data, supplier data, financial data, price lists, methods, techniques, processes, compilations, formulas, programs or patterns related the operation of a franchise and its products and services and any other information or material that we may designate as confidential, will be deemed confidential for purposes of this Agreement. This will not apply to information which you can demonstrate came to your attention prior to disclosure by Us, or which is or has become a part of the public domain through publication or communication by others. Our confidential information is licensed, not sold, to you. You will not reverse engineer, decompile, or disassemble any item that embodies confidential information. The Operations Manual may contain guidelines to protect confidential information and trade secrets, including limited access to the information on a need-to-know basis, locking of offices and computer files, placement of appropriate legends on materials, limited access for copying and scanning, password protection, and encryption. You will conduct periodic meeting with your managers and employees to instruct them on their responsibilities to maintain the confidentiality of our information, including severance interviews with terminated employees in which they acknowledge in writing their post-employment confidentiality obligations.

You will require as a condition of the employment of your employees and anyone else providing services to you that they maintain and protect our confidential and proprietary information, including the signing of a confidentiality agreement. You must follow our security procedures, which may include the execution of approved nondisclosure agreements, and Intranet and Internet usage agreements. You will be responsible to enforce these covenants and agreements by your employees. These covenants are for the benefit of us and our franchise system and are enforceable by us. If you become aware of any actual or threatened violations of these covenants by any of your employees and anyone else providing services to you, you will promptly and fully advise us in writing of all related facts known to you. You will cooperate with us in all ways we reasonably request to prevent or stop any violation. This may include institution or permitting to be instituted in your name any demand, suit or action that we determine is advisable. The demand, suit or action may be maintained and prosecuted by us and you at your expense.

You will assure that you and all your agents, employees, consultants, partners, owners, members, officers, directors, and shareholders and other persons in your control, to whom any information is communicated, will keep, preserve, and protect all confidential information.

This section contains prohibitions based upon an understanding that you, your key employees, your officers, your partners, your employees, members and stockholders (as applicable) will possess knowledge of business and operating methods and confidential information, disclosure of which would prejudice our interests and our other franchisees.

If you engage in any outdoor inflatable component amusement park within **2** years of the expiration, termination or transfer of this Agreement, you will prove to us that you have not used our confidential information in that business. This **2-year** period is not intended to limit the duration of your obligation to preserve the confidentiality of the information and to not use the information after expiration, termination or transfer of this Agreement.

5.7 Conflicting or Competing Interests. You will diligently, faithfully, and honestly perform your obligations pursuant to this Agreement. You will use your best efforts to develop, promote, and enhance your Franchise. You will not engage in any activity or business enterprise that conflicts with these obligations.

At all times the Franchise must be under your direct supervision. You will devote a substantial enough amount of time and energy to properly operate the Franchise. What constitutes proper operation will be in our sole reasonable discretion. In your absence, the Franchise must be under the direct supervision of a manager who has successfully completed the required training programs and who devotes the necessary time during business hours to the management of the Franchise.

Absentee ownership is not in the best interest of either you or us and will be grounds for termination of the Franchise without express written consent.

In express consideration for and during the term of this Agreement, neither you nor your owners, shareholders, members, partners, directors, officers, employees, consultants, distributors, or agents, nor the members of your or their immediate families or households (who have access to or knowledge of the Operations Manual or Method of Operation), will directly or indirectly participate as an owner, shareholder, member, partner, director, officer, employee, consultant, franchisor, franchisee, distributor, advisor or agent, or serve in any other capacity in any business (including business information) engaged or to be engaged in the sale or rental at wholesale or retail or on the Internet of amusement, products, or services or any business that offers amusement, products, or services that are essentially the same as, or substantially similar to, the products and services that are part of our Method of Operation. We may waive this covenant only in writing. During all of these periods, you agree to promptly and fully disclose to our Chief Executive Officer any business opportunity coming to your attention, or conceived or developed in whole or in part by you, which relates to our business.

You will assure that you and your owners, directors, officers, partners, shareholders, members, employees, consultants, and agents, during the term of this Agreement and for a period of **2** years after expiration or termination of this Agreement, do not:

- A. divert or directly or indirectly attempt to divert any of our business or any of our customers to any competing establishment; or
- B. do or perform, directly or indirectly, any other act injurious or prejudicial to our goodwill associated with the Service Marks and Method of Operation.

The running of the periods of time specified by this Section will be tolled and suspended for any period of time during which a court or arbitrator determines you to have been in violation of this Section.

If, for any reason, any provision set forth in this Subsection is determined to exceed any lawful scope or limit as to duration, geographic coverage, or otherwise, it is agreed that the provision will nevertheless be binding to the full scope or limit allowed by law or by a court of law. The duration, geographic coverage and scope allowable by law or court of law shall apply to this Agreement.

The provisions relating to interests in any other business will not apply to your ownership of outstanding securities of any corporation whose securities are publicly held and traded. Provided that you hold these securities for investment purposes only and that your total holdings do not constitute more than five percent (5%) of the outstanding securities of the corporation.

You will obtain written covenants from your owners, shareholders, members, partners, directors, officers, employees, consultants, distributors, and agents in a form satisfactory to us that these persons will comply with the provisions of this Section.

You and we stipulate that, in light of all of the facts and circumstances of the relationship between you and us, the covenants, restrictions and agreements referred to in this Section (including without limitation their scope, duration and geographic extent) are fair and reasonably necessary for the protection of our confidential information, goodwill and other protectable interests. If a court of competent jurisdiction should decline to enforce any of those covenants and agreements, you and we request the court to reform these provisions to restrict your use of confidential information, non-solicitation, ability to compete with us, and any other covered

topics to the maximum extent, in time, scope of activities, and geography, the court finds enforceable under applicable law.

5.8 **Computer Systems.** You will install and use cash registers, merchant account processing, and accounting, and inventory and operations control computer systems approved by us. We will provide written specifications for these systems in the Operations Manual. You will purchase, lease, or otherwise acquire, from sources of your choice and at your expense, computer hardware and software (including but not limited to programs, computer terminals, Internet and other network access providers, website vendors, video conferencing, and cash registers) which will be totally compatible with and will strictly conform to all requirements, standards, and specifications we may set from time to time, including coordinated with consolidated systems used at co-branded locations. You must have these systems in operation at the Franchise Premises prior to opening for business.

You must comply with any separate software or other license agreement that we or our designee uses in connection with providing these services to you.

You are required to have DSL or other high speed Internet service with a static IP address to your business so that you can access downloads from us of advertising materials, operations manual revisions, training materials, product access and preparation; communication; email; web site access; and corporate news. Your computers and access must also accommodate our remote access to your computer systems, software and records. You will comply with all our requirements regarding Internet, Intranet and computer use contained in the Operations Manual.

You will, at your sole expense, continuously maintain (i) an active e-mail account and e-mail address on our email system as outlined in the Operations Manual, keep us informed of your current e-mail address and manage your e-mail account so that it does not become full or otherwise incapable of accepting new messages, and (ii) an electronic data exchange service designated by us to enable us to remotely retrieve sales, inventory and other operating data for the Franchise as frequently as we deem necessary. You, on behalf of yourself and, as applicable, your directors, officers, managers, employees, consultants, representatives and agents, waive any claim that our retrieval of data from your electronic records violates any person's rights of privacy.

E-PROBLEM DISCLAIMER: Computer systems are vulnerable in varying degrees to computer viruses, bugs, power disruptions, communication line disruptions, Internet access failures, Internet content failures and similar date-related problems, and attacks by hackers and other unauthorized intruders ("E-Problems"). We do not guarantee that information or communication systems that we or others supply will not be vulnerable to E-Problems. It is your responsibility to protect yourself from E-Problems. You should also take reasonable steps to verify that your suppliers, lenders, landlords, customers, and governmental agencies on which you rely, have reasonable protection from E-problems. This may include taking reasonable steps to secure your systems (including firewalls, password protection, and anti-virus systems), and to provide backup systems.

5.9 **Working Capital Requirements.** At all times during the term of this Agreement, you will maintain and employ as much working capital as may be required to enable you to properly and fully perform all your duties, obligations, and responsibilities.

5.10 **Terms of Product Sales.**

- A To receive products, you must deliver to us a purchase order that specifies the products. All orders you submit are subject to acceptance at our corporate headquarters in Las Vegas, Nevada. We reserve the right to reject any order that is not credit approved or does not conform with the provisions of this Agreement. All orders accepted for delivery will be governed exclusively by the terms and conditions of this Agreement. Unless we agree in writing, no additional or different terms and conditions appearing on the face or reverse side of any order you issue will become part of that order. Our acknowledgment of your purchase order will not be acceptance of any additional or different terms and conditions.

- B Shipments are subject to availability. Upon notice to you, we may schedule and reschedule any order, at our discretion. We may decline any order for credit reasons or because the order specifies an unreasonably large quantity or makes an unreasonable shipment request.
- C We will use commercially reasonable efforts to meet any scheduled shipment date. However, we will not be liable for delays in meeting a scheduled shipment date for any reason. If products are scarce, we will allocate them equitably, at our discretion, among our customers.
- D Unless otherwise agreed, the products will be shipped only to your approved facility and only after receipt of an order from you.
- E We may refuse to ship or delay the shipment of any products on order if you become delinquent in payment of your obligations, exceed established credit lines, fail to meet our other credit or financial requirements or fail to provide financial information when we request. No cancellation, refusal or delay will terminate this Agreement.
- F All products will be delivered to you F.O.B. origin upon transfer to a common carrier. You will pay all transportation, insurance, rigging and drayage charges.
- G On delivery of products to carrier, title (or with respect to Licensed Programs licensed, not sold, title only to the media on which the Licensed Program is delivered) will pass to you and you will assume responsibility for promptly advising the carrier and insurer of the loss, for filing a claim and for recovery of any sums owed by them to you. Upon request, we will cooperate with you to establish a claim.
- H You grant to us a security interest in the products and proceeds of as security for your obligations under this Agreement. Upon request, you will execute and file all instruments or documents necessary to perfect any security interest. You acknowledge that we may file a copy of this Agreement as a financing statement for that purpose.
- I You will maintain sufficient inventories of products and employ sufficient help to operate your business at a level of capacity and market penetration commensurate with the reasonable demands of the marketplace.
- J You will represent fairly all products you purchase from Us.
- K You will comply with all of the obligations and requirements imposed upon you by the manufacturers or distributors of the products.
- L You will use commercially reasonable efforts and good faith to promote, demonstrate and sell the products.
- M You will provide to us forecasts of your projected purchases of products.
- N The products are subject to the manufacturer's standard warranty. We disclaim all warranties, including the implied warranties of merchantability and fitness for a particular purpose. No representation, affirmation of fact, statement regarding capacity or suitability, that is not in this Agreement, will be a warranty by us for any purpose.

- O We will not be liable for any loss or damage claimed to have resulted from the use, operation or performance of the products, whatever the form of action. Our maximum liability to you, whether based upon contract, warranty, tort or otherwise, will not exceed the actual amount you pay to us for the specific product that causes the damages. These limitations of liability will not apply to claims for personal injury caused by our negligence. We will not be liable to you for special, indirect, incidental or consequential damages or from any damages resulting from loss of use, data or profits.

5.11 **Employees and Contracted Staff.** You are exclusively responsible to train and make sure your employees and independent contractors meet the standards, specifications and procedures outlined in the Operations Manual. You will hire only efficient, competent, sober and courteous employees for the conduct of the franchise business and will pay their wages, commissions, piece work and any other compensation justly due with no liability on our part.

- A. You will control your own employees and independent contractors. We will not have the power to hire, fire, direct, supervise, or discipline them. You will maintain complete and accurate employee records and clearly document, in all relevant ways, that you and your employees are not our employees.
- B. You must comply with all state and federal laws in respect to your employees. You acknowledge that you have had ample opportunity to investigate these and other laws applicable to your business with your own independent legal counsel before signing this Agreement. You must indemnify and hold us legally harmless from any of your violations of such laws. You are exclusively responsible to create and use employee and human resources handbooks and manuals that you prepare specifically for your business operations tailored to the legal jurisdictions within which you operate with the advice of human resources professionals and legal advisors you select.
- C. You exclusively determine the wages and payment rates and methods of payment to your employees and independent contractors. You must pay special attention to federal and state wage and hour laws with respect to your employees. You must comply with all such laws and pay your employees properly. You are responsible for any employee wages and compensation, payroll taxes and other required withholding, worker's compensation and benefits. You are responsible for any employee wages and compensation, payroll taxes and other required withholding, worker's compensation and benefits. You exclusively determine the wages and payment rates and methods of payment to your employees and independent contractors.
- D. You are exclusively responsible to monitor, supervise, and control the scheduling, performance, efficiency, and efficacy of your employees and independent contractors and to make adjustments to improve the results of their efforts.
- E. If you decide to share employees or independent contractors with other franchisees, then you will indemnify and hold legally harmless us (and our affiliates, officers, directors, employees and agents) from any claims, losses, attorney fees and damages resulting from such activities. You acknowledge that this provision does not constitute an endorsement to share employees with other franchisees.
- F. You are responsible to train and to make sure your employees and independent contractors meet the standards, specifications and recommendations outlined in the Operations Manual, including those related to appearance, customer service, background checks, and drug testing (as applicable). You are required to hire and maintain sufficient staff in order to handle customer volume at all times. You will ensure that your employees present a neat and clean appearance and render friendly, efficient, sober and courteous service to your customers.
- G. All employees and independent contractors whose duties include customer service must have sufficient literacy and fluency in the English language to serve the public.
- H. You may not hire any employee or independent contractor who has been found guilty of any charges of fiduciary misconduct, any form of unlawful sexual conduct, any felony of any kind, or any similar charges that reflect negatively on the person's moral turpitude and character.
- I. All revenues generated under this Agreement from all business activities of the Franchise must be paid directly to you and not directly to your employee or independent contractor.

6) **RENEWAL, TERMINATION AND STEP-IN RIGHTS**

6.1 **Renewal of Franchise.** If you are not in breach, you may renew the Franchise for periods of **5** years under the terms of our then-current Franchise Agreement forms. "Then-current" as used in this Agreement and our Franchise Disclosure Document will mean the form then currently provided to prospective franchisees, or if none is being provided, the form we select in our sole discretion which previously has been delivered to and executed by a franchisee of ours. You will exercise your renewal option by giving written notice to us. The notice must be given at least six months, but no earlier than nine months, before the end of the franchise term established by this Agreement.

There is no fee for renewal of the Franchise. The renewed Franchise Agreement will be evidenced by you signing the Franchise Agreement forms we then are using (with appropriate modifications to reflect the fact that the agreement relates to the grant of a renewal franchise). These forms may vary materially from this Agreement. Royalty Fees, Local Advertising Contributions and other fees will be set at the then prevailing rates and terms. Your failure or refusal to execute the Renewal Franchise Agreement forms within thirty days after delivery to you may be regarded as an election by you not to renew. Upon renewal, the Franchise Premises must remain located in the geographical territory designated in this Agreement. The Franchise Territory may be modified and its geographic area may be reduced to meet our then current franchise market penetration and demographic standards and co-branding requirements.

You will reimburse us for our reasonable out-of-pocket costs concerning the renewal.

You will refurbish and replace the Franchise Premises, inflatable park(s), fixtures, and equipment to conform to the then current Operations Manual and Method of Operation. There will be no limitation on the amount that we may require you to spend on refurbishing and replacement. You must make all capital expenditures reasonably required to renovate and modernize the Franchise Premises and its signs and equipment to reflect the design and décor image of our franchises we are then requiring of new or renewing franchisees. These expenditures will be in an amount necessary to make the Franchise Premises modern and fresh and to resolve wear and tear. If renovation or modernization of the Franchise Premises is not feasible, you may relocate to a new site, subject to our prior written approval. Our approval will not be unreasonably withheld, provided that the relocation does not infringe on any other FunBox location.

You must execute a general release, in a form we prescribe, following applicable law, to release us from any claims you may have against us.

Before renewal, you or your designated manager will attend and successfully complete any retraining program we prescribe in writing. This will be done at your expense, including travel, meals, lodging, and our then current training fee.

We may refuse to renew this Agreement if you fail to satisfactorily comply with this Agreement. The determination of satisfactory compliance will be within our exclusive discretion in good faith. If we refuse to renew, you must continue to perform under this Agreement until its expiration.

Continuation. You have no automatic right to continue operation of the Franchise following expiration or termination of this Agreement. If you continue to operate the Franchise with our express or implied consent, following the expiration or termination of this Agreement, the continuation will be a month-to-month extension of this Agreement. This Agreement will then be terminable by either party upon **30** days written notice. Otherwise, all provisions of this Agreement will apply while operations continue. Upon termination of this Agreement under this section, all post-termination covenants and obligations in this Agreement will apply.

6.2 **Termination by You.** You may terminate this Agreement if you comply with the terms of this Agreement and if we substantially breach any material provision of this Agreement and fail to cure or reasonably to begin to cure that breach within **30** days after receipt of written notice specifying the breach. Termination will be effective **10** days after you deliver to us written notice of termination for our failure to cure within the allowed period.

6.3 Termination by Us.

- A The following provisions are in addition to all other remedies available to us at law or in equity. We will have the option to cure your breaches at your expense. If you breach or default in any of the terms of this Agreement, we have the right to appoint a receiver to take possession, manage and control assets, collect profits, and pay the net income for the operation of the Franchise as ordered by a court of jurisdiction. The right to appoint a receiver will be available regardless of whether waste or danger of loss or destruction of the assets exists, and without the necessity of notice to you.
1. You irrevocably nominate, constitute and appoint the person serving from time to time as our President to be your attorney-in-fact so to act in your name and on your behalf.
 2. At our election and without waiving any claims for default or breach and without prior notice to you or resort to legal process, we may enter upon the Franchise Premises using the reasonable force as is necessary in the circumstances, without being guilty of trespass or liable to you or the property owner for the entry, for the purposes of securing the return of our property, the performance of your obligations of discontinuance and the protection of our rights upon expiration or termination of this Agreement.
 3. We may claim and recover damages from you for any material breach, including ongoing Royalty Fees and other payments required by this Agreement. The Royalty Fees payable will be computed as an average of the Royalty Fees payable by you for the last six months that you conducted the Franchise. If the Franchise has been operating and paying Royalty Fees for less than six months, the average will be of the monthly Royalty Fees payable by you during the period of operation. The calculated Royalty Fees will be due for the balance of the term of this Agreement, or until we establish a new FunBox franchisee in the Territory and that new franchisee pays Royalty Fees for a month equal to or greater than the calculated monthly Royalty Fees due from you.

If any payments to us, our affiliates or approved vendors are late by more than 15 business days, we may suspend your ability to access forms, software, web sites, Internet or Intranet, or limit your continued operation of the franchise and order all product deliveries withheld from you until the payments are received.

You agree that this Agreement and any other agreements between you and us may be terminated, at our election, in the event of any material breach by you of any franchise agreement or any other agreement between us and you, upon the notice, if any, specified in the franchise agreement or the other agreement. If you or any of your shareholders, partners, or officers violate any material provision of any other franchise or other agreement with us, that breach will be considered a breach of this Agreement and of the other agreements. We then may terminate or otherwise enforce this Agreement and the other agreements.

We may terminate this Franchise Agreement and any other franchise agreement and related agreements between the parties if you breach any term or provision of this Agreement and do not cure the breach (or reasonably begin to cure and diligently pursue the cure until the breach is remedied) within **30** days after receipt of our written "Notice to Cure." Termination will occur immediately upon delivery to you of our written declaration of termination for failure to cure within the allowed time frame.

- B Automatic Termination. Among other things, you agree that it will be a default constituting a substantial breach of a material provision of this Agreement pursuant to relevant law, thus establishing good cause for termination, and that this Franchise Agreement and any other related agreements and franchise agreements between the parties will terminate automatically upon delivery of written notice of termination to you, if you or your owner(s), officer(s), or key employee(s):

- (1) Become insolvent, make a general assignment for the benefit of creditors, have a receiver appointed to administer or take possession of any part of the franchised business or your assets, or admit to not being able to meet your obligations as they become due or become bankrupt, or become subject to any chapter of the United States Bankruptcy Code, unless you: (i) timely undertake to reaffirm the obligations under this Agreement; (ii) timely comply with all conditions as legally may be imposed by us upon such an undertaking to reaffirm this Agreement; and (iii) timely comply with such other conditions and provide such assurances as may be required in relevant provisions of the United States Bankruptcy Code; provided, however, that we and you acknowledge that this Agreement constitutes a personal service contract and that we have relied to a degree and in a manner material to this Agreement upon the personal promises of you and/or your directors, officers, shareholders or partners, as the case may be, to participate personally on a full-time basis in the management and operation of the franchised business, and, consequently, we and you agree that any attempt by any other party, including the trustee in bankruptcy or any third party, to assume or to accept an assignment of this Agreement will be void.
- (2) Fail to operate the Franchise continuously and actively for five consecutive days or for any shorter period after which it is reasonable under the facts and circumstances to conclude that you do not intend to continue the Franchise or maintain a suitable Franchise location.
- (3) Fail to comply with any requirement of this Agreement or of any related agreement between the parties within twelve months after having received two **30-day** or **5-day** Notices to Cure deficiencies in performance of the same or any other requirement pursuant to Subsection (A) above, whether or not your failures to comply are corrected after we deliver notice to you.
- (4) On more than two occasions fail to report monthly Revenue on time, understate monthly Revenue by more than **2** percent, or distort other material information.
- (5) Make or have made any material misrepresentation or misstatement on the franchise application or with respect to ownership of the Franchise. If you misrepresented yourself and you are a competitor of ours or a competitor of an affiliate of ours, we may keep the entire initial franchise fee, cancel training, and terminate this Agreement.
- (6) Allow the Franchise or Franchise Premises to be seized, taken over, or foreclosed by a creditor, lienholder, or lessor; let a final judgment against you to remain unsatisfied for thirty days (unless a supersedeas or other appeal bond is filed); or allow a levy of execution upon the Franchise or upon any property used in the Franchise, that is not discharged by means other than levy within five days of the levy.
- (7) Are convicted of a felony or a sex crime, are required to register as a sex offender, have been convicted of a crime of moral turpitude, are on probation or parole, or are convicted of any criminal misconduct relevant to the operation of the Franchise.
- (8) Within a period of ten days after notification of noncompliance, fail to comply with any federal, state, or local law or regulation applicable to the operation of the Franchise.
- (9) Fail to pay any Franchise, Royalty, or other amounts owed pursuant to this Agreement within five days after receipt of written notice that the fees or amounts are overdue.
- (10) Operate the Franchise in a manner that creates an imminent danger to public health or safety.
- (11) Do not keep information related to the Franchise confidential except to employees or persons authorized to know.

- (12) Fail to obtain agreements from your employees to keep information confidential.
- (13) Attempt to unilaterally repudiate this Agreement or the performance or observance of any of its terms, conditions, covenants, provisions or obligations by any conduct evidencing your intention to no longer comply with or be bound by this Agreement.

6.4 **Time Frames Subject to Applicable Laws.** The provisions of this Agreement may state periods of notice less than those required by applicable law. They may provide for termination, cancellation, nonrenewal or the like other than according to applicable law. They will be extended or modified to comply with applicable law. We will not, however, be precluded from contesting the validity, enforceability or application of such laws or regulations in any mediation, action, arbitration, hearing or dispute relating to this Agreement or the termination of it.

6.5 **You Will Discontinue Use of Service Marks, Operations Manual, and Method of Operation on Termination of Agreement.** Substantial damages that are difficult to determine at the date of execution of this Agreement will accrue to us if you do not comply with any of the following requirements upon expiration or termination of this Agreement. Upon expiration or termination of this Agreement, you will:

- A Immediately cease using the Service Marks (or any names or marks deceptively similar to them), the Operations Manual and the Method of Operation. We will have the right, title and interest to any sign or sign faces bearing the Service Marks. You acknowledge our right to access the Franchise Premises if we elect to take possession of any sign or sign faces bearing The Service Marks.
- B Return to us all copies of the Operations Manual. Return to us all records, files, instructions, correspondence, and materials in your possession or control related to the Method of Operation. You will give us a complete and accurate summary of your advertisers, customers and leads, including their names, addresses, telephone numbers and related file records. You will assist us in every way possible to bring about a complete and effective transfer of your franchise business to us or to our designated franchisee.
- C Authorize telephone, Internet, email, electronic network, directory, and listing entities, to transfer all numbers, addresses, domain names, locators, directories, and listings to us or to our designee. You will notify them of the termination of your right to use the Franchise names and Service Marks. You authorize the transfer of your telephone numbers and directory listings and Internet addresses, domain names and locators to us or our designated franchisees. You appoint us as your agent and attorney-in-fact to affect the transfer of these telephone numbers, directory listings, domain names and Internet directories to us. You agree that we will be treated as the subscriber for the telephone numbers and directory listings. We will have full authority to instruct the applicable telephone, directory and listing companies on the use and disposition of the telephone listings and numbers. You release and indemnify these companies from any damage or loss because they follow our instructions.
- D Make reasonable modifications to the interior and exterior of any retained premises to reduce your identification as a part of our franchise system. These modifications will include but will not be limited to reasonable alterations to eliminate any possibility of confusion between the Franchise Premises and any other FunBox location. Until all modifications and alterations are completed, you will maintain a conspicuous sign in a form we specify stating that you are no longer associated with us. You will advise all customers or prospective customers coming to the Franchise Premises or telephoning you that you are no longer associated with us.

- E Pay to us within 7 days all Royalty Fees and other sums you owe. These sums will include all damages, costs and expenses, including reasonable attorney's fees and collection costs, we incur because of your breach. These sums will include all costs and expenses, including reasonable attorney fees, we incur in obtaining injunctive, appellate, or other relief to enforce the provisions of this Agreement. Termination or expiration of this Agreement will not prejudice to any other rights or remedies that we have in law or in equity, including, without limitation, the right to recover benefit of the bargain damages, including lost revenue for the duration of the term of this Agreement.
- F Abide by all provisions of the restriction upon communication of confidential information set forth above and the post-termination Covenant Not to Compete set forth below. You will immediately return to us all our confidential information you have received, including any items that embody the confidential information. You acknowledge that you have no continuing ownership interest in the confidential information.
- G At our option, do some or all of the following:
- (1) Remove all Franchise related equipment, furnishings, and inventory from the Franchise Premises;
 - (2) Sell the equipment, furnishings, and inventory to us, at the depreciated book value (straight line depreciation over five years) for equipment and furnishings and at your invoice cost for inventory less a 10 percent restocking charge. We will not be liable for payment to you for intangibles, including, without limitation, goodwill;
 - (3) Assign to us the lease for the Franchise Premises and ownership and control of any website you own or control; and
 - (4) Sell to us your interest in the Franchise, the Franchise Premises and all related equipment, fixtures, signs, real estate leases, equipment leases and personal property. Unless we state in writing that we do not intend to exercise this right, the parties must agree upon a purchase price and terms within five business days after termination of this Agreement. If not, a fair value and fair terms will be determined in Las Vegas, Nevada by three appraisers. Each party must select one appraiser. The two appraisers chosen must then select a third appraiser. Each party will pay for its own appraiser and each party will pay half for the third appraiser. The parties may then present evidence of the value of the Franchise and fair terms for the purchase at a hearing. The appraisers must exclude from their decision any amount or factor for the "goodwill" or "going concern" value of the Franchise. The decision of the majority of the appraisers will be conclusive. Any time within thirty days after receiving the appraisers' decision, at our option we may purchase the Franchise and your assets at the price determined by the appraisers, payable in 60 equal monthly payments including 6 percent per annum interest.
- H. Upon termination for any reason, you will return to us all proprietary and confidential materials, including client lists, keys, codes, signage, advertising and marketing materials, uniforms, service agreements and other forms, printed files, clients lists and account information, security codes, cards and passes, picture identification badges and the like as described in the Operations Manual. If you fail to return or cease use of any of these items, we may enter your business premises without being guilty of trespass or any other tort to remove and retain the items. You will pay to us, on demand, any expenses we incur in trying to remove or collect such items or in attempting to have you cease use of them. Your failure to immediately return all keys and security codes or passes to us may result in us changing locks, keys and codes at client premises at your expense.

6.6 **We May Assign Territory Upon Termination.** Upon expiration or termination of this Agreement, we may immediately license or franchise the Franchise Territory to another person or may operate a FunBox business within the Franchise Territory.

6.7 **Our Step-In Rights.** The parties want to prevent any interruption of the Franchise that would cause harm to the Franchise and to our franchise system and lessen their value. Therefore, you authorize us to step in to operate the Franchise for as long as we believe necessary and practical in our exclusive judgment. We may do so without waiving any other rights or remedies that we may have. Cause for interruption may include our reasonable determination that: you are incapable of operating the Franchise; you are absent or incapacitated because of illness or death; you have failed to pay when due any real property, equipment rent or lease payments, suppliers, or inventory payments; you have failed to pay when due any franchise, royalty, advertising, or other fee; you have failed to pay when due any taxes or assessments against the Franchise or property used in the Franchise; you have failed to pay when due any liens or encumbrances placed upon or against your business property; or we decide that significant operational problems require us to operate the Franchise for a time. We may exercise our step-in rights if you are ill or disabled, you, your lender, or the SBA requests our assistance or agrees to our proffered support and supervision, directly or indirectly or through its contract agents.

All Revenue from our operation of the Franchise will be for your exclusive account. We will pay from that Revenue all expenses, debts and liabilities we incur during our operation of the Franchise. This will include our personnel and administrative costs, plus 15 percent to cover our overhead expenses. In addition, we will have the option, but not the obligation, to pay for you any claims owed by you to any creditor or employee of the Franchise. You will reimburse us upon demand, including at the rate set forth above for overdue amounts.

We will keep in a separate account all Revenue generated by the operation of the Franchise, less the expenses of operation.

We will have no obligation to retain any employee of the Franchise, nor to honor any contractual employment commitments you previously made. If we elect to retain any employee, employment will be pursuant to a new employment agreement between us and the employee. Employment will commence on the first business day on which we carry on business through the Franchise. Any claim by an employee for unpaid salary, vacation pay, or other benefits will be your responsibility.

Upon our exercise of these Step-In Rights, you agree to hold us harmless for all of your acts, omissions, damages, or liabilities arising during our operation of the franchise.

Our operation of the Franchise will not operate as an assignment to us of any lease or sublease of franchise property. We will have no responsibility for payment of any rent or other charges owing on any lease for franchise property, except as the charges relate to the period of our operation of the Franchise.

In addition to our right to step- in or to terminate this Agreement, and not in lieu of that right or any other rights against you, in the event that you will not have cured a default under this Agreement within the 30 days after receipt of the written "Notice to Cure" from us, we may, at our option, enter upon the Franchise Premises and exercise complete authority with respect to the operation of the business until we determine that your default has been cured and that there is compliance with the requirements of this Agreement. You specifically agree that a designated representative of ours may take over, control, and operate the business. You will pay us a service fee of not less than **\$200** per day plus all travel expenses, room and board and other expenses reasonably incurred by our representative so long as it will be required by the representative to enforce compliance. In addition, if you breach any provision of this Agreement that is curable and we give you notice of the breach, in addition to curing the breach you must pay us a Cure Fee of **\$1,000** to help defray our administrative and corporate costs related to the breach and remedy.

You agree to pay our reasonable legal and accounting fees and costs we incur because of our exercise of these Step-In Rights.

6.8 **You and Your Owners Not to Compete on Expiration, Termination or Transfer of Agreement.** This covenant will apply for **730** days after termination, expiration or transfer of this Agreement. In express consideration for this Agreement, you will assure that you and your owners, shareholders, partners, directors, officers, employees, and agents, and the members of their immediate families or

households (who have actual knowledge of or access to the Operations Manual or Method of Operation), will not directly or indirectly participate as an owner, shareholder, director, partner, officer, employee, consultant, franchisor, franchisee, distributor, advisor or agent, or serve in any other capacity in any business engaged directly or indirectly in the offer, sale, rental, Internet dissemination, or promotion of amusement, products, fixtures, furnishings, equipment or services or any business that offers products or services that are essentially the same as, or substantially similar to, the products and services that are part of the Method of Operation. This covenant applies within the Franchise Territory and within a **100-mile** radius of the Franchise Territory and within **100 miles** of any location where we operate or have granted the franchise to operate a FunBox business, and at any location within the United State of America.

You acknowledge and confirm that the time, content and geographical restrictions contained in this Section are fair and reasonable. They are not the result of overreaching, duress, or coercion of any kind by us. You further acknowledge and confirm that your observance of the covenants contained in this Agreement will not cause you any undue hardship, financial or otherwise, and that enforcement of each of the covenants contained in this Agreement will not impair your ability to obtain employment commensurate with your abilities and on terms fully acceptable to you, or otherwise to obtain income required for the comfortable support of your family and the satisfaction of your creditors. Your knowledge of the Method of Operation would cause our franchise system serious injury and loss if you use the knowledge to the benefit of a competitor or to compete with us or our franchisees.

The running of the periods of time specified by this Section will be tolled and suspended for any period of time during which a court or arbitrator determines you to have been in violation of this Section.

If, for any reason, any provision set forth in this Subsection exceeds any lawful scope or limit as to duration, geographic coverage, or otherwise, it is agreed that the provision will nevertheless be binding to the full scope or limit allowed by law or by a court of law. The duration, geographic coverage and scope allowable by law or court of law shall apply to this Agreement.

7) **TRANSFER**

7.1 **Sale or Assignment.**

- A Your rights and obligations under this Agreement are exclusive to you. Whether voluntarily or involuntarily, neither you, your owners, partners nor others claiming an interest in the Franchise will sell, transfer, assign, encumber, give, lease, or sublease, or allow any other person to conduct business in or through (collectively called "transfer") the whole or any part of: this Agreement, the Franchise Premises, substantial assets of the Franchise business, or ownership or control of you or to fractionalize any of the rights granted to you pursuant to this Agreement. Any attempted transfer without our prior written consent will be a breach of this Agreement. Our consent will not be unreasonably withheld. We need not consent to any transfer to a competitor of ours. We need not consent to any transfer before the date the Franchise opens for business.

Because we will have a strong and vested interest in the financial viability and ongoing management abilities of the transferee, we need not consent to any transfer if we reasonably believe the purchase price is excessive or if we believe based upon a review of the transferee's operational and business plans that the transferee's business operations might not be beneficial on a cash flow or financial basis

We enter this Agreement, in part, in reliance upon the individual or collective character, skill, attitude, business ability and financial capacity of you (or your shareholders, members or partners, if you are a corporation, limited liability company, partnership or other entity).

You recognize that there are many subjective factors that comprise the process by which we select a suitable franchise owner. Our consent to a transfer by you will remain a subjective determination. Before the effective date of a transfer we approve:

- (1) The transferee must assume your Franchise obligations. You will remain bound by your covenants in this Agreement to not disclose confidential information and to not compete with us or our franchisees.
- (2) You will pay all ascertained or liquidated debts concerning the Franchise.
- (3) You may not be in breach of this Agreement or any other agreement between the parties. Our consent to the transfer will not constitute a waiver of any claims we may have against you.
- (4) The transferee will pay for and complete to our exclusive satisfaction the training programs we then require of new franchisees or otherwise show to our satisfaction sufficient ability to successfully operate the Franchise.
- (5) You or the transferee will pay a Transfer Fee according to our then current Transfer Fee Schedule. This fee will reimburse us for our reasonable legal, accounting, credit check, and investigation expenses that result from the transfer. The Transfer Fee will not be more than **\$5,000**.
- (6) You will pay us a **5** percent commission on the gross transfer price (excluding the price of real property), if we obtain the transferee for you.
- (7) The transferee will execute all documents we then require of new franchisees. This includes a new Franchise Agreement in the form we then are using. The new Franchise Agreement may contain economic and general terms that are materially different from those contained in this Agreement. The term of the new agreement will be for the unexpired term of this Agreement or for a new full term as we will elect. You must ask us to provide the prospective purchaser with our current form of disclosure document required by the applicable federal or provincial/state registration and disclosure laws, and a receipt for this document will be delivered to us; provided however, we will not be liable for any representations you make apart from those contained in our disclosure document.
- (8) The transferee will meet our standards for quality of character, financial capacity, and experience required of a new or renewing franchisee. You will provide information we require to prove the transferee meets our standards.
- (9) You and your owners, members, partners, officers, and directors will execute a general release in our favor. The release must be in a form we prescribe, following applicable law, to release us from any claims you may have against us and our representatives, subsidiaries and affiliates and our officers, directors, attorneys, shareholders and employees in their corporate and individual capacities. This will include claims arising under federal, state and local laws, rules and ordinances arising out of, or connected with, the offer, sale and performance of this Agreement or any other agreement between the parties.
- (10) If the entire Initial Franchise Fee has not yet been paid in full, it must be paid in full despite the due date for payment established by this Agreement.
- (11) If the lease or sublease for the Franchise Premise requires, the lessor or sublessor must have consented to the assignment or sublease of the Franchise Premises to the transferee. All fixtures and equipment at the Franchise Premises must be inspected and certified by a qualified professional inspector to be in good working order and free of operational defects. It will be your responsibility to bring all fixtures and equipment to proper working order before the transfer takes place. The transferee must agree in

writing with any third-party leasing company to accept any outstanding lease on equipment or other furnishings or you will resolve such leases and remove that equipment or furnishings from the Franchise Premises.

(12) You will enter into an agreement to subordinate, to the transferee's obligations to us (including the payment of all franchise fees), any obligations of the transferee to make installment payments of the purchase price to you. The form of this subordination is subject to our approval.

(13) Upon our granting of approval for the transfer, you will:

ensure that the transfer is affected in compliance with the requirements of all federal, state, and local laws, including applicable tax and bulk sales legislation, and with the applicable requirements of the lease of the Franchise Premises;

deliver to the purchaser the Operations Manual and all other manuals and materials we provided to you for use in the Franchise, including all materials bearing the Trademarks and our advertising, promotional and training materials, order books and bookkeeping and reporting forms.

(14) We have the right, but not the obligation and without any liability to you, to make available for inspection by any proposed transferee identified by you of all or any part of this Agreement and of our records related to our relationship with you and to your activities and performance under this Agreement. You specifically consent to such disclosure and agree to hold us harmless from any claim, loss or injury that might result from inspection of our records by your intended transferees.

B. With our prior written consent, you may transfer your rights and obligations under this Agreement to a corporation or other entity in which you continuously own a majority of the issued and outstanding shares of each class of stock or other evidence of ownership. The entity must be newly organized with its activities confined exclusively to act as the franchisee under this Agreement. The entity must contemporaneously agree in writing to be bound by the terms of this Agreement. You must contemporaneously agree in writing to guarantee the obligations of the entity and to remain personally liable in all respects under this Agreement. You and all other owners shall personally and unconditionally guarantee the obligations of the new entity and you will remain personally subject to and bound by all terms, conditions, restrictions and prohibitions contained in this Agreement. You as an owner of the entity agree to separately and personally, for you and for your successors, heirs and personal representatives, shall act as surety for the full and faithful performance of all of the obligations, commitments and payments required of the entity. In that capacity, you agree that we do not have to pursue any remedies we may have against the entity, but rather, may proceed directly and primarily against you with or without joining the entity as principal or as a named party in any proceeding.

You will be in breach of this Agreement if you at any time dispose of any interest sufficient to reduce your ownership in the entity to less than a majority of any class of stock or other evidence of ownership. From time to time, at our request, you will provide to us a current list of all your owners, shareholders, members, directors, officers, partners, and employees, with a summary of their respective interests in you.

C We may transfer this Agreement. If we do, it will be binding upon and inure to the benefit of our successors and assigns. Specifically, you agree that we may sell our assets, the Service Marks, or the Method of Operation outright to a third party, may go public, may engage in a placement of some or all of our securities, may merge, acquire other entities or be acquired by other entities, or may undertake a refinancing, recapitalization, re-organization, leveraged buyout or other economic or financial restructuring. As for any or all these sales, assignments

and dispositions, you waive any claims, demands or damages arising from or related to the loss of the Service Marks (or any variation of them) or the loss of association with or identification as part of our franchise system.

We will not be required to remain in any particular form of business or to offer to you products, whether or not bearing our Service Marks.

- D You may offer your securities or partnership interests to the public, by private offering, or otherwise, only with our prior written consent. Consent may not be unreasonably withheld. All materials required for the offering by federal or state law will be submitted to us for review before filing with any government agency. Any materials to be used in any exempt offering will be submitted to us for review prior to their use. No offering by you will imply (by use of the Service Marks or otherwise) that we are participating in an underwriting, issuance, or offering of your securities. You and all other participants in the offering must fully indemnify us concerning the offering. For each proposed offering, you will reimburse us for our reasonable costs and expenses associated with reviewing the proposed offering, including, legal and accounting fees. You will give us at least sixty days written notice before the effective date of any offering or other transaction covered by this subsection.
- E You may not grant a sub-franchise or transfer less than all of your rights under this Agreement.
- F Our consent to a proposed Transfer will not be a waiver of any claims we may have against you (or your owners), nor will it be a waiver of our right to demand exact compliance with this Agreement. Our consent to a transfer will not constitute or be interpreted as consent for any future or other transfer.
- G You will comply with and help us to comply with any laws that apply to the Transfer, including state and federal laws governing the offer and sale of franchises.

7.2 **Your Death or Disability.**

- A Besides the Step-In Rights described above, the following will apply in case of your death or incapacity if you are an individual, or of any general partner of you if you are a partnership, or of any member or shareholder owning **50** percent or more of you if you are a limited liability company or corporation or other entity. Within **180** of the event, the heirs, beneficiaries, devisees or legal representatives of that individual, partner, member or shareholder will:
 - (1) Apply to us for the right to continue to operate the Franchise for the duration of the term of this Agreement. The right to continue will be granted upon the fulfillment of all of the conditions set forth in Subsection (A) of the section entitled "Sale or Assignment by You," above (except that no transfer fee will be required). Or,
 - (2) Transfer your interest according to the provisions of that Subsection. If a proper and timely application for the right to continue to operate has been made and rejected, the **180** days within which to transfer will be computed from the date of rejection. For purposes of this Subsection, on an application for the right to continue to operate, our silence through the **180** days following the event of death or incapacity will be deemed an acceptance made on the last day of the period.
 - (3) If a suitable transferee purchaser is not found within **180** days from the date of death or permanent incapacity, we may at our sole option enter into a contract to purchase the Franchise. Unless we state in writing that we do not intend to exercise this right, the parties must agree upon a purchase price and terms within twenty business days after notice from us. If not, a fair value and fair terms will be determined in Las Vegas, Nevada by three appraisers. Each party must select one appraiser. The two appraisers chosen must then select a third appraiser. Each party will pay for its own appraiser and each party will pay

half for the third appraiser. The parties may then present evidence of the value of the Franchise and fair terms for the purchase. The appraisers may include in their decision a factor for the "goodwill" or "going concern" value of the Franchise. The decision of the majority of the appraisers will be conclusive. Any time within **30** days after receiving the appraisers' decision, at our option, it may purchase the Franchise and your assets at the price and upon the terms determined by the appraisers. Terms of payment will be **10%** of the purchase price payable upon contract signing, the balance payable in **60** equal monthly payments of principal payments with interest calculated at the prime rate, published by your principal bank at time of each monthly principal payment.

- B If the provisions of this Subsection have not been fulfilled within the time provided, at our option, all rights licensed to you under this Agreement will immediately terminate and revert to us.

7.3 **First Right of Purchase.** You will give us the right of first purchase before soliciting offers from a third party if you choose to sell your franchise business. You agree to notify us in writing if you desire to sell or transfer any interest in you or in your franchised business. We will elect to exercise our option to purchase within **30** business days after our receipt of your written notification. If we offer you an amount that you do not agree to, you may try to sell to a third party, but on no better terms for the purchaser than we offered to you. If you later receive an offer from a third-party purchaser on better terms than we offered to you, you are obligated to re-offer to us pursuant to the subsection entitled "First Right of Refusal". You are obligated before any transfer to a third party to comply with all criteria set forth in the subsections entitled "Sale or Assignment" and "First Right of Refusal." If you do not complete a transaction with a third party within **6** months, you agree we will again have the right of first purchase before any subsequent contemplated transaction.

We may elect to purchase all of your franchise business regardless of your intent to sell, assign, or transfer a lesser interest. We can pay the purchase price in cash up front or 120 equal monthly payments that amortize the principal amount with interest calculated at prime plus 1% as of the date of purchase. The choice of payment type is in our sole discretion.

7.4 **First Right of Refusal.** If you receive a bona fide offer from a third party acting at arm's length to purchase the Franchise, a majority interest in ownership of you, or substantially all of the assets of the Franchise, which offer is acceptable to you or to your owners, we will have the right to purchase at the bona fide price on the same terms and conditions as offered to you. We may substitute cash for any other form of consideration contained in the offer. Our credit will be deemed to be equal to the credit of any proposed purchaser. At our option, we may pay the entire purchase price at closing. Within **6** days after receipt by you of an acceptable bona fide offer, you will notify us in writing of the terms and conditions of the offer. We may exercise this right to purchase within **30** days after receipt of notice from you. If the interest which is the subject of the offer involves less than all of the ownership interest, then in our sole option, our right of first refusal will apply to the entire ownership interest. In such case, the consideration to be received, as set forth in the offer, shall be divided by the percentage interest subject to the offer and the resulting quotient shall be the price to be paid of the entire ownership interest. Terms and conditions for the purchase of the entire ownership interest shall be as similar to the terms and conditions set forth in the offer as practicable, except for the substitute provisions noted above in this section.

If we do not exercise our right to purchase within the **30** days, you may make the proposed transfer to a third party. The transfer will not be at a lower price nor on more favorable terms than disclosed to us. Any transfer will be subject to our prior written permission described in the section entitled "Sale or Assignment by you," above. If the Franchise is not transferred by you within **6** months from the date it is offered to Us, or if any material change is made in the terms of the proposed sale, then you must reoffer to transfer to us before a transfer to a third party.

8) **INDEMNITY, INSURANCE, CONDEMNATION AND CASUALTY**

8.1 **Indemnity.** You will indemnify and hold us harmless from all fines, suits, proceedings, claims, demands, actions, losses, attorney fees and damages arising out of or connected with the Franchise and the business activities, acts or omissions of you and your employees and agents, including those brought against you and us jointly alleging that you and we were negligent or otherwise liable. We will not be liable to you or to any other person because of your act, omission, neglect, or breach. If it is established that both you and we were negligent or otherwise liable, you and we will contribute to the relevant award based upon the adjudication and assigned respective degree of fault. You will indemnify us for any loss, cost or expense, including attorney's fees, that may be sustained by us because of the acts and omissions of your vendors or suppliers or arising out of the design or construction of the Franchise Premises.

This indemnification will include use, condition, or construction, equipping, decorating, or operation of the Franchise Premises, including sale of any food products, service or merchandise sold from the Franchise Premises. Any loss, claims, costs, expenses, damages, or liabilities shall include, without limitation, those arising from latent or other defects in the Franchise Premises, whether or not discoverable by us, and those arising from the death or injury to any person, or arising from damage to the property of you or us, and our respective agents and employees, or any third person, firm, or legal entity.

You will defend us at your own expense in any legal or administrative proceeding subject to this Subsection. The defense will be conducted by attorneys we approve. Our approval will not be unreasonably withheld. You will immediately pay and discharge any liability rendered against us in any proceeding, including any settlement that we approve in writing. You will not settle any claim against us without our prior written approval. In our sole discretion and upon prior written notice to you, we may settle or defend any claims against us at your expense, including attorney fees that we pay or incur in settling or defending. Promptly upon demand, you will reimburse us for any and all legal and other expenses we reasonably incur in investigating, preparing, defending, settling, compromising or paying any settlement or claim, including monies that we pay or incur in settling or defending such proceeding.

All references in this Agreement that provide that you will indemnify or defend us or that you will name us under any insurance policy will also mean that our affiliates, directors, officers, and employees will be also and equally indemnified, defended or named.

8.2 **Insurance.** Upon commencement of franchise operations, and during the term of this Agreement, you will obtain and keep in force by advance payment of premium appropriate fire and extended coverage, vandalism, malicious mischief, general liability, and products liability insurance. This insurance will be in an amount sufficient to replace the Franchise Premises and your personal property upon loss or damage. This insurance will be written by an insurance company satisfactory to us in accordance with our standards and specifications in the Operations Manual. The insurance will include, at a minimum, the following:

- A Comprehensive general liability insurance, including products liability, completed operations, Dram Shop or host liquor liability (if alcoholic beverages are served), property damage, contractual liability, independent contractors' liability, owned and non-owned automobile coverage, and personal injury coverage with a combined single limit of at least **\$1,000,000**, including umbrella coverage.
- B Workers' compensation and employer's liability insurance, and other insurance required by statute or rule of the state in which the franchise is located and operated.
- C. Business interruption and lost profit insurance.
- D. Employer Practice liability insurance.
- E. Cyber Security insurance

The insurance will insure us, you, and our respective subsidiaries, owners, officers, directors, partners, members, employees, servants, and agents against any loss, liability, products liability, personal injury, death

or property damage that may accrue due to your operation of the Franchise. Your policies of insurance will contain a separate endorsement naming us as an additional named insured. The insurance will not be limited in any way because of any insurance we maintain. The insurance will not be subject to cancellation except upon **20** days' written notice to us. Certificates of your insurance policies will be kept on deposit with us. Maintenance of the required insurance will not diminish your liability to us under the indemnities contained in this Agreement.

All insurance policies you obtain will contain a blanket waiver of the insurer's rights of subrogation in respect of or against us and our officers, agents, employees, and representatives; and will not contain any insured vs. insured exclusion clause, but will contain a severability clause providing that each policy will be treated as though a separate insurance policy had been issued to each named insured.

We may require you to increase the minimum limits of and types of coverage to keep pace with regular business practice and prudent insurance custom.

If you fail to comply with any of the requirements of this Subsection, we may, but are not obligated to, purchase insurance at your expense to protect our interests. This insurance may, but need not, also protect your interest. The coverage we obtain might not pay any claim you make or any claim made against you. You may later cancel the insurance we obtain by providing evidence that you have obtained proper coverage elsewhere. You are responsible for the cost of any insurance purchased by us pursuant to this paragraph. This coverage may be considerably more expensive than insurance you can obtain on your own and might not satisfy your needs. You will pay us upon demand the premium cost of this insurance with a late payment charge on the unpaid balance at the rate established in this Agreement.

You will promptly report all claims or potential claims against you, the Business, or us in writing when you become aware of them. You will give immediate written notice to us of any claims or potential claims you make to your insurers.

We may, at our sole discretion, upon not less than 90 days prior written notice to you, secure a policy of insurance which will provide defined insurance coverage to all or any part of our franchise system. This policy may replace or supplement the insurance coverage you are required to maintain. You will pay the relevant insurance premium to us or the designated insurance provider, as we direct.

Nothing contained in this Agreement will be construed as a representation or warranty by us that the insurance coverage we specify will insure you against all insurable risks or amounts of loss which may or can arise out of or in connection with the operation of your franchise business. It is your sole responsibility to ensure that adequate insurance coverage is obtained for your business.

Your procurement and maintenance of the insurance specified above will not relieve you of any liability to us under any indemnity requirement of this Agreement.

8.3 Condemnation. You will give us notice of any proposed taking through the exercise of the power of eminent domain. Notice will be given within ten days of your first knowledge of the proposed taking. If the Franchise Premises or a substantial part of it is to be taken, the Franchise Premises may be relocated within the franchise territory or elsewhere with our prior written approval. The relocated premises may not infringe on the protected rights of any other franchise pursuant to our specifications and contractual obligations. Relocation must be completed and franchise business operations recommenced within a reasonable time after the closing of the initial Franchise Premises (but in any event, within **one** year after the closing of the Franchise Premises). The new franchise location will become the Franchise Premises licensed under this Agreement. If a condemnation takes place and a new franchise location does not open, for whatever reason, then this Agreement will terminate upon thirty days written notice from us to you.

8.4 Casualty. If the Franchise Premises is damaged by fire or other casualty, you will expeditiously repair the damage. If the damage or repair requires the closing of the Franchise, you will:

- A continue to pay Royalty Fees based upon those paid for the preceding 12-month period or based upon any business interruption recovery you receive, whichever is greater,
- B immediately notify us,
- C repair or rebuild the Franchise Premises following our specifications, and
- D reopen the Franchise for continuous business operations when practicable (but in any event, within **one** year after closing of the Franchise Premises). You will give us not less than **30** days advance notice of the date of reopening.

If the Franchise Premises does not reopen within **one** year, this Agreement will terminate upon **30** days written notice from us to you.

9) **NOTICE AND MISCELLANEOUS**

9.1 **Notices.** All notices required by this Agreement will be in writing. They may be sent by certified or registered mail, postage prepaid and return receipt requested. They may be delivered personally at any location and receipted. They may be delivered by Federal Express, or other reputable air courier service, requesting delivery with receipt on the most expedited basis available. They may be sent by prepaid facsimile or electronic mail (provided that the sender confirms the facsimile or electronic mail by sending an original confirmation copy by expedited delivery service or certified or registered mail within **3** business days after transmission). Notices may be delivered to you at the Franchise Premises, to us at our headquarters in Las Vegas, Nevada, or to other locations specified in writing. Notices sent by mail will be deemed to have been delivered and received **3** business days following the date of mailing or one business day after placement with Federal Express, or other reputable air courier service, requesting delivery on the most expedited basis available. Any notice by certified mail shall be deemed to have been given at the date and time of mailing.

9.2 **Business Name.** You will execute any documents we may from time to time direct, to be retained by us until this Agreement ends, to evidence that you abandon, relinquish, and terminate your right or interest you may claim in or to the Service Marks and the name **FUNBOX**.

9.3 **We and You Are Not Joint Venturers, Partners, or Agents.** You are and will remain an independent contractor. You and we are not and will never be considered joint venturers, partners, employees, or agents one for the other. Neither will have the power to bind nor obligate the other except as otherwise outlined in this Agreement. No representation will be made by either party to anyone that would create any apparent agency, employment, or partnership. Each will hold the other safe and harmless from each other's debts, acts, omissions, liabilities, and representations. You acknowledge that you are not in a fiduciary relationship with us.

In all public and private records, documents, relationships, and dealings, you will show that you are an independent owner of the Franchise. You will prominently indicate on your letterheads and business forms that you are our licensed franchisee by using language saying that you operate an independently owned Franchise. You will prominently display, by posting of a sign within public view, on or in the Franchise Premises, a statement that clearly indicates that your franchise business is independently owned and operated by you as a franchisee and not as our agent.

You will maintain employee records to show clearly that you and your employees are not our employees. The liability of you and your owners, shareholders, members or partners will be both joint and several. A breach of this Agreement by you or by any shareholder, member or partner will be a breach by all of the shareholders, members or partners and also by you.

The liability of you and your owners, shareholders, members or partners will be both joint and several. A breach of this Agreement by you or by any shareholder, member or partner will be a breach by all of the shareholders, members or partners and also by you.

9.4 **Waiver.** A waiver of any breach of any provision, term, covenant, or condition of this Agreement will not be a waiver of any subsequent breach of the same or any other provision, term, covenant, or condition.

Any waiver of any provision of this Agreement must be set forth in writing and signed by the party granting the waiver. Any waiver we grant will not prejudice any other rights we may have, and will be subject to our continuing review. We may revoke any waiver, in our sole discretion, at any time and for any reason, effective upon delivery to you of **10** days prior written notice of revocation. Customs or practices of the parties in variance with the terms of this Agreement will not constitute a waiver of our right to demand exact compliance with the terms of this Agreement. Our delay, waiver, forbearance, or omission to exercise any power or rights arising out of any breach or default by you of any of the terms, provisions, or covenants of this Agreement, will not affect or impair our rights and will not constitute a waiver by us of any right or of the right to declare any subsequent breach or default. Our subsequent acceptance of any payment due to us will not be deemed to be a waiver by us of any preceding breach by you of any terms, covenants or conditions of this Agreement.

By written notice, we unilaterally may waive any obligation of you, your owners, or the Guarantors.

Our consent, whenever required, may be arbitrarily withheld if you are in breach of this Agreement. Unless otherwise expressly provided to the contrary, our consent, acceptance, approval or authorization you may be required to obtain may be given or withheld by us in our sole discretion, and on any occasion where we are required or permitted to make any judgment, determination or use our discretion, including any decision as to whether any condition or circumstance meets our standards or satisfaction, we may do so in our sole subjective judgment and discretion

9.5 **Time Is of the Essence.** Time and strict performance are of the essence of this Agreement. ("Time is of the Essence" is a legal term that emphasizes the strictness of time limits. In this Agreement, it means it will be a material breach of this Agreement to fail to perform any obligation within the time required or permitted by this Agreement.)

9.6 **Documents.** You and your partners, shareholders, members, officers, and owners agree to execute and deliver any documents that may be necessary or appropriate during the term and upon expiration or termination of this Agreement to carry out the purposes and intent of this Agreement. These documents will include a Relinquishment of Assumed Business Name form which must be executed by you contemporaneously with the execution of this Agreement. Contemporaneous execution by you will be a condition precedent to the legal effect and validity of this Agreement and each document.

Any material violation or breach of any of these documents or of any other Franchise or related agreement between the parties will be a material violation of this Agreement and of all the other documents and agreements. The non-breaching party may enforce or terminate this Agreement and any or all of the other documents and agreements as provided for enforcement or termination of this Agreement.

If you are a partnership, all general partners will sign the documents. If you are a corporation or limited liability company or other entity, all shareholders or members and all officers will personally guarantee your faithful performance.

You will assure that each of your owners, shareholders, general partners, members, directors, officers, managers, employees, consultants, distributors and agents will not compete with Us; will not attempt to divert customers to competing businesses; will not induce the employees of us or of our franchisees to leave their employment; and will keep, preserve, and protect confidential information as required by this Agreement.

9.7 **Construction.**

- A. Entire Agreement. This document, including any exhibits attached to this Agreement and the documents referred to in this Agreement, will be construed together and constitute the entire agreement between the parties. It supersedes all prior or contemporaneous agreements, understandings, communications and negotiations, whether written or oral, with respect to the subject matter of this Agreement. There are no other oral or implied understandings between the parties with respect to the subject matter of this Agreement. Nothing in the Agreement is intended to disclaim the representations we made in the franchise disclosure document that we delivered to you. Except as expressly and otherwise provided in this Agreement, this Agreement may not be modified, nor may any rights be waived or abridged, orally or by course of dealing, but only by a written instrument signed by the parties. The words "this Agreement" include any future modifications unless otherwise suggested by the context. No salesperson, representative, or other person has the authority to bind or obligate us in any way, except our president or a vice president at our home office by an instrument in writing.

No previous communications, negotiations, course of dealing or usage in the trade not specifically set forth in this Agreement will be admissible to explain, modify, or contradict this Agreement. The parties intend to confer no benefit or right on any person or entity not a party to this Agreement and no third party will have the right to claim the benefit of any provision of this Agreement as a third-party beneficiary of that provision.

- B. Format. All words in this Agreement include any number or gender as the context or sense of this Agreement requires. The words "will" and "must" used in this Agreement indicate a mandatory obligation. This Agreement has been prepared in the "you/we" format to simplify it and to facilitate our compliance with state and federal franchise disclosure laws. The rule of construction that a written agreement is construed against the party preparing or drafting such agreement will specifically not be applicable to the interpretation of this Agreement.

Neither this Agreement nor any uncertainty or ambiguity will be construed or resolved against the drafter of this Agreement, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by all parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of all the parties. We and you intend that if any provision of this Agreement is susceptible to two or more constructions, one of which would render the provision enforceable and the other or others of which would render the provision unenforceable, then the provision shall be given the meaning that renders it enforceable.

- C. Captions and Headings. All captions and headings are for reference purposes only and are not part of this Agreement. The recitals set forth in this Agreement are specifically incorporated into and constitute a part and terms of this Agreement. If there is any typographical, word processing, printing or copying error in this Agreement, the error will be interpreted and corrected consistent with the following order of interpretation:

1. The content and expressed intent and exhibits of our Franchise Disclosure Document(s) previously delivered to you.
2. The content and expressed intent of franchise agreements we have executed with our other franchises reasonably contemporaneous to this Agreement.

- D. Severability. If, any part of this Agreement is declared invalid, that declaration will not affect the validity of the remaining portion which will remain in full force and effect as if this Agreement had been executed with the invalid portion omitted. The parties declare their intention that they would have executed the remaining portion of this Agreement without including any part, parts, or portions which may be declared invalid in the future. Provided, however, that if we determine that the finding of invalidity materially and adversely affects the basic consideration of this Agreement, we may, at our option, terminate this Agreement.

- E. **Implied Covenants.** If applicable law implies a covenant of good faith and fair dealing in this Agreement, the parties agree that covenant will not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement. If applicable law implies such a covenant, the parties acknowledge and agree that:
1. This Agreement (and the relationship of the parties which is inherent from this Agreement) grants us the discretion to make decisions, take actions or refrain from taking actions not inconsistent with our explicit rights and obligations under this Agreement that may favorably or adversely affect your interests;
 2. We will use our business judgment in exercising our discretion based on our assessment of our own interests and balancing those interests against the interests of the owners of other FunBox businesses generally (including us, our franchisees and parties related to us) and specifically without considering the individual interests of you or any other particular franchisee;
 3. We will have no liability to you for the exercise of our discretion in this manner, so long as our discretion is not exercised in bad faith toward you; and
 4. In the absence of bad faith, no trier of fact in any judicial or arbitration proceeding will substitute its judgment for the business judgment we exercise.
- F. **Joint and Several.** If, at any time during the term of this Agreement, you consist of two or more persons (whether acting in partnership or otherwise and whether or not all have signed this Agreement), the rights, privileges and benefits granted to you in this Agreement may only be exercised and enjoyed jointly; and your obligations, liabilities and responsibilities under this Agreement will be joint and several obligations of each such person.

9.8 **Enforcement.** From time to time there may be controversies about this Agreement, its interpretation, or performance or breach by the parties.

A. **Mediation.** If a dispute arises between the parties, prior to taking any legal action, the parties agree to participate in at least **8** hours of mediation in accordance with the Mediation Procedures of the American Arbitration Association or of any similar organization that specializes in the mediation of commercial franchise business disputes. The Parties agree to equally share the costs of mediation. Injunctive relief and or claims of specific performance sought pursuant to or authorized by this Agreement, are not subject to, nor can be avoided by, the mediation or arbitration terms of this Agreement, and may be brought in any court of competent jurisdiction. Mediation may be specifically enforced by either party. This agreement to mediate will survive termination or expiration of this Agreement.

B. **Injunctive Relief and Specific Performance.** Either party may obtain in any court of competent jurisdiction specific performance and injunctive relief to restrain a violation by the other party of any term or covenant of this Agreement. Nothing contained in this Agreement will bar us or you to obtain specific performance of the provisions of this Agreement and injunctive relief against threatened conduct that will cause you or us loss or damages under customary equity rules, including applicable rules for obtaining restraining orders and preliminary injunctions.

C. **Governing Law and Venue.** You acknowledge that we have appointed and intend to appoint many franchisees on terms and conditions similar to those set forth in this Agreement. It mutually benefits those franchisees, you and us if the terms and conditions of these license agreements are uniformly interpreted. This Agreement is accepted by us in the State of Nevada. This Agreement and the relationship between the parties, any dispute between you (or your officers, directors, shareholders, members, partners or other owners) and us, whether arising under this Agreement or from any other aspect of the parties' relationship, will be interpreted under the laws of the State of Nevada and will be governed by the substantive laws of **Nevada** without regard to Nevada choice of law provisions. Provided that any law of the State of

Nevada that regulates the sale of franchises or business opportunities or governs the relationship of a franchisor and its franchisees will not apply unless its jurisdictional requirements are met independently without reference to this section. Nevada laws will prevail, except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051, et seq.) and except in those states whose franchise laws require exclusive application of those laws. This choice of laws will not include and does not extend the scope of application of the Nevada franchise or business opportunity laws except as they may otherwise apply pursuant to their terms and definitions. No franchise, business opportunity, anti-trust, "implied covenant", unfair competition, fiduciary or any other doctrines of law, statute, law or regulation of Nevada or any other state is intended to be made applicable to this Agreement unless it would otherwise apply absent this paragraph. The foregoing will not be construed as a waiver of any of your rights under any applicable franchise registration, disclosure, or relationship law of another territory, state, or commonwealth.

Any portion of this Agreement that requires enforcement in any other state, and is enforceable under the laws of that state but not of Nevada, will be construed and enforced according to the laws of that state.

The parties have negotiated regarding a forum in which to resolve any disputes arising between them and have agreed to select a forum in order to promote stability in their relationship. Therefore, if a claim is asserted in any legal proceeding involving you (or your officers, directors, shareholders, members, partners or other owners) and us, the parties agree that all issues or disagreements between them will be mediated, arbitrated, tried, heard, and decided in the county in which our headquarters is then located (currently **Las Vegas, Nevada**) which you agree is the most convenient venue for these purposes. You acknowledge and agree that this location for venue is reasonable and the most beneficial to the needs of and best meets the interest of, all of the members of the FunBox franchise system.

D. **Remedies.** You recognize the unique value and secondary meaning attached to the Method of Operation, the Service Marks and our standards of operation and trade practices. You agree that any noncompliance with the terms of this Agreement or any unauthorized or improper use of the Method of Operation or the Service Marks will cause irreparable damage to us and our franchisees. You agree that if you engage in any unauthorized or improper use, during or after the period of this Agreement, we will be entitled to both permanent and temporary injunctive relief from any court of competent jurisdiction in addition to any other remedies prescribed by law.

Our and your rights under this Agreement are cumulative, and the exercise or enforcement of any right or remedy under this Agreement will not preclude exercise or enforcement of any other right or remedy which a party to this Agreement is entitled by law to enforce. No right or remedy conferred upon us is exclusive of any other right or remedy in this Agreement or provided by law or equity. Each will be cumulative of every other right or remedy.

We may employ legal counsel or incur other expense to collect or enforce your obligations or to defend against any claim, demand, action or proceeding because of your failure to perform your obligations. Legal action may be filed by or against us and that action or the settlement of it may establish your breach of this Agreement. If any such event occurs, we may recover from you the amount of our reasonable attorney fees and all other expenses we incur in collecting or enforcing that obligation or in defending against that claim, demand, action or proceeding.

You agree that the existence of any claims you may have will not constitute a defense to the enforcement by us of any of the confidentiality requirements and covenants not to compete described in this Agreement. You acknowledge that any violation of the confidentiality requirements and covenants not to compete would result in irreparable injury to us for which no adequate remedy at law may be available and you accordingly consent to the issuance of an injunction prohibiting any conduct by you in violation of the terms of the covenants not to compete.

You agree that each of the confidentiality requirements and covenants not to compete described in this Agreement will be constructed as independent of any other covenant or provision. If all, parts or any portion of any covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an un-appealed final decision to which we are a party, you expressly agree to be bound by any

lesser covenant subsumed within the terms of that covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in this Agreement. Each of the covenants described in this Agreement is a separate and independent covenant in each of the separate counties and states in the United States in which we transact business. To the extent that any covenant may be determined to be judicially unenforceable in any county or state, that covenant will not be affected with respect to any other county or state. You understand and acknowledge that we will have the right, in our sole discretion, to reduce the scope of any covenants, confidentiality requirements or covenants not to compete set forth in this Agreement that apply to you or to any other of our franchisees. We may do so without your consent, effective immediately upon your receipt of written notice. You agree that you will comply with any covenant that pertains to you as we so modify it.

You acknowledge we will suffer immediate and irreparable harm that will not be compensable by damages alone if you repudiate or breach any of the provisions of any part of this Agreement that relates to the confidentiality or protection of confidential information and trade secrets or your covenants to not compete against us or our franchise system or your threats or attempts to do so. For this reason, under those circumstances, we, in addition to and without limitation of any other rights, remedies or damages available to us at law or in equity, will be entitled to obtain temporary, preliminary and permanent injunctions in order to prevent or restrain the breach, and we will not be required to post a bond as a condition for the granting of this relief. You also agree that a violation of any of your confidentiality or non-competition covenants will entitle us, in addition to all other remedies available at law or equity, to recover from you any and all funds, including, without limitation, wages, salary, and profits, which will be held by you in constructive trust for us, received by you in connection with such violation.

You specifically acknowledge the receipt of adequate consideration for the confidentiality and non-competition covenants contained in this Agreement and that we are entitled to require you to comply with these covenants. Those covenants will survive termination or expiration of this Agreement. You represent that if this Agreement expires or is terminated, whether voluntarily or involuntarily, you have experience and capabilities sufficient to enable you to find employment or otherwise earn a livelihood in areas which do not violate this Agreement and that our enforcement of a remedy by way of injunction will not prevent you from earning a livelihood.

Except with respect to the parties' obligation to indemnify each other as outlined in this Agreement, we and you and our respective principals waive to the fullest extent permitted by law any right to or claim for any punitive, exemplary, special and consequential damages against the other (including lost profits incurred as a result of any termination of this Agreement) and agree that, in the event of a dispute between you and us, the party making a claim will be limited to equitable relief and to recovery of any direct or general damages it sustains.

Limitations: Any judicial proceeding between two or more of the parties shall be governed by the following limitations:

1. Such judicial proceeding will be considered unique as to its facts and may not be brought as a class action. You and each of your owners waive any right to proceed against us by way of class action. The court will not be precluded from making its own independent determination of the issues in question, notwithstanding the similarity of issues in any other judicial or arbitration proceeding involving any other franchisee. Each party waives the right to claim that a prior disposition of the same or similar issues preclude such independent determination.
2. The parties agree that a judicial proceeding will be tried before the court sitting without a jury, notwithstanding any State or Federal constitutional or statutory rights. Each party waives any right to have any action tried by jury.
3. Except with respect to obligations regarding use of the Service Marks, the Operations Manual and confidential information, the parties waive, to the fullest extent permitted by law, any right to or claim for any punitive or exemplary damages against any other party

and agree that the party making any claim directly or indirectly arising from or relating to this Agreement will be limited to recovery of actual and consequential damages sustained.

E. **Attorney Fees.** The prevailing party in any insolvency proceeding, bankruptcy proceeding, suit, or action to enforce this Agreement will recover its arbitration, proceeding, and court costs and reasonable attorney fees. These will be set by the proceeding or court, including costs and attorney fees on appeal or review from the arbitration, proceeding, suit, or action. "Prevailing party" means the party who recovers the greater relief in the proceeding as determined by the trier of fact based upon an assessment of which party's major arguments or positions taken in the proceedings could fairly be said to have prevailed over the other party's major arguments or positions on major disputed issues. Attorney fees will include, without limitation, fees incurred in the following: (a) post judgment motions; (b) contempt proceedings; (c) garnishment, levy, and debtor and third-party examinations; (d) discovery; and (e) bankruptcy litigation. This subsection is intended to be expressly severable from the other provisions of this Agreement, is intended to survive any judgment and is not to be deemed merged into the judgment.

9.9 **Other Agreements.** If you or any of your shareholders, partners, or officers violate any material provision of any other franchise or similar agreement with Us, that breach will be considered a breach of this Agreement and of the other agreements. We then may terminate or otherwise enforce this Agreement and the other agreements. Whenever this Agreement requires that you [and we] enter into a release, such as for a transfer, renewal or purchase of an additional franchise, the release will be in substantially the following form:

You (and your owners, members, partners, officers, and directors) agree to the following general release, subject to and following laws applicable in your jurisdiction, to release us from any claims you may have against us:

In consideration of the mutual covenants and understandings set forth in this release agreement, you release and discharge us and our respective current and former owners, partners, directors, officers, employees and agents from all obligations, duties, covenants and responsibilities to be performed under the franchise agreement with us related to the franchise and the franchise premises ("your Prior Franchise Agreement").

You release and forever discharge us and our current and former owners, partners, directors, officers, members, employees and agents from any and all claims, demands, actions or causes of action of every name, nature, kind and description whatsoever, whether in tort, in contract or under statute, arising directly or indirectly out of the offer of, negotiation of, execution of, performance of, nonperformance, or breach of your Prior Franchise Agreement and any related agreements between you and us and out of any other action or relationship between you and us arising prior to the date of the release agreement.

You and we will represent that this release has been read and that it is fully understood and voluntarily accepted. The purpose of this release is to make a full, final and complete settlement of all claims, known or unknown, arising directly or indirectly out of your Prior Franchise Agreement and the relationship between you and us prior to the date of the transfer [renewal] agreement including, but not limited to, economic loss.

It is expressly understood and agreed that this release is intended to cover and does cover not only all known losses and damages but any further losses and damages not now known or anticipated but which may later develop or be discovered, which arise under your Prior Franchise Agreement prior to the date of the transfer [renewal] agreement, including all effects and consequences.

These releases are intended to waive, release and discharge all claims against us, other than these expressly reserved:

any future claims we may have against you for: your past, present and future violations of the post-termination covenants contained in the Prior Franchise Agreement and [fill in blank as appropriate]

[any future claims you may have against us for:] [fill in blank as appropriate] [and relating in any way to your prior franchise agreement, any transfer agreement, or our acts prior to the execution of this release.]

with the express waiver of any statute, legal doctrine or other similar limitation upon the effect of general releases. In particular, the parties waive the benefit of any applicable statutory provision such as by illustration, California Civil Code Section 1542, which states:

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

You will waive the benefit of both statute and any other legal doctrine or principle of similar effect in any jurisdiction, recognizing that while there may be new or different facts of which we are unaware at the time that this release is executed, we have nevertheless weighed the advantages and disadvantages of entering into this Release, and while we may be unaware of relevant facts, we are also aware that not every eventuality or condition can be anticipated and that we prefer the current certainty of this Release to the possibility of discovering new or different facts in the future.

9.10 **Agreement Binding on Successors and Assigns.** This Agreement benefits and binds the respective heirs, executors, administrators, successors, and assigns of the parties.

9.11 **Execution in Counterparts and Our Acceptance.** This Agreement will be binding upon you at the time you sign it and deliver it to us. This Agreement will not be binding upon us until we accept it in writing by one of our principal officers at our home office. If we do not accept it within **60** days, this Agreement will no longer be binding upon you. Delivery of the executed signature page of this Agreement by facsimile or electronic mail transmission will constitute effective and binding execution and delivery of this Agreement.

9.12 **Approval by Shareholders, Members or Partners.** If you are a corporation, limited liability company, partnership or other entity, we will not be bound until your shareholders, members or partners read and approve this Agreement, agree to the restrictions on them (including restrictions on the transfer of their interest in the Franchise and the restrictions and limitations on their ability to compete with Us), and jointly and severally guarantee your performance under this Agreement. We may request a copy of the Resolution approved by your partners, members, shareholders, owners or directors as confirmation of your fulfillment of this requirement and authorizing your execution of this Agreement.

Your ownership certificates will have conspicuously endorsed upon them a statement that they are subject to, and that further assignment or transfer of them is subject to, the restrictions imposed upon assignments by this Agreement.

If You are an entity with more than one owner, the partnership agreement, shareholders agreement, limited liability operating agreement or other similar agreement for the entity ("Owners Agreement") must contain the following provisions which will supersede any contrary provisions in that agreement:

- A. Your owners ("Owners") agree to submit any dispute they cannot resolve relating to the operation and management of the franchise business to arbitration by our president or his designee. If the arbitration submission is accepted by our president, it must be held at our headquarters or at another location the Owners and the arbitrator agree. The decision of

the arbitrator will be final and subject to enforcement by the courts of competent jurisdiction. If the submission to arbitration is not accepted by our president, the Owners must resolve their disputes in accordance with the other provisions of this Franchise Agreement.

- B. The term "operations and management" includes, but is not limited to, questions relating to:
1. Allocations of management responsibilities between the Owners;
 2. Contributions to capital for purposes of business operations, repairs and remodeling;
 3. The reasonable salaries of the Owners;
 4. Marketing efforts;
 5. The termination of the employment of an Owner;
 6. Procedures for making and implementing management decisions;
 7. Whether an Owner has performed duties with respect to the operation or management of the franchise business.
- C. Unless the Owners and the arbitrator agree in writing otherwise, "operation and management" does not include questions relating to:
1. Allocations, computations or distributions of profit or loss;
 2. Accounting issues;
 3. Elections of officers of the entity;
 4. Investments of cash not necessary for the operation of the business;
 5. Determining whether an Owner is disabled or incompetent within the meaning of the Owners Agreement;
 6. The fair market value of the Owners' interests in the entity;
 7. Whether an event has occurred, which gives rise to a right to buy the interest of an Owner other than a right resulting from an Owner's default determined to exist under B, above;
 8. Whether an Owner has met his obligations to purchase the interest of any current or former Owner;
 9. Matters relating to the winding up of the entity after a dissolution;
 10. Matters relating to the legal validity of the Owners Agreement.
- D. The Owner's agreement must provide that the Owner or Owners who are to be responsible for on premises operation of the franchise business must own 50% or more of the capital interests in the entity and that the Owners of the entity must have voting rights proportionate to their interests in capital.
- E. The Owners agree to notify us in writing of their intent to enter into, modify or amend any Owners Agreement. Notice must be given at least 10 business days before they enter into that agreement, modification or amendment. The purpose of this notice is to enable us to review it for compliance with this section.
- F. Inclusion of these provisions in the Owner's Agreement will be a condition to our consent to the transfer of the franchise to an entity.

9.13 **Personal Guarantee.** The undersigned Guarantors are all of your partners, members, shareholders or owners. They jointly, severally, irrevocably, and unconditionally guarantee to us the due and punctual observance and performance by you of all of your obligations under this Agreement and any other agreement to which we and you are parties. Each Guarantor agrees to guarantee us against all liability, loss, harm, damage, costs, and expenses (including attorney fees) that we may incur because of your failure to observe your obligations. The liabilities and obligations of each Guarantor will not be released, discharged, or affected by our release or discharge of or dealing with you under any of these agreements; or by anything we do, suffer, or allow to be done in relation to you; or by change, alteration, or modification of any of the agreements; or by any compromise, arrangement, or plan of reorganization affecting you; or by your

bankruptcy or insolvency; or by any other act or proceeding in relation to you or any of the agreements by which any Guarantor might otherwise be released. The liabilities and obligations of each Guarantor pursuant to this Guarantee will be continuing in nature and will terminate only on the satisfaction of your obligations under this Agreement. A fresh cause of action will arise in respect of each breach by you producing a liability of any Guarantor.

The Guarantors agree that it shall not be necessary for us or our assigns to institute suit or exhaust our legal remedies against you in order to enforce this guaranty. Guarantors agree that we may from time to time extend the time for performance or otherwise modify, alter, or change this Agreement, may extend the time for payment of all sums guaranteed, and may receive and accept notes, checks, and other instruments for the payment of money made by you and extensions or renewals without in any way releasing or discharging Guarantors from their obligations. This guaranty shall not be released, extinguished, modified, or in any way affected by our failure to enforce all the rights or remedies available to it under this Agreement. Our release of one or more Guarantor will not operate as a release of the other Guarantors.

9.14 **Representations and Acknowledgments.**

A. **Receipt of Disclosure Documents.** You acknowledge that you have received our complete Franchise Disclosure Document at the earlier of (1) the first personal meeting with us (in Maryland, New York and Rhode Island); or (2) **14** calendar days before signing any franchise or related agreement or making any payment with the franchisor or an affiliate in connection with the franchise sale. In addition, you acknowledge either:

1. receipt of this Agreement containing all substantive terms at the time of delivery of the Franchise Disclosure Document; or
2. if we unilaterally or materially altered the terms and conditions of our standard franchise agreement or any related agreements attached to the Franchise Disclosure Document, you acknowledge that you received a complete and final copy of this Agreement and its exhibits not less than **7** calendar days before you signed this Agreement.

B. **You Have Read and Understand this Agreement.** You acknowledge that you have had ample to read and have read this Agreement and our Franchise Disclosure Document. You understand and accept the terms, conditions and covenants contained in this Agreement. They are necessary to maintain our high standards of quality, service and uniformity at all franchises. They protect and preserve the goodwill of the Service Marks and the confidentiality and value of the Method of Operation. You have received advice from advisors of your own choosing regarding all pertinent aspects of this Franchise and the franchise relationship created by this Agreement. You also acknowledge that you believe you have made a good decision for yourself or your partners or your corporation based upon what you believe is your ability to run and control a business of your own.

C. **Varying Forms of Agreement.** You are aware that some of our present and future franchisees may operate under different forms of agreement and, consequently, that our obligations and rights in respect to our various present and future franchisees may differ materially in certain circumstances.

D. **Speculative Success.** The success of your franchise is speculative and depends, to a large extent, upon your ability as an independent businessperson. You recognize that the business venture contemplated by this Agreement involves business risks. We do not make any representation or warranty, express or implied, as to the potential success of the Franchise.

E. **Independent Investigation, No Projections or Representations.** You acknowledge that you have entered this Agreement after conducting an independent investigation of us and of the Franchise. Your success will be dependent upon your ability as an independent businessperson. You have not relied upon any representation as to gross revenues, volume, cost savings, potential earnings or profits which you in particular might realize. Except as outlined in Item 19 of our Franchise Disclosure Document, we expressly disclaim the making of, and you acknowledge that you have not received, any representation, warranty, or

guarantee, express or implied, concerning the potential revenues, cost savings, volume, profits, or success of the business venture contemplated by this Agreement. You acknowledge that neither we, nor any of our officers, directors, shareholders, employees, agents or servants, made any other representation about the business contemplated by this Agreement or that are not expressly set forth in this Agreement or our Franchise Disclosure Document to induce you to accept this Franchise and execute this Agreement. Any oral representations made by our representatives to you, whether or not set forth in earlier versions of our standard form franchise agreement, have either been ratified by us by including the representations in this document or have been disavowed by excluding them from this Agreement.

F. **No Review of Business Plans, Loan Applications.** Prior to your execution of this Agreement, we have not given you any advice or review of any of your business plans or third-party loan applications related to your purchase of and proposed operation of the franchise. We do not receive or review business plans and loan applications before a franchisee signs the relevant franchise agreement. We have strongly recommended that you retain and work with your own independent accountant and financial advisors to fully review all financial aspects of your potential franchise investment for you. You acknowledge that we will not provide financial assistance to you and that we have made no representation that we will buy back from you any products, supplies, or equipment you purchase in connection with your franchise.

G. **Your Location and Market Area.** You acknowledge that we will not provide or designate locations for you. You have investigated the potential of the market area in which you are to establish and operate your franchise business and the laws and regulations applicable thereto (or will do so if you have not yet found a Franchise Premises). You agree and represent that that market area is reasonable, the Franchise Premises will be suitable for the operation of a franchise, and the Initial Franchise Fee represents fair consideration for the opportunity to establish and operate a franchise. You agree to identify and secure the Franchise Premises and order the Inflatable Park Components in the time required by this Agreement and the Franchise Disclosure Document.

H. **Health and Full-Time Participation.** You acknowledge that a franchise business involves hard work and sometimes long hours, similar to most small businesses that are owner operated. We have not represented that this business is going to be easy for you, your partners, officers or directors. You or your majority owner if you are a corporation, limited liability company or partnership, must actively participate in the daily affairs of the business. You represent that you or your majority owner are in good health and able to devote your full time and best efforts in the day-to-day operations of your franchised business or that you have the business management skills necessary to successfully hire a general manager to run the day-to-day operations of your franchised business.

I. **Terrorism, Convictions, Immigration Status.** You represent to us, unconditionally and without reservation, that:

Neither you, nor your spouse, nor your children, nor your parents, nor any employee or prospective employee of the franchise business, nor anyone who has an interest in or who will manage the franchise, nor any of your partners or affiliates: supports terrorism, provides money or financial services to terrorists, including but not limited to those individuals and organizations on the current U.S. government lists of persons and organizations that support terrorism as provided for by law, such as the list of "Specially Designated Nationals" and "Blocked Persons" under the "USA Patriot Act" 18 USC Section 1900 et money or financial services from terrorists or institutions that support terrorists, including but not limited to those individuals and organizations on the current U.S. government lists of persons and organizations that support terrorism as provided for by law, such as the list of "Specially Designated Nationals" and "Blocked Persons" under the "USA Patriot Act" 18 USC Section 1900 et seq. is engaged in terrorism, or in any activity, organization or plan with or of any person or organization, including but not limited to those individuals and organizations on the current U.S. government lists of persons and organizations that support terrorism as provided for by law, such as the list of "Specially Designated Nationals" and "Blocked Persons" under the "USA Patriot Act" 18 USC Section 1900 et seq. is on the current U.S. government lists of persons and organizations that support terrorism as provided for by law, such as the list of "Specially Designated Nationals" and "Blocked Persons" under the "USA Patriot Act" 18 USC Section 1900, et seq.

Neither you nor any of these persons has engaged in or been convicted of fraud, corruption, bribery, money laundering, narcotics trafficking or other crimes, and each is eligible under applicable U.S. immigration laws to communicate with and travel to the United States to fulfill your obligations under your agreements with us.

Neither you, nor your spouse, nor your children, nor your parents, nor anyone who has an interest in or who will manage the franchise, nor any employee or prospective employee of the franchise business, nor any of your partners or affiliates has engaged in or been convicted of fraud, corruption, bribery, money laundering, narcotics trafficking or other crimes, and each is eligible under applicable U.S. immigration laws to communicate with, lawfully reside in, and travel to the United States to fulfill your obligations under your agreements with us.

You, your spouse, your children, your parents, and anyone who has an interest in or who will manage the franchise, and all employees or prospective employees of the franchise business, and all of your partners or affiliates are in the United States lawfully, have legal residence in the United States, and are lawfully permitted to work in the United States.

You represent and warrant that to your actual and constructive knowledge: (i) neither you (including your directors, officers and managers), nor any of your affiliates, or any funding source for your franchise, are identified on the list at the United States Treasury's Office of Foreign Assets Control (OFAC); (ii) neither you nor any of your affiliates are directly or indirectly owned or controlled by the government of any country that is subject to an embargo imposed by the United States government; (iii) neither you nor any of your affiliates are acting on behalf of the government of, or is involved in business arrangements or other transactions with, any country that is subject to such an embargo; (iv) neither you nor any of your affiliates are on the U.S. Department of Commerce Denied Persons, Entities and Unverified Lists, the U.S. Department of State's Debarred Lists, or on the U.S. Department of Treasury's Lists of Specialty Designated Nationals, Specialty Designated Narcotics Traffickers or Specialty Designated Terrorists, as such lists may be amended from time to time (collectively, the Lists); (v) neither you nor any of your affiliates, during the term of this Agreement, will be on any of the Lists; and (vi) during the term of this Agreement, neither you nor any of your affiliates will sell products, goods or services to, or otherwise enter into a business arrangement with, any person or entity on any of the Lists. You agree to notify us in writing immediately upon the occurrence of any act or event that would render any of these representations incorrect.

You represent and warrant that:

Neither you nor any of your owners or agents conducts any activity, or has failed to conduct any activity, if such action or inaction constitutes a money laundering crime, including any money laundering crime prohibited under the International Money Laundering Abatement and Anti-Terrorist Financing Act ("**Patriot Act**") and any amendments or successors thereto.

Neither you, any of your owners nor any employee or agent is named as a "Specially Designated Nationals" or "Blocked Persons" as designated by the U.S. Department of the Treasury's Office of Foreign Assets Control (currently, this list is published under the Internet website address: www.treasury.gov/offices/enforcement/ofac/), and that you are neither directly nor indirectly owned or controlled by the government of any country that is subject to a United States embargo, nor do you or your owners or agents act directly or indirectly on behalf of the government of any country that is subject to a United States embargo. You agree that you will notify us in writing immediately of the occurrence of any event, which renders the foregoing representations and warranties of this subsection incorrect.

You understand and have been advised by legal counsel on the requirements of the applicable laws referred to above, including the United States Foreign Corrupt Practices Act (currently located at: www.usdoj.gov/criminal/fraud/fcpa.html), any local foreign corrupt practices laws and the Patriot Act (currently located at: www.epic.org/privacy/terrorism/usapatriot/), and you acknowledge the importance to

us, the Method of Operation and the parties' relationship of their respective compliance with any applicable auditing requirements and any requirement to report or provide access to information to us or any government, that is made part of any applicable law or regulation. You will take all reasonable steps to require your consultants, agents and employees to comply with such laws prior to engaging or employing any such persons.

J. **We May Investigate.** We may conduct investigations and make inquiries of any person or persons we, in our reasonable judgment, believe appropriate concerning the credit standing, character, and professional and personal qualifications of you and your owners, shareholders, members and partners. You authorize us to conduct these investigations and to make these inquiries. We agree to comply with the requirements of laws that apply to these investigations and inquiries.

K. **Operations Manual.** You acknowledge that the Operations Manual is loaned to you by us and at all times the Operations Manual and any updated or amended pages remain our property and that the copyright in the Operations Manual and all associated materials is vested in us. You agree to return to us the Operations Manual and any updated or amended pages immediately upon written demand.

L. **Data Protection Laws; Personal Information.** You will: (i) comply with all applicable data protection laws; (ii) comply with all of our requirements regarding the data protection laws contained in the Operations Manual or otherwise; (iii) refrain from any action or inaction that could cause us or our affiliates to breach any applicable data protection law; (iv) do and execute, or arrange to be done and executed, each act, document and thing necessary or desirable to keep us and our affiliates in compliance with any applicable data protection law; (v) reimburse us and our affiliates for any and all costs incurred in connection with your breach of any data protection laws; and (vi) permit us and our affiliates to use any data or other information each of them gathers concerning you in connection with the establishment and operation of franchised and company owned locations by us or our affiliates.

Without limiting the foregoing, you consent to the disclosure by us of certain personal information concerning you and the Franchise and the Franchise Premises, namely your identity, including your name, address and telephone number, in our franchise disclosure documents, whether or not such disclosure is required by law, and in our other documents relating to the sale of franchises.

Further, you consent to the additional disclosure by us of certain personal information concerning you, the Franchise and the Franchised Premises, including historical performance of the Franchise, sales, revenues, expenses, costs, results of operations, and similar financial information and operating information, and any information regarding the expiration or termination of this Agreement, to a prospective transferee of your Franchise or of the Franchise Premises or any other purchaser of any other franchise from us.

M. **State Law Addendum.** Attached as an exhibit to this Agreement and incorporated by reference, as applicable, are additional terms and conditions applicable to franchisees and their principals based in certain states within the United States of America (the "State Law Addendum"). Each provision of the State Law Addendum will be effective only to the extent that the jurisdictional requirements of the applicable state law are applicable to the provisions of this Agreement are met independent of the State Law Addendum. If the State Law Addendum is deemed to be inconsistent with any terms or conditions of this Agreement (including its exhibits or attachments other than the applicable State Law Addenda), the terms of the State Law Addendum will control.

N. **Release of Prior Claims.** By executing this Agreement, you, on behalf of yourself and your heirs, legal representatives, successors and assigns, and each assignee of this Agreement, forever release and discharge us, our past and present employees, agents, members, area developers, officers, and directors, including any of our parent, subsidiary and affiliated entities, their respective past and present employees, agents, members, officers, and directors, from any and all claims relating to or arising out of any franchise agreement between the parties executed prior to the date of this Agreement, and all other prior claims relating to any prior dealings between any of the parties apart from those specifically related to this Agreement. However, this release does not apply to any claim you may have arising from representations in our Franchise Disclosure Document, or its exhibits or amendments.

O. **Force Majeure.** The failure of any party to perform under this Agreement will be excused, if the failure to perform is caused by a Force Majeure provided the party so affected will give the other party immediate written notice of the cause of nonperformance, will use its best efforts to avoid or remove the cause, and will continue performance under this Agreement whenever the cause is removed. "Force Majeure" includes, without limitation, any event caused by or resulting from conditions that are beyond the reasonable control of a party whose performance is affected and occurring without the party's fault or negligence. Examples of events of Force Majeure include, without limitation, an act of God; labor strike or other industrial disturbance; revolution; riot; civil commotion; acts of public enemies; catastrophe; failure of third party suppliers not under a party's control; transportation delay; war; insurrection; epidemic or pandemic; fire; hurricane; flood; earthquake or other natural disaster; adverse acts of any government; materials or labor shortage; failure of third party suppliers; social unrest or upheaval; economy/fiscal emergency or crisis; banking system delays or failure; abnormal inflation or deflation; delay or an act or failure to act of the other party; accidental, negligent, or purposeful act or failure to act by a party or by any third person that materially damages or diminishes the value of the Marks (e.g. Dickey's Toxic Tea); etc.

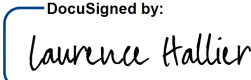
P. **NO REPRESENTATIONS, PROJECTIONS, OR WARRANTIES.** WE HAVE NOT MADE ANY REPRESENTATIONS, PROMISES, GUARANTEES, PROJECTIONS, OR WARRANTIES OF ANY KIND TO YOU, YOUR OWNERS, OR THE GUARANTORS TO INDUCE THE EXECUTION OF THIS AGREEMENT OR CONCERNING THIS AGREEMENT EXCEPT AS SPECIFICALLY SET FORTH IN WRITING IN THIS AGREEMENT AND IN OUR FRANCHISE DISCLOSURE DOCUMENT THAT WE DELIVERED TO YOU. YOU ACKNOWLEDGE THAT NEITHER WE NOR ANY OTHER PARTY HAS GUARANTEED YOUR SUCCESS IN THE BUSINESS CONTEMPLATED BY THIS AGREEMENT.

10) **SIGNATURES**

IN WITNESS, the parties have executed this Agreement on the day and year first above written.

("We/Us"):

FUNBOX FRANCHISE LLC

By: 
Name: BC6D39273C4D44E Laurence Hallier
Title: Managing Partner

(jointly and severally "you"):

By: 
Name: 5BF3BB239C83487... Mustafa Saleemi
Title (if applicable):

By:

Name:
Title (if applicable):

GUARANTOR(S):

EXHIBIT 1– FRANCHISE TERRITORY

1) **FRANCHISE TERRITORY:** The Franchise Territory is [the city limits as of 3/14/2023, 20__ of Minnesota & Northwest Minnesota State as attached map]

2) **FRANCHISE PREMISES:** The Franchise Premises is or will be located at TBD _____.

The site of the Franchise Premises and the boundaries of the Franchise Territory are based on the physical location of the references used to describe the Franchise location or the boundaries of the territory on the date of this Agreement. If a street address is used to describe a location, the renumbering of the address will not serve to move the location. If a specified boundary of the Franchise Territory is described as a street, the center line of the street is intended; if the boundary is described as a political dividing line (such as a city limit), the line utilized by the appropriate political jurisdiction is intended. The area and physical location of any Franchise Premises location or of the Franchise Territory will not be altered by a subsequent movement of the references originally used to describe them. Also, it is only those points to the “inside” of the boundary that form a part of the Franchise Territory (for example, if a Franchise Territory is bounded on the north by Main Street, only the area south of the center line of Main Street is within the Franchise Territory).

For all calculations based upon a distance (for example, the boundaries of your Franchise Territory), the measurement will be made following the then current shortest driving distance on principal roads and major thoroughfares in every possible direction measured by the centerline between the nearest points; if any portion of an object is within the prescribed distance from a point, the entire object is considered to be within that distance.

**EXHIBIT 3 TO THE FRANCHISE AGREEMENT
FRANCHISE PREMISES LEASE AGREEMENT RIDER**

THIS RIDER has been entered this ____ day of _____, 202___. It is by and between _____, ("Landlord") and _____ (jointly and severally "Tenant").

RECITALS

On or about _____, 20___, Landlord and Tenant executed a lease agreement (the "Lease Agreement") by which Tenant leased from Landlord real property for Tenant's operations of a **FUNBOX** franchise at the following location: _____ (the "Franchise Premises").

On or about _____, 20___, Tenant and **FUNBOX FRANCHISE LLC** (the "Franchisor") executed a franchise agreement (the "Franchise Agreement") for Tenant to operate a franchise at the Franchise Premises.

Landlord and Tenant desire to execute this addendum to the Lease Agreement to give Franchisor certain rights to the Franchise Premises as required by the Franchise Agreement.

THEREFORE, in consideration of the mutual promises and covenants contained in this Agreement, the parties agree as follows:

1. **Use of Franchise Premises.** Landlord acknowledges and agrees that the Franchise Premises may be used only for the operation of a FunBox facility. Landlord permits Tenant to use and display the FunBox service marks, trademarks, and commercial logos and all other marks and logos that Franchisor develops for a FunBox facility in the future.
2. **Landlord Reports and Disclosures to Franchisor.** Tenant acknowledges and agrees that Landlord may, upon Franchisor's written request, disclose to Franchisor all reports, information, or data in Landlord's possession respecting sales made in, upon, or from the Franchise Premises and Tenant's business operations.
3. **Assignment to Franchisor.** Anything contained in the Lease Agreement to the contrary notwithstanding, Landlord agrees that without Landlord's consent, the Lease Agreement and Tenant's right, title and interest, may be assigned by Tenant to Franchisor, without cost or penalty. Landlord grants to Franchisor the right, at Franchisor's election, to receive an assignment of the Lease Agreement and the leasehold interest in the Franchise Premises, upon termination or expiration of Tenant's Franchise Agreement.
4. **Tenant's Default; Notice to Franchisor.** Landlord will give written notice to Franchisor (concurrently with the giving of notice to Tenant) of any breach by Tenant under the Lease Agreement. Franchisor will have the right (but not obligation), in Franchisor's sole discretion, to cure any breach at Tenant's expense within **15** business days after the expiration of the period in which Tenant had to cure the default. Notice will be sent to the following address, or to the address Franchisor may, from time to time, specify in writing to Landlord:

FUNBOX FRANCHISE LLC

2510 East Sunset Road, Suite 5-400
LAS VEGAS, NEVADA 89120

5. **Franchise Premises De-identification.** Upon termination, expiration, or non-renewal of the Lease Agreement, Tenant may de-identify the Franchise Premises. If Tenant fails to do so, Landlord gives Franchisor the express right to de-identify. De-identification consists of removal of all signs; modification or remodeling of all identifying architectural features; repainting as necessary to no longer use the color scheme used by Franchisor; and any other steps necessary (in Franchisor's reasonable discretion) to effectively distinguish the Franchise Premises from Franchisor's proprietary designs and marks.

6. **Renewal, Extension, or Cancellation of the Lease Agreement.** Landlord will not extend, renew, or cancel the Lease Agreement without Franchisor's prior written consent, which consent will not be unreasonably withheld.
7. **Competitors.** Landlord agrees that it will prohibit the establishment within Landlord's shopping center of any retail entity any part of whose business will be derived from the sale of inflatable amusement services.
8. **Signatures.**

IN WITNESS, the parties have executed this Rider on the day and year first above written.

("Landlord"):

By:
Title:

("Tenant"):

By:
Title:

**EXHIBIT 4 TO THE FRANCHISE AGREEMENT
SBA FORM 2462**



ADDENDUM TO LICENSE

AGREEMENT

THIS ADDENDUM ("Addendum") is made and entered into on _____, 20____, by and between _____ ("Licensor"), located at _____, and _____ ("Licensee"), located at _____.

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

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

CHANGE OF OWNERSHIP

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

FORCED SALE OF ASSETS

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

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

COVENANTS

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

EMPLOYMENT

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

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

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

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

Authorized Representative of **FRANCHISOR** _____:

By: _____

Print Name: _____

Title: _____

Authorized Representative of **LICENSEE** _____:

By: _____

Print Name: _____

Title: _____

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

Exhibit E to the FUNBOX® Franchise Disclosure Document

CONDITIONAL ASSIGNMENT

In consideration of the granting of a franchise to you and other valuable consideration paid by **FunBox Franchise LLC**, a Nevada limited liability company ("Us"), you assign to us all telephone numbers; telephone and internet listings; website and social media addresses and domain names you use in the operation of the franchise. We assume the performance of all of the terms, covenants and conditions of your related agreements with utilities and providers with the full force and effect as of the date we assume control under the relevant agreements as if we had originally been named as the contracting party under in the agreements.

We will hold this assignment, and will deliver it to the interested third parties only upon termination of the Franchise Agreement between us and you dated the ___ day of _____, 202__.

DATED this ___ day of _____, 202__.

("We/Us"): **FUNBOX FRANCHISE LLC**

("You"):

By:

By:

Title:

Name:

Exhibit F to the FUNBOX® Franchise Disclosure Document

**FUNBOX FRANCHISE LLC FRANCHISE AGREEMENT ADDENDUM
ABANDONMENT, RELINQUISHMENT, AND TERMINATION
OF ASSUMED OR FICTITIOUS BUSINESS NAME**

Pursuant to the provisions of relevant state laws concerning the registration and use of assumed or fictitious business names, the undersigned applicant, being a franchisee of **FUNBOX FRANCHISE LLC**, submits the following to evidence its intent to abandon, relinquish and terminate its right to use the business name **FUNBOX®**.

1. Name of Applicant who is Using the Assumed or Fictitious Business Name:

a(an) individual/partnership/corporation organized and doing business under the laws of the State of _____

2. Date When Original Assumed or Fictitious Business Name was Filed by Applicant:

3. Address of Applicant's Registered Office in the State of: _____

4. Please cancel the Applicant's registration to use the name **FUNBOX®**.

DATED: _____

Applicant

By:

Title:

**FRANCHISE DISCLOSURE DOCUMENT
STATE LAW ADDENDUM**

The following modifications and additions are part of the FunBox® Franchise Disclosure Document ("FDD") and Franchise Agreement ("FA") as required by relevant state laws.

These states have statutes which may supersede the Franchise Agreement in your relationship with us including the areas of termination and renewal of the Franchise:

ARKANSAS (Stat. Section 70-807)
CALIFORNIA (Bus. & Prof. Code Sections 20000-20043)
CONNECTICUT (Gen. Stat. Section 42-133e et seq.)
DELAWARE (Code, tit.)
HAWAII (Rev. Stat. Section 482-E1)
ILLINOIS (815 ILCS 705/1-44)
INDIANA (Stat. Section 23-2-2.7)
MICHIGAN (Stat. Section 19.854(27))
MINNESOTA (Stat. Section 80C.14)
MISSISSIPPI (Code Section 75-24-51)
MISSOURI (Stat. Section 407.400)
NEBRASKA (Rev. Stat. Section 8-401)
NEW JERSEY (Stat. Section 56.10-1)
SOUTH DAKOTA (Codified Laws Section 37-5A-51)
VIRGINIA (Code 13.1-557-574, 13.1-564)
WASHINGTON (Code Section 19.100.180)
WISCONSIN (Stat. section 135.03)

These and other states may have court decisions which may supersede the Franchise Agreement in your relationship with us, including the areas of termination and renewal of the Franchise.

California

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

OUR WEBSITE ADDRESS IS WWW.FUNBOX.COM. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION, ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT [www.dfpi.ca.gov](http://WWW.DFPI.CA.GOV).

FDD Item 17, FA Sections 5, 6, 7 and 9

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

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

Abandonment, Relinquishment, and Termination
of Assumed or Fictitious Business Name

(3) The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

(4) Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

(5) You must sign a general release if you renew or transfer your franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

(6) The Franchise Agreement provides that all issues or disagreements relating to the Franchise Agreement will be mediated, tried, heard and decided in Nevada with the costs being borne by the non-prevailing party. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

(7) The Franchise Agreement requires application of the laws of the State of Nevada. This provision may not be enforceable under California law.

(8) Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form and containing such information as the Commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

(9) The highest interest rate allowed by law in California is 10% annually.

(10) 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.

FDD Item 3

California 10 CCR Section 310.114.1(c)(3) requires disclosure regarding whether the franchisor, any person or franchise broker in Item 2 of the FDD is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in that association or exchange.

The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.

Georgia

DISCLOSURES REQUIRED BY GEORGIA LAW

The State of Georgia has not reviewed and does not approve, recommend, endorse, or sponsor any business opportunity. The information contained in this disclosure has not been verified by the state. If you have any questions about this investment, see an attorney before you sign a contract or agreement.

Abandonment, Relinquishment, and Termination
of Assumed or Fictitious Business Name

If, for any reason, any provision set forth in the Franchise Agreement (including those related to in-term and post-term covenants against competition and non-disclosure and non-use of confidential information) exceeds any lawful scope or limit as to duration, geographic coverage, specificity, or otherwise, it is agreed that the provision will nevertheless be binding to the full scope or limit allowed by law or by a court of law. Indeed, the parties acknowledge their desire and intent that such provisions be modified by a court or arbitrator to comply with Georgia law if needed. The duration, geographic coverage and scope allowable by law or court of law will apply to this Agreement.

Hawaii

Paragraph 4110.01, Section 482E-6(3): Upon termination or refusal to renew the franchise the franchisee will be compensated for the fair market value, at the time of the termination or expiration of the franchise, of the franchisee's inventory, supplies, equipment and furnishings purchased from the franchisor or a supplier designated by the franchisor; provided that personalized materials which have no value to the franchisor need not be compensated for. If the franchisor refuses to renew a franchise for the purpose of converting the franchisee's business to one owned and operated by the franchisor, the franchisor, in addition to their remedies provided in this paragraph, will compensate the franchisee for the loss of goodwill. The franchisor may deduct from such compensation reasonable costs incurred in removing, transporting and disposing of the franchisee's inventory, supplies, equipment, and furnishings pursuant to this requirement, and may offset from such compensation any moneys due the franchisor.

Idaho

FDD Item 17, FA Section 9

Any condition in a franchise agreement executed by a resident of Idaho or a business entity organized under the laws of Idaho is void to the extent it purports to waive venue or jurisdiction of the Idaho court system. Venue and jurisdiction will be in Idaho if the franchisee is an Idaho resident or a business entity organized under the laws of Idaho.

Illinois

Illinois law governs the Franchise Agreement(s)

The Illinois Franchise Disclosure Act prohibits discrimination among franchisees for payments made for Initial Franchise Fees, ongoing franchise fees, and the purchase of goods or services from the franchisor.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction or venue in a forum outside of Illinois is void. However, a franchise agreement may provide for arbitration in a forum outside of Illinois.

Your rights upon Termination and Non-Renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

In compliance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

It is agreed that the applicable provisions of this state law addendum for the state of Illinois supersedes any inconsistent portion of the FDD and of the Franchise Agreement (of this same date) and of all related agreements to which this addendum is attached.

Abandonment, Relinquishment, and Termination
of Assumed or Fictitious Business Name

DATED this __ day of _____, 202_.

("We/Us"): **FUNBOX FRANCHISE LLC**

By: _____
Title: _____

("You): _____

By _____
Title: _____

Indiana

FDD Items 6, 8, 9 and 17; FA Sections 5, 6, 7, 8 and 9

In Indiana, the reference to "members of their households or members of their immediate families" under the provisions of covenants not to compete will mean any person who has access to the information, including a spouse or any other person who lives within the household.

Pursuant to the requirements of the Indiana Deceptive Franchise Practices Law, IC 23-2.2.7 and the Indiana Franchise Disclosure Law, IC 23-2-2-2.5:

Any general release of claims against a franchisor is subject to the Indiana Deceptive Franchise Practices Law and the Indiana Franchise Disclosure Law.
The Franchise Agreement may not be unilaterally terminated unless there is a material violation of the Franchise Agreement and termination is not in bad faith.
Subject to Indiana Code 23-2-2.7-1(9), any post-term non-competitor covenants will have a geographical limitation of the territory granted to the franchisee.
Franchisee will not be required to indemnify Franchisor for any liability imposed upon Franchisor as a result of Franchisee's reliance upon or use of procedures or products that were required by Franchisor, if such procedures or products were utilized by Franchisee in the manner required by Franchisor.
In the event of a conflict of law, the Indiana Franchise Disclosure Law, IC 23-2-2.5, and the Indiana Deceptive Franchise Practices Law will prevail.
Franchisee may commence litigation in Indiana for any cause of action under Indiana law. Any arbitration between Franchisor and Franchisee shall be conducted in Indiana or a site mutually agreed upon.
Pursuant to Indiana Code Section 23-2-2.7-1(4), the franchisor will not obtain money, goods, services, or any other benefit from any other person with whom the franchisee does business, on account of, or in relation to, the transaction between the franchisee and the other person, other than for compensation for services rendered by the franchisor, unless the benefit is promptly accounted for, and transmitted by the franchisee.

Maryland

FDD Item 17 and FA Sections 6, 7 and 9

Pursuant to COMAR 02.02.08.16L, the general release required as a condition of renewal, sale, assignment or transfer of the franchise will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Abandonment, Relinquishment, and Termination
of Assumed or Fictitious Business Name

Any provision that provides for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

Section 14-216(c) (25) of the Maryland Franchise Registration and Disclosure Act requires a franchisor to file an irrevocable consent to be sued in Maryland. Notwithstanding anything to the contrary in the franchise agreement or Disclosure Document, you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Act.

Section 14-226 of the Maryland Franchise Registration and Disclosure Law prohibits a franchisor from requiring a prospective franchisee to assent to any release, estoppel or waiver of liability as a condition of purchasing a franchise. Our franchise agreement contains disclaimers of the occurrence or acknowledgment of the non-occurrence of acts that could constitute a violation of Maryland laws. These disclaimers, acknowledgments and representations are not intended to nor will they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchises.

DATED this __ day of _____, 202_.

("we/us"): **FUNBOX FRANCHISE, LLC**

("you"):

By: _____

By: _____

Michigan

The State of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are included in these franchise documents, the provisions are void for Michigan franchisees and cannot be enforced against Michigan franchisees. These provisions are:

- (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 the Michigan Franchise investment law. This will 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 will include the failure of the franchisee to comply with any lawful provision of the Franchise Agreement and to cure the failure after being given written notice and a reasonable opportunity, which in no event need be more than 30 days, to cure the 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 5 years, and

Abandonment, Relinquishment, and Termination of Assumed or Fictitious Business Name

- (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 months' advance notice of the 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 will be conducted outside this state. This will 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 will 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 breach 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 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 the franchisee's obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

The fact that there is a notice of this offering on file with the Attorney General does not constitute approval, recommendation or endorsement by the Attorney General. A franchisor whose most recent financial statements are unaudited and show a net worth of less than \$100,000 will, 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 the escrow. Any questions regarding this notice should be directed to the Department of the Michigan Attorney General, 6520 Mercantile Way, Suite 3, Lansing, Michigan 48913; (517) 373-3800.

The name and address of the franchisor's agent in Michigan authorized to receive service of process is:

State of Michigan
Consumer Protection Division
Attention: Franchise Bureau
525 West Ottawa Street
G. Mennen Williams Building, 6th Floor
PO Box 30213
Lansing, Michigan 48933
(517) 373-7117

Minnesota

Minnesota law prohibits requiring a franchisee to waive his or her rights to a trial or to consent to liquidated damages, termination penalties, or judgment notes; provided, that this part will not bar a voluntary arbitration of any matter if the proceeding is conducted by an independent tribunal under the rules of Arbitration. (Minn. Rules 2860.4400(J)).

FDD Item 6; FA Sections 2 and 5

NSF checks are governed by Minnesota Statute 604.113, which puts a cap of \$30 on service charges.

FDD Item 17; FA Sections 6.1, 6.3 and 7.1

With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subds. 3, 4, and 5, which require (except in certain specified cases) that a franchisee be given **90 days'** notice of termination (with **60 days** to cure) and **180 days'** notice for non-renewal of the Franchise Agreement; and that consent to the transfer of the franchise will not be unreasonably withheld.

FDD Item 17; FA Sections 6 and 9.8

Minnesota Statutes, Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

FDD Item 13; FA Section 5

Minnesota Statutes Section 80C.20, Subdivision 1(g) allows the Minnesota Commissioner of the Department of Commerce to issue a cease and dismiss order or issue an order denying, suspending or revoking any registration, amendment or exception on finding any of the following . . . that the method of

sale or proposed method of sale of franchises or the operation of the business of the franchisor or any term or condition of the franchise agreement or any practice of the franchisor is or would be unfair or inequitable to franchisees. Pursuant to this section, the Commissioner requires all franchisors registering in the state of Minnesota to state that the franchisor will protect the franchisee's right to use the trademarks, service marks, trade names, logo types or other commercial symbols or indemnify the franchisee from any loss, cost or expenses arising out of any claim, suit or demand regarding the use of the name. We intend to comply with the Minnesota statute and to protect the franchisee's rights and indemnify the franchisee for any losses to the full extent required by relevant state law.

FDD Item 17, FA Sections 6, 7 and 9

Minnesota Rule 2860.4400D prohibits a franchisor from requiring a franchisee to assent to a general release. The general release provisions in the Franchise Agreement are void and unenforceable in the state of Minnesota.

FA Section 9

Pursuant to Minnesota Statutes Section 80.C.21, this section will not in any way abrogate or reduce any rights of the franchisee as provided for in Minnesota Statutes, Chapter 80.C, including, but not limited to, the right to submit matters to the jurisdiction of the courts in Minnesota.

New York

1. The following information is added to the cover page of the Franchise Disclosure Document:

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

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

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor

charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to 2 a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the “Summary” sections of Item 17(c), titled “**Requirements for franchisee to renew or extend**,” and Item 17(m), entitled “**Conditions for franchisor approval of transfer**”:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), titled “**Termination by franchisee**”:

You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the “Summary” sections of Item 17(v), titled “**Choice of forum**”, and Item 17(w), titled “**Choice of law**”:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

North Dakota

FDD Item 9

Under North Dakota law, no modification or change the franchisor makes to the Operations Manual or Method of Operation may materially affect the franchisee's status, rights, or obligations under the Franchise Agreement.

FDD Item 17(c), FA Section 6.1

The Commissioner has determined that requiring franchisees to sign a general release upon renewal of the franchise agreement to be unfair, unjust, and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment law. The general release provision in Section 6.1 of this Agreement is void and unenforceable in the state of North Dakota.

FA Sections 5 and 6

The Commissioner has held that covenants restricting competition contrary to Section 9-08-06 of the North Dakota Century Code are unfair, unjust, or inequitable within the intent of the North Dakota Franchise Investment Law (Section 51-19-09). Thus, covenants not to compete are considered unenforceable in the State of North Dakota.

FA Section 6

Pursuant to Section 51-19-09 of the North Dakota Franchise Investment Law, a requirement that franchisees consent to liquidated damages or termination penalties in the event of termination of the franchise agreement is considered void and unenforceable.

FA Section 9.6

Apart from civil liability as set forth in section 51-19-12 N.D.D.C, which is limited to violations of the North Dakota Franchise Investment Law (registration and fraud) the liability of the franchisor to a franchisee is based largely on contract law. Despite the fact that those provisions are not contained in the franchise investment law, those provisions contain substantive rights intended to be afforded to North Dakota residents, and is unfair to franchise investors to require them to waive their rights under North Dakota Law.

The North Dakota Franchise Investment Law (Section 51-19-09) requires that this Agreement will be governed by the laws of North Dakota, which laws will prevail.

FA Section 9.9

Pursuant to the North Dakota Franchise Investment Law (Section 51-19-09), an arbitration or mediation locations which are remote from the site of the franchisee's business are unfair, unjust, or inequitable. Therefore, the site of arbitration or mediation must be agreeable to all parties.

Pursuant to the North Dakota Franchise Investment law (section 51-19-09), requiring franchisees to consent to the jurisdiction of courts outside of North Dakota is unfair, unjust, or inequitable. Thus, all issues or disagreements relating to this Agreement will be arbitrated, tried, heard and decided within the jurisdiction of courts in the state of North Dakota.

Sections of the Franchise Agreement stipulating that the franchisee will pay all costs and expenses incurred by Franchisor in enforcing the agreement may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law.

Ohio

The Ohio Business Opportunity Plan Law requires a notice of the purchaser's right to cancel the agreement in at least ten-point boldface type, in the following form and in close proximity to the space reserved in the agreement for the signature of the purchaser:

"You, the purchaser, may cancel this transaction at any time prior to midnight of the fifth business day after the date you sign this agreement. See the attached notice of cancellation for an explanation of this right."

A completed form, in duplicate, captioned "notice of cancellation," must be attached to the agreement signed by the purchaser and be easily detachable and must contain in ten-point boldface type, the following statement:

"NOTICE OF CANCELLATION

(Enter date of transaction)

You may cancel this transaction, without penalty or obligation, within five business days from the above date. If you cancel, any payments made by you under the agreement, and any negotiable instrument executed by you will be returned within ten business days following the seller's receipt of your cancellation notice, and any security interest arising out of the transaction will be cancelled. If you cancel, you must make available to the seller at your business address all goods delivered to you under this agreement; or you may if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk. If you do make the goods available to the seller and the seller does not pick them up within twenty days of the date of your notice of cancellation, you may retain or dispose of them without further obligation. If you fail to make the goods available to the seller, or if you agree to return them to the seller and fail to do so, then you remain liable for the performance of all obligations under this agreement. To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice, or send a telegram, to (name of seller), at (address of seller's place of business), or send a fax to (name of seller) at (seller's facsimile number) or an e-mail to (name of seller) at (seller's electronic mail address), not later than midnight of (enter date).

I hereby cancel this transaction.

.....
(Date)

.....
(Purchaser's signature)"

FDD Item 17, FA Section 9

Ohio's Business Opportunity Plan Law, Section 1334.06 provides that in connection with the sale or lease of a business opportunity plan, any provision in an agreement restricting jurisdiction or venue to a forum outside of the state of Ohio, or requiring the application of laws of another state other than the state of Ohio, is void with respect to a claim otherwise enforceable under Sections 1334.01 to 1334.15 of the Revised Business Opportunity Plan Law.

The Ohio Business Opportunity Plan Law requires that certain provisions contained in the Franchise Agreement be amended to be consistent with Ohio Law:

- In the event of a conflict of laws, Ohio law will prevail.
- Any claim or action may be brought in the appropriate state or federal court in Ohio.
- The statutes of limitations under Ohio Law will apply.

Rhode Island

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act." The Disclosure

Document and Franchise Agreement are amended accordingly to the extent required by law.

South Dakota

FDD Item 17; FA Section 6

Under South Dakota law, termination provisions covering breach of the Franchise Agreement, failure to meet performance and quality standards and failure to make royalty payments contained in the Disclosure Document and franchise agreement must afford a franchisee **30 days'** written notice with an opportunity to cure the breach prior to termination.

FA Section 9

The law regarding franchise registration, employment, covenants not to compete, and other matters of local concern will be governed by the laws of the State of South Dakota; but as to contractual and all other matters, this Agreement and all provisions of this instrument will be and remain subject to the application, construction, enforcement, and interpretation under the governing law of the State of Florida.

Virginia

Estimated Initial Investment. The franchisee will be required to make an estimated initial investment ranging from \$434,944 to \$682,405. This amount exceeds the franchisor's stockholders equity as of March 8, 2022, which is \$151,150.

Washington

FDD Item 17; FA Section 6 and 7

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

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.

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.

Transfer Fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

The franchisee acknowledges receipt of this Addendum.

It is agreed that the applicable foregoing state law addendum for the state of _____, if any, supersedes any inconsistent portion of the Franchise Agreement (to which this addendum is attached) of this same date, and of the Franchise Disclosure Document. All terms of the Franchise Agreement, including these State Law Addendum provisions for the relevant state, have been agreed to at the time the Franchise Agreement was signed. However, this addendum will have effect only if the Franchise Agreement or our relationship with you satisfies all of the jurisdictional requirements of the relevant state's franchise laws, without considering this addendum.

DATED this 3/14/2023 day of _____, 202 .

("we/us"): **FUNBOX FRANCHISE LLC**

By: 
Title: 
Managing Partner

("you"):

By: 
Name: 
Mustafa Saleemi

WARRANTIES AND DISCLAIMERS BY PROSPECTIVE FRANCHISEES

Through the use of this Franchisee Closing Questionnaire, we desire to verify certain information about the sales process and to confirm that we and our employees have complied with applicable franchise disclosure laws. We further desire to confirm that you fully understand that the purchase of a FunBox® franchise is a business decision involving the evaluation of many risks. Our policy is to verify and confirm that in making your decision you are not relying upon any oral statement, representation, promise or assurance made during the negotiations for the purchase of a FunBox franchise by any of our directors, officers, employees, agents, or representatives (each, a "Representative") that is not specifically reported in our then-current Franchise Disclosure Document, including all of the exhibits attached to it (the "Franchise Disclosure Document").

BACKGROUND AND GENERAL INFORMATION

1. Please state the full name of each individual and entity that will be an owner of the Franchise and an owner of an entity that owns the Franchise:

Mustafa Saleemi

2. What is the location of the Franchise you are purchasing?

Minnesota & Oklahoma

3. Have you received a copy of the most current FunBox Disclosure Document?

Yes No If no, please explain:

On what date did you receive the Disclosure Document? 2/22/23

I. FRANCHISE LOCATION AND RELATED WARRANTIES

A. Location

You have applied for and are in the process of receiving a Franchise to a franchise to be located at _____ in the city of Minneapolis & Tulsa, State of Minnesota & Oklahoma ("the Site").
Minnesota

B. Warranties

You are exclusively responsible to locate and secure the franchise Site. We ("FunBox Franchising Company, LLC") have assisted you in Site location and negotiation. You have personally reviewed the Site and have had the opportunity to obtain independent professional advice and assistance to select and secure the Site. You have sought the assistance of independent legal, real estate, land use planning, zoning, architectural and accounting experts as you have formed your own opinion in selecting the Site. You understand that we do not guarantee the success of your franchise at the Site or at any other location.

C. Disclaimer of Reliance in Site Selection

No Representative of ours has made any representation about the value of the Site, or represented to you what amount of sales or net earnings the Site will or should generate as a franchise. You have received and read the Franchise Disclosure Document. It contains written statements of the actual sales, costs or earnings of your franchise at other selected locations.

II. LEASE TERMS

A. Warranty

You personally have reviewed the proposed lease or contract of purchase of the Site. You have had the opportunity to consult with independent legal, accounting and real estate experts to help form your own opinion of the acceptability of the lease or purchase contract to the Site.

B. Disclaimer

You have not relied upon us, or our Representatives, or upon any representations or opinions expressed by them in agreeing to or in authorizing execution of the lease or contract to purchase of the Site.

C. Submission to you

You will submit to you the lease or contract to purchase for approval before you execute it.

III. FRANCHISE

A. Warranty

You personally have read the Franchise Disclosure Document and Franchise Agreement. You have had the opportunity to consult with independent legal, accounting and franchise advisory experts before signing the Franchise Agreement.

B. Disclaimer

You disclaim that we or anyone associated with us has made any oral or written statements or representations about the terms or conditions of the Franchise Agreement, except those contained in it. No officer, employee or agent of ours has advised you of other terms or conditions effecting or modifying the Franchise Agreement.

C. Representations

1. Except as explicitly set forth in the Franchise Agreement or a written Addendum to it, no promises, agreements, contracts, commitments, representations, understandings, "side deals" or otherwise have been made to or with you with respect to any matter. This includes, but is not limited to, any representations or promises regarding advertising, marketing, Site location, operational assistance or other services, except as follows (if no exceptions, write "None"):

2. No oral, written or visual claim or representation, promise, agreement, contract, commitment, understanding or otherwise which contradicts or is inconsistent with the Disclosure Document or the Franchise Agreement has been made to you, except as follows (if no exceptions, write "None"):

3. Except as contained in your Franchise Disclosure Document – including Item 19, no oral, written, visual or other claim or representation has been made to you by any person or entity, which states or suggests any actual, average, projected or forecasted sales, gross receipts, operating costs, revenues, income, profits, expenses, cash flow, tax effects, earnings, or otherwise, that is not contained in the Franchise Disclosure Document, except as follows (if no exceptions, write "None"):

4. You acknowledge and agree that your decision to purchase a FunBox franchise is in no manner predicated upon any representations, assurances, warranties, guarantees or promises made by a Representative as to the likelihood of success of a FunBox franchise, except as follows (if no exceptions, write "None"):

5. You acknowledge that a Representative has not made any statement, promise or assurance concerning the likelihood of success that you should or might expect to achieve from developing and operating a FunBox franchise. If you believe that one of these statements, promises or assurances has been made, please describe the statement, promise or assurance in the space provided below or write "None".

6. You acknowledge that a Representative has not made any statement, promise or assurance concerning the advertising, marketing, training, support services or assistance that we will furnish you that is contrary to, or different from, the information contained in the Franchise Disclosure Document. If you believe that one of these statements, promises or assurances has been made, please describe the statement or promise in the space provided below or write "None".

7. You acknowledge that a Representative has not made any other statement, promise or assurance concerning any other matter related to a FunBox Park that is contrary to, or different from, the information contained in the Disclosure Document. If you believe that one of these statements, promises or assurances has been made, please describe the statement, promise or assurance in the space provided below or write "None".

IV. WARRANTIES REGARDING PARTICIPATION

- A. You will personally participate in the management of the Franchise as set forth in the "Franchise Management Organizational Chart" as provided for in the Franchise Agreement. You will faithfully and fully perform all duties required of you under the Franchise Agreement and the Management Contract, if applicable.
- B. You warrant that your purchase of the franchise is for your own account and is not made with a view to or for resale.
- C. You acknowledge that your decision to obtain a franchise has been based upon our Franchise Disclosure Document and Franchise Agreement and your own investigations, upon which you rely.

ACKNOWLEDGEMENT

By signing below, you acknowledge that you have personal knowledge of the foregoing and following facts and representations and that they are all true, complete, accurate, and correct:

1. You acknowledge that you received the Disclosure Document at least 14 calendar days before you signed a binding agreement with or made a payment to us or our affiliate in connection with the proposed franchise sale, or sooner if required by state law.
2. You acknowledge that you received the Franchise Agreement (if applicable) at least 7 calendar days before signing them.
3. You acknowledge that you have personally and carefully reviewed the Disclosure Document, that you understand all of the information in the Disclosure Document and that you have been advised by to have professional advisors of your own, including legal counsel, review the Disclosure Document and consult with you regarding the risks associated with the purchase and operation of a FunBox franchise.
4. You acknowledge that you have made your own independent determination as to whether you have the capital necessary to fund a FunBox franchise.
5. **You recognize and understand that the success or failure of a FunBox franchise is subject to many variables, including, but not limited to, (a) geographic location; (b) competition from other businesses in the market; (c) advertising effectiveness based on market saturation; (d) whether you assume the sales position or hire a sales manager; (e) your product and service pricing; (f) vendor prices on materials, supplies and inventory; (g) salaries and benefits to non-business personnel; (h) business personnel benefits (life and health insurance, etc.); (i) weather conditions; (j) employment conditions in the market; (k) inflation, and (l) lease terms and costs and other business factors. You acknowledge your willingness to undertake these business risks and that it is your responsibility to manage your FunBox franchise. You understand that the success or failure of your FunBox franchise depends primarily upon your efforts and not those of FunBox.**

Neither we nor our Representatives have advised you to fill in and complete this Questionnaire except as based upon your personal knowledge and experience. You do

so to acknowledge that we may rely upon your complete candor, honesty, and truthfulness.

Dated this ____ day of _____, 202____.

DocuSigned by:

Mustafa Saleemi

An Individual

An Individual

Exhibit I to the FUNBOX® Franchise Disclosure Document

FUNBOX FRANCHISE LLC

CONFIDENTIALITY, NON-DISCLOSURE, AND NONCOMPETE AGREEMENT

THIS AGREEMENT has been entered this 3/14/2023 day of March, 2023. It is by and between, **FUNBOX FRANCHISE LLC**, a Nevada limited liability company, ("we, us") and Mustafa Saleem ("you").

We own proprietary ideas and other confidential information related to the ownership and operation of FunBox Parks that feature inflatable amusement and selfie museum products and services. Through rigorous testing and training, we have developed a unique and uniform concept of décor and service. We have certain rights to and intend to continue to develop products, services, valuable goodwill, expertise, proprietary ideas, confidential information, service marks, methods, procedures, techniques, guidelines, and materials connected with the operation, promotion, and advertising of our FunBox® Parks (collectively these are called the "Method of Operation").

You and we desire to discuss the offer and sale of a franchise and potentially to enter into related commercial relationships. In the course of these discussions and our relationship it will be necessary for us to disclose Confidential Information to you.

THEREFORE, in consideration of the following mutual promises and covenants, the parties agree as follows:

1 PROTECTION OF CONFIDENTIALITY

1.1 **Confidential Information Defined.** In this Agreement, "Confidential Information" shall mean:

- a) Any information that relates to our proprietary ideas, trade secrets, business, products, technology, customers, finances, plans, proposals, or practices of us, including, but not limited to, plans and specifications for new products, discoveries, ideas, know-how, research and development, inventions, techniques, marketing strategies, customer lists, financing sources and suppliers, non-public financial information, budgets, data, and projections;
- b) Our proprietary information and information we mark or designate as confidential;
- c) Information, whether or not in written form and whether or not designated as confidential, which is known to you as being treated by us as confidential;
- d) Information provided to us by third parties, which we are obligated to keep confidential.

The Confidential Information shall include information in any form in which such information exists, whether oral, written, film, tape, computer disk, digital, or other form of media.

1.2 **Our Exclusive Property.** You acknowledge and agree that our Method of Operation and all Confidential Information is and shall continue to be our sole and exclusive property, whether or not disclosed or entrusted to you in connection with your relationship with us. Nothing in this Agreement will give you or others any right, title, or interest whatsoever in or to them. The Confidential Information shall be considered our trade secrets and shall be entitled to all protections provided by applicable law to trade secrets.

1.3 **Conflicting or Competing Interests.** Neither you nor your owners, shareholders, members, partners, directors, officers, managers, employees, consultants, distributors, or agents, nor the members of your or their immediate families or households (who have access to or knowledge of the Confidential Information or Method of Operation), will directly or indirectly participate as an owner, shareholder, partner, director, officer, employee, consultant, distributor, or agent, or serve in any other capacity in any business (including business in formation) engaged or to be engaged in the offering or sale or

rental of products or services that are the same as, or substantially similar to, the products and services that are part of the Method of Operation.

You will assure that you and your owners, shareholders, partners, directors, officers, employees, and agents, and the members of their immediate families or households (who have actual knowledge of or access to the Operations Manual or Method of Operation), will not directly or indirectly participate as an owner, shareholder, director, partner, officer, employee, consultant, franchisor, franchisee, distributor, advisor or agent, or serve in any other capacity in any business engaged directly or indirectly in the offer, sale, rental, Internet dissemination, or promotion of amusement and selfie museum products or services or any business that offers products or services that are essentially the same as, or substantially similar to, the products and services that are part of the Method of Operation. This covenant applies within a **100-mile** radius of any location where we operate or have granted the franchise to operate a FunBox business, and at any location within the United States of America.

2. COVENANT OF NON-DISCLOSURE You specifically acknowledge that you will receive valuable specialized and Confidential Information, including information regarding our operational, sales, promotional and marketing methods and techniques and the Method of Operation. You agree not to disclose Confidential Information to any third party and to limit disclosure within your association to designated employees approved by us. Disclosures to designated employees will be done on a “need to know” basis to the extent necessary for them to perform the duties of their employment with you. Unless required by court order or applicable law, you agree not to copy, download, send, or divulge any Confidential Information directly or indirectly to any other person or enterprise outside of our system. You will never communicate, divulge, or use in any manner, either for your benefit or the benefit of any other person, persons, partnerships, associations, companies or corporations any Confidential Information or proprietary information, knowledge or know-how concerning the Method of Operation or any information we have communicated to you in written, verbal or electronic form, including intranet passwords, for the operation of your business.

3 COVENANT OF NON-USE You agree not to use Confidential Information or the Method of Operation, except as authorized by us. You will obligate your owners, board of directors, your employees, and your agents to the same non-use covenant. We must approve in writing any use of Confidential Information or Method of Operation by you or your owners or your directors or employees.

4 RECIPROCAL OBLIGATION Should discussions between you and us require or entail disclosure of any of your confidential or proprietary information to us, we agree to the same obligations of confidentiality and non-use as are imposed on you by this Agreement.

5 MISCELLANEOUS

5.1 **Duration.** The obligations set forth in this Agreement will continue during and beyond the term of your relationship with us and for as long as you possess Confidential Information.

5.2 **Waiver.** A waiver of any breach of any provision, term, covenant, or condition of this Agreement will not be a waiver of any subsequent breach of the same or any other provision, term, covenant, or condition. Any waiver to this Agreement’s provisions must be made in signed writing by the granting party.

5.3 **Construction.** This document is the entire agreement between the parties. It supersedes all prior or contemporaneous written and oral agreements or understandings with respect to the subject matter of this Agreement. It may not be modified or amended except by signed written agreement. This Agreement benefits and binds the respective heirs, executors, administrators, successors, and assigns of the parties.


5.4 **Enforcement.** The prevailing party (the party who recovers the greater relief) in any arbitration, insolvency proceeding, bankruptcy proceeding, suit, or action to enforce this Agreement will recover its arbitration, proceeding, and court costs and reasonable attorney fees. These will be set by the arbitration, proceeding, or court, including costs and attorney fees on appeal or review from the arbitration, proceeding, suit, or action.

5.5 **Acknowledgments.** No person has made any other representation that is not expressly set forth in this Agreement to induce you to accept and execute this Agreement.

6 SIGNATURES IN WITNESS, the parties have executed this Agreement on the date written above.

("We/Us"): **FUNBOX FRANCHISE LLC**

By: 
Title: DocuSigned by:
BC6D39273C4D4AF...
Managing Partner

("You):
By: 
Name: 5BF3BB239C83487...
Mustafa Saleemi

By:
Name:

Exhibit K to the FunBox® Franchise Disclosure Document

The following is a complete listing of all of our current franchises and of all of our affiliate-owned parks and the addresses and telephone numbers of all of their operations as of **March 31, 2022**:

Current Franchises:

None

Affiliates-owned Parks:

FunBox Arcadia Hallier Investments, LLC Westfield Santa Anita Mall 400 South Baldwin Avenue, S6, Arcadia, CA 91007	Opened September, 2018
FunBox Woodland Hills Hallier Investments, LLC Westfield Promenade Mall 6600 Topanga Canyon Road, Woodland Hills, CA 91303	Opened October, 2021
FunBox Chandler Hallier Investments, LLC Chandler Fashion Center, Chandler, AZ	Opened November 2021
FunBox Del Amo Hallier Investments, LLC Del Amo Mall, Torrance, CA	Scheduled to open April 2022
FunBox Sacramento Hallier Investments, LLC Westfield Roseville Galleria Mall Sacramento, CA	Scheduled to open April 2022

EXHIBIT L to the FunBox® Franchise Disclosure Document**State Effective Dates**

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin. This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	July 20, 2022 (org-458865)
Connecticut	June 21, 2022
Florida	June 30, 2022 (BF54399)
Hawaii	Pending
Illinois	September 16, 2022 (#1269-22)
Indiana	October 19, 2022 (22-001702)
Kentucky	October 14, 2022 (B-6066)
Maryland	Pending
Michigan	June 24, 2022 (#009976)
Minnesota	October 5, 2022 (#10400)
Nebraska	June 29, 2022 (#449245)
New York	Pending
North Dakota	Pending
Rhode Island	October 31, 2022
South Dakota	Pending
Texas	June 27, 2022 (2022-0269)
Utah	June 13, 2022 (12896562-BSOE)
Virginia	September 7, 2022 (#7209)
Washington	Pending
Wisconsin	June 17, 2022 (#632243)

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.