

FRANCHISE DISCLOSURE DOCUMENT



Universal Entertainment Group, LLC
An Arizona Limited Liability Company
13200 West Foxfire Drive, Suite #144
Surprise, AZ 85378
(855) PLAY-002
www.LUV2PLAY.com

The franchises described in this disclosure document are for the operation of LUV 2 PLAY children's indoor play center with café operating under the name **LUV 2 PLAY®**. The total investment necessary to begin operation of a franchised Play Center is ~~\$303,450~~\$556,950 to ~~\$1,076,250~~\$1,814,250. This includes the \$30,000 initial franchise fee and \$50,000 to \$225,000 deposit for the play center equipment.

* * * * *

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosure in different formats, contact Julie Caricato at the above address and telephone number.

The terms of your contract will govern your franchise relationship. Do not rely on the disclosure document alone to understand your contract. Read your entire contract and this disclosure document carefully. Show your contract and this disclosure document to an advisor, such as a lawyer or accountant.

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

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

Issuance Date: November 15, 2018

STATE COVER PAGE

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

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

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

Please consider the following RISK FACTORS before you buy this franchise:

1. THE FRANCHISE AGREEMENT REQUIRES THAT ALL DISAGREEMENTS MAY BE SETTLED BY ARBITRATION IN ORANGE COUNTY, CALIFORNIA. OUT OF STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE WITH US IN CALIFORNIA THAN IN YOUR HOME STATE.
2. ARBITRATION WILL NOT BE USED FOR ANY DISPUTE WHICH INVOLVES A FRANCHISEE'S CONTINUED USAGE OF ANY OF THE MARKS OR ANY ISSUE INVOLVING INJUNCTIVE RELIEF AGAINST FRANCHISEE, ALL OF THESE ISSUES WILL BE SUBMITTED INITIALLY TO A COURT IN ORANGE COUNTY, CALIFORNIA. THE PARTIES CONSENT TO PERSONAL JURISDICTION IN CALIFORNIA OVER ANY SUCH ISSUES NOT SUBJECT TO ARBITRATION.
3. THE FRANCHISE AGREEMENT STATES THAT THE LAW OF THE STATE OF CALIFORNIA GOVERNS THE AGREEMENT.
4. IF YOU ARE A LEGAL ENTITY, ALL OF YOUR OWNER(S) MUST PERSONALLY GUARANTEE THE FRANCHISE AGREEMENT.
5. YOU WILL NOT RECEIVE AN "EXCLUSIVE" TERRITORY AND YOU MAY FACE COMPETITION FROM OTHER FRANCHISEES, FROM OUTLETS THAT WE OWN, OR FROM OTHER CHANNELS OF DISTRIBUTION OR COMPETITIVE BRANDS THAT WE CONTROL.

We use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise. A franchise broker or referral source represents Us, not You. We pay this person a fee for selling our franchise or referring You to Us. You should be sure to do Your own investigation of the franchise.

Effective Date: See the next page for state effective dates

EFFECTIVE DATES:

The following states 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 Franchise Disclosure Document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

California: _____

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EXHIBITS:

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

To simplify the language in this disclosure document, the words "**We**", "**Us**", or "**Our**" mean the franchisor Universal Entertainment Group, LLC, an Arizona limited liability company doing business as LUV 2 PLAY®. "**You**" or "**Your**" means the person who buys the franchise and includes Your owners if You are a corporation, limited liability company, partnership or other business entity. Bold face terms are for ease of reference only.

The Franchisor

We are an Arizona limited liability company formed October 10, 2014 to franchise children's indoor play center business using the name LUV 2 PLAY ("**Play Centers**"). We do not do business under any other name. Our principal business address and telephone number are 13200 W. Foxfire Drive, Suite #144, Surprise, AZ 85378; (855) PLAY-002. Our agents for service of process are listed on **Exhibit F**.

~~We are commonly owned with Funtime, LLC, an Arizona limited liability company doing business as "Indoor Playgrounds International" ("IPI"), which is Our "Affiliate". IPI's address and telephone number are 13200 W. Foxfire Drive, Suite #144, Surprise, AZ 85378; 866-856-9778. We do not operate a Play Center, but IPI currently operates a Play Center in Surprise, Arizona, which is similar to the franchise being offered to You. Additionally, IPI sells LUV 2 PLAY playground equipment and supplies to our Franchisees and will rent the real property for each franchised Play Center and sublease it to the Franchisee.~~

~~We do not have any predecessor or parent. We do have three commonly owned Arizona limited liability companies whose address and telephone number are 13200 W. Foxfire Drive, Suite #144, Surprise, AZ 85378; 866-856-9778.~~

~~Funtime, LLC, doing business as "Indoor Playgrounds International" ("IPI"), sells LUV 2 PLAY playground equipment and supplies to our Franchisees. Additionally, IPI will rent the real property for each franchised Play Center and sublease it to the Franchisee.~~

~~We do not operate a Play Center, but Luv 2 Play AZ, LLC currently operates a Play Center in Surprise, Arizona; and Luv 2 Play Alsip, LLC currently operates a Play Center in Alsip, Illinois. The companies are owned by Our founder, Julie Caricato, and are doing business as "Luv 2 Play". These Play Centers are similar to the franchise being offered to You. We are also commonly owned with Global Amusement Corp., a Canadian company located at 13200 W. Foxfire Drive, Suite #144, Surprise, AZ 85378 ("**GAC**"), which sells LUV 2 PLAY franchises in Canada. Neither We, nor Our affiliates have previously offered franchises in this or any other line of business. IPI, nor GAC have previously offered franchises in this or any other line of business.~~

Description of the Franchise

We offer franchises for the operation of Play Centers which will operate children's indoor play centers which feature Our unique, playful and fun playground equipment ("**Equipment**"). We and IPI have developed a marketing system for these Play Centers (the "**System**"), each of which will use the LUV 2 PLAY trademark and other designated trademarks, trade names, service marks and logos ("**Marks**"). Each Play Center must offer some form of approved food and beverages to its users, which may vary under the circumstances and specific needs of the Play Center from a pizza or other specialty line, a café or a full service restaurant (collectively, a "**Café**"). Each Play Center will typically employ 9 to 25 part-time and full-time employees, each one of which must be good at dealing with children and their parents.

The LUV 2 PLAY Equipment is innovative and state-of-the-art, with a priority on child safety and quality. Our Equipment is highly reliable because it is made by the best and most trustworthy manufacturers. Playground safety is always the highest priority at LUV 2 PLAY Centers. IPI provides excellent support to all Play Centers.

A typical Play Center will be approximately 6,000 square feet to 30,000 square feet, the exact size depending on what is available as well as the demographics of the surrounding area. Each Play Center will typically be located in a shopping center or strip center which can be easily found and accessed. An alternative location may be a warehouse facility near a popular retail center. Affiliate IPI will lease the premises for Your Play Center and sublease the premise for You. IPI is solely responsible for lease negotiations and You agree not negotiate directly with the master landlord or its agents during this process. IPI will not charge additional amounts above the Master Lease. **(Exhibit C)**

You must purchase a package of equipment for Your franchised Play Center. LUV 2 PLAY equipment is sold by Our Affiliate IPI, which has been selling indoor playground equipment since late 2013 (**Exhibit B**). The typical equipment You will need includes freestanding equipment such as Ballistics, Ball Pools and sand tables, interactive soft play devices, Playhouse and Pretend Play, Play Panels, Soft Play equipment, Swing sets and Slides, ~~redemption equipment and arcade games.~~ You will also need signage, accessories and supplies such as Ball Washing Machines, Flooring and mats, Furniture, Sculptures, logo themed merchandise and other Theming items. IPI and You will agree upon the appropriate package for Your Play Center. You will also need the equipment for Your Café which will vary depending on the form of Café You select.

Each Play Center will use Our System and operate according to Our standards, specifications, operating procedures and rules as contained in Our Manual (the "**System Standards**"). We believe in promoting the creation of the healthy lifestyle and people seeking to obtain a higher quality of life.

Franchise Agreement

You must be approved both operationally and financially before opening each new Play Center. We have a Franchise Development Committee which has the exclusive authority to approve all new franchises. You must first file a Franchise Application with Us.

The initial term of each Franchise Agreement (**Exhibit A**) is 10 years and is renewable for two additional 5-year terms, subject to certain conditions. See "Renewal" discussed below in ITEM 17. If the lease for the premises is more than 10 years, an initial term will match the lease term up to 15 years.

Competition

Your Play Center will be competing with other companies on the local and national level as well as public playgrounds. These may include community parks and playgrounds, other types of family recreation centers, amusement parks, trampoline centers, and miniature golf courses. These companies may compete directly with the products and services of Your Play Center and may have financial, personnel, and other resources greater than Us or You. You will compete for business in this environment, and understand that there is no guarantee of Your success. The Café in Your Play Center may compete with many other food service outlets, including well known brand outlets.

Industry Regulation

Many states and local jurisdictions have enacted laws, rules, regulations and ordinances that may apply to the construction and operation of Your Play Center, including the Cafe. You must comply with all local, state and federal laws that apply to the operation of Your Play Center. These include applicable design and construction requirements, health, safety and sanitation laws, permits, sales tax licenses, alcohol sales and usage, waste and hazard materials handling and storage, advertising, access for disabled persons, advertising and food product labeling and menus and similar regulations. You must comply with all local, state and federal laws that apply to the operation of Your Play Center. You should investigate the applicability of these and possibly other regulations in the area in which You are interested in locating Your Play Center and should consider both their effect and cost of compliance. To obtain an alcoholic beverages license, You will be subject to fairly intense governmental regulation both in obtaining the license and properly maintaining it.

ITEM 2. BUSINESS EXPERIENCE

President and LLC Manager: Julie Caricato

Ms. Caricato has been Our LLC Manager and President since We were formed in October 2014. She co-founded the LUV 2 PLAY concept and has been developing it since 2010. She has acted as CEO of Indoor Playground International (IPI) since July 2013. Ms. Caricato was President of Extreme Sports, LLC, an online retail website from October 2007 to March 2015 in Lake Havasu City, AZ.

Director of Franchise SalesChief Operating Officer: Mitchell Gold

Mr. Gold has been Our Chief Operating Officer since May 17, 2018. Previously, he was Our Director of Franchise Sales from May 17, 2018 to October 10, 2014. since we were formed in October 2014. He was Vice President of National TV Spots, Boston, MA from March 2008 through June 2014, after which he joined IPI.

Director of Franchise: Sophia Tellez

Ms. Tellez has been Our Director of Franchise since May 17, 2018. Previously, she was Our Franchise Administrator from May 17, 2018 to November 23, 2016. Ms. Tellez worked for Desert Empire Plumbing, Heating and Air, as an Office Administrator from August 2016 to December 2014 in Palm Desert, California. From November 2014 to October 2013, she was an Executive Assistant for Readylink Staffing in Thousand Palms, California.

Director of Business DevelopmentTraining: Patti Barnes

Ms. Barnes has been Our Director of Training since January 16, 2018. Previously she was the Director of Business Development from January 16, 2018 to since March 1, 2016, and , Previously, she was Our sales consultant from August 2015 to February 2016. Ms. Barnes worked for SKO Brenner American as a Sales Manager from May 2008 to September 2014 in Bermuda Dunes, California.

Project Manager: Justin LeSieur

Mr. LeSieur has been Our Project Manager since October 1, 2016. Previously, he was Indoor Playground International's customer relation's manager from March 2016 to September 2016 and an installer for Indoor Playground International from June 2015 to March 2016. Mr. LeSieur was a real estate appraiser from January 2012 to June 2015 in Lake Havasu City, AZ.

ITEM 3. LITIGATION

Luv 2 Play OC, Inc., Hisham Elmishad v. Universal Entertainment Group, LLC, Funtime, LLC, Mitchell Gold, Julie Caricato, and Patti Barnes (Superior Court, Orange County, California Case No. 00960328, Filed December 11, 2017). Plaintiffs executed a Franchise Agreement with Universal Entertainment Group, LLC in February 2016, and a Management Agreement in June 2017. Plaintiffs filed a Civil Complaint alleging Breach of Contract; Specific Performance; Conversion; Fraud; Negligent Misrepresentation, Violation of Unfair Practices and Accounting on December 11, 2017 and an Amended Complaint on January 30, 2018. Universal Entertainment Group, LLC was served on February 9, 2018. Defendants filed an Answer on March 26, 2018 denying all allegations. Mandatory Settlement Conference is scheduled for November 16, 2018 and Jury Trial is scheduled for February 25, 2019.

We do not believe the claim has any merit and will vigorously defend this claim. Other than this action, no litigation is required to be disclosed in this ITEM.

ITEM 4. BANKRUPTCY

~~On April 9, 2008, Julie Caricato (aka Julie Alissa Gold), our LLC Manager and President, filed a personal bankruptcy petition under Chapter 7 of the U.S. Bankruptcy Code (U.S. Bankruptcy Court, District of Arizona, (Case No. 08-bk-03867), which was discharged on November 7, 2008.~~

On June 6, 2014, Mitchell Gold, our Director of Franchise Sales, filed a personal bankruptcy petition under Chapter 7 of the U.S. Bankruptcy Code (U.S. Bankruptcy Court, Central District of California, Case No. 8:14-bk-13783-es), which was discharged on November 10, 2014.

Other than this action, no bankruptcy information is required to be disclosed in this Item.

ITEM 5. INITIAL FEES

You must pay Us \$30,000.00 as an Initial Franchise Fee for Your Play Center which is payable in full when you sign the Franchise Agreement. There are no refunds of any part of the Initial Franchise Fee. All fees payable to Us are intended to be “net” amounts and You will pay or reimburse Us for any sales, services, use or similar taxes which may be imposed upon any such fees.

When You submit Your Franchise Application, We require You to pay Us \$250 for the application and background investigation fees described in ITEM 7.

You must purchase from IPI an initial order of LUV 2 PLAY Equipment and signage, and the cost of which will depend on Your estimate of the size of Your franchised Play Center. IPI requires a nonrefundable deposit of 50% of the cost of Your purchase to initiate the order and start production of the Equipment.

Our Affiliate IPI will lease the premises for Your Play Center and sublease the premises for You. The Sublease will require You to comply with all of the requirements of the Master Lease for the premises and pay all monetary obligations of the Master Lease. IPI will not charge additional amounts above the Master Lease.

ITEM 6. OTHER FEES

NAME OF FEE	AMOUNT	DUE DATE	REMARKS
Franchise Royalty Fee	6% of Gross Revenues	Weekly	All Fees are payable to Us. See Note 2 and 3.
Local Marketing Spend	2% of Gross Revenues.	As Incurred	See Note 4
System Marketing Fund Fee	Up to 3% of Gross Revenues. (once established)	Weekly	All Fees are payable to Us. See Note 2, 3 and 5.
<u>Play Center Maintenance</u>	<u>\$3,000 to \$6,000</u>	<u>Annual</u>	<u>See Note 6.</u>
Supplier Approval Fee	Reasonable amount for Our costs and expenses (currently amount \$300)	Upon request for approval	All Fees are payable to Us. See Note 7.
Additional Training	Our then-current per diem fee, plus Our expenses (currently \$500 per day)	Upon Invoice	All Fees are payable to Us. See Note 8.
Additional LUV 2 PLAY Equipment (beyond initial order or in future)	Current purchase price plus shipping, installation and any applicable sales tax plus 10% franchisee discount.	Upon Invoice	Payable to Our Affiliate IPI
Service Technician Fees (Outside of Warranty Period)	\$55-\$75 per hour	Upon Invoice	Payable to Our Affiliate IPI
Late Payment Fees	\$250.00 plus interest on late amounts at 18% or highest legal rate.	Upon Invoice	All Fees are payable to Us. See Note 9.
Attorney Fees	Reasonable amount to prevailing party in any legal proceeding	Upon conclusion of proceeding	See Note 10.
Transfer Fee	25% of then current initial fee	Before actual transfer	All Fees are payable to Us. See Note 11.
Audit	Reasonable Accounting and Legal Fees	Upon invoice	All Fees are payable to Us. See Note 12.

Insurance Premiums	What You have failed to pay the Insurer	Immediately upon Invoice	Payable to Us to reimburse Us for having to pay Your obligation.
Indemnification	Amount of claim and costs incurred	Upon Demand	All Fees are payable to Us. See Note 13.
Liquidated Damages	Amount of annual salary	Upon Demand	See Note 14.

FOOTNOTES:

(1) All fees are imposed uniformly and paid to Us unless indicated otherwise. None of these fees are refundable for any reason except errors. All fees payable to Us are intended to be “net” amounts and You will pay or reimburse Us for any sales, services, use or similar taxes which may be imposed upon any such fees (specifically not to include income taxes).

(2) "**Gross Revenues**" is defined in the Franchise Agreement as the total of all payments received by You in or from the Play Center during each time period. "Gross Revenues" does not include sales taxes, complimentary employee meals, discounts, revenue derived from selling or issuing system gift or loyalty cards (although revenue derived from selling products & services to customers who use such cards for payment will be included in Gross Revenues), refunds or proceeds from the sale of furniture, equipment or similar items used in the Play Center.

(3) You must pay these fees no later than the third (3rd) day following the end of each week (currently Tuesday) or such other time as may be designated in the Manual. You agree to pay all such Fees to Us by direct transfer of funds ("**EFT**") or other method of payment designated by Us. You must submit for each designated period a sales report and ensure that each account has sufficient funds for the transfer.

(4) You must spend this amount monthly to conduct approved local advertising and sales programs for Your Play Center and send Us proof of the spending.

If an advertising cooperative is established in Your area, You must join it and contributions to it will be applied toward this obligation ("**Ad Co-op**"). The mandatory contribution to an Ad Co-op may exceed one percent of Gross Revenues if the Ad Co-op members agree to additional funding in accordance with established Bylaws. (Franchise Agreement, Section 7.6).

(5) The Marketing Fund is not yet established. These payments will not be required until We determine that establishing the Marketing Fund is appropriate for the System. We will also set the initial contribution rate at that time, which may be less than the maximum rate. We will deposit each payment into a separate bank account to be used for advertising and marketing purposes as described in ITEM 11.

FOOTNOTES:

(6) Our mandatory Play Center maintenance program is set forth in the Manual. IPI is our current supplier for maintenance of all Play Centers. Your annual maintenance costs for the Play equipment are estimated to be between \$3,000 to \$6,000. The annual maintenance costs for the Play Center can vary depending on the equipment You select and the Your Play Center's square footage. Any replacement parts not under warranty will be invoiced separately from the maintenance cost. Further discussed below in ITEM 8.

(7) We may impose reasonable inspection and supervision fees to cover Our costs in evaluating and maintaining alternative brands or suppliers You propose. Our current estimated cost is \$300 although costs could exceed this amount depending on the product.

(8) The Initial training is free for up to 2 people. Currently most training is handled via on-line instruction, on-site at a current Play Center and at Your Play Center. This estimate is for additional training if You request Our assistance after Your Play Center opens or if We determine that You require Our assistance. If You want Us to provide initial training to additional people, You must pay Us the then current charge (presently \$500 each) for the training described in Item 11 below. Typically additional training might include 1 to 2 persons for 2 days. Fees may not be uniformly imposed depending on specific circumstances.

(9) The current maximum legal interest rate in California is 10%.

(10) Such fees will vary based on circumstances and may include reimbursement for legal or accounting fees that occur as a result of any breach of the Franchise Agreement.

(11) These Fees may not be uniformly imposed at all times.

(12) In addition to any additional fees found due as a result of an audit of Your financial records, You must pay Us Our audit cost if You have understated Gross Revenues by more than 2% of the actual Gross Revenues found by the audit. The cost of an audit varies widely depending on how well the books and records are kept, but We estimate the cost of an audit to be between \$1,000 and \$5,000.

(13) You must indemnify Us for claims relating to Your operation of the Play Center.

(14) You may not hire any person employed by Us, an affiliate or another LUV 2 PLAY franchisee without Our prior written consent. If You fail to obtain the written consent, You agree to pay the prior employer of such person liquidated damages equal to the greater of the prior annual salary or one-half of the annual salary and of any bonus paid or to be paid by You to such person during the first year of employment. (Franchise Agreement, Section 4.10)

ITEM 7. ESTIMATED INITIAL INVESTMENT
YOUR ESTIMATED INITIAL INVESTMENT

	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS MADE
	Low	High			
Background Check	\$250	\$250	Lump Sum	Upon submitting Application	Us
Initial Franchise Fee	\$30,000	\$30,000	Lump Sum	Upon Execution of Franchise Agreement	Us
LUV 2 PLAY Equipment Plus Shipping, Delivery, Installation and Insurance (1)(2)	<u>\$180,000</u>	<u>\$550,000</u>	Wire	50% Deposit upon signing IPI Sales Contract; Balance Prior to Shipment	IPI
Training, Travel and Living Expenses (3)	\$3,000	<u>\$8,000</u>	As Incurred	Before and During Training	Airlines, Hotels, Businesses
Sublease of Real Property (4)	<u>\$15,000</u>	<u>\$100,000</u>	As Negotiated	Prior to Opening	IPI
Construction or remodeling of leasehold improvements (5)	<u>\$200,000</u>	<u>\$800,000</u>	As Negotiated	As Negotiated	Suppliers and Contractors
Computer Equipment, Security System and Software and (6)	\$15,000	<u>\$40,000</u>	As Incurred	Prior to Opening	Suppliers
Office Furniture (6)	<u>\$1,000</u>	<u>\$5,000</u>	As Incurred	Prior to Opening	Suppliers
Café Items (7)	\$75,000	\$150,000	As Incurred	Prior to Opening	Suppliers
Décor Items	\$5,000	\$10,000	As Incurred	Prior to Opening	Suppliers
Initial Accessories and Supplies (8)	<u>\$5,000</u>	<u>\$10,000</u>	Lump Sum	As Incurred	Suppliers and/or IPI
Signage	\$10,000	<u>\$30,000</u>	As Incurred	Prior to Opening	Suppliers
Plans , Permits, and Licenses (9)	\$700	<u>\$15,000</u>	As Incurred	Prior to Opening	Suppliers
Grand Opening	\$5,000	\$10,000	As Incurred	At Opening	Suppliers
Miscellaneous (10)	\$1,000	\$5,000	As Incurred	Prior to Opening	Various
Additional Funds – Three Months (11)	<u>\$11,000</u>	<u>\$51,000</u>	Lump Sum	Prior to Opening	Employees, Suppliers, Utilities
TOTAL (12)	<u>\$556,950</u>	<u>\$1,814,250</u>			

FOOTNOTES:

(1) Ranges in this ITEM 7 are based on the required minimum purchase of LUV 2 PLAY Equipment and the higher purchase of additional LUV 2 PLAY Equipment. These amounts will vary greatly based on the types of LUV 2 PLAY Equipment You purchase and the dimensions of Your Play Center. The Sales Contract (**Exhibit B**) will state the specific terms of Your initial purchase of equipment and supplies. This range includes only the cost of Your LUV 2 PLAY Equipment. Additional costs are included below.

(2) You must pay Our Affiliate IPI a 50% Deposit for the cost of Your Play Center's equipment and supplies upon signing the IPI Sales Agreement and pay the balance upon invoicing prior to shipment. Shipping and installation are included in the cost of Your Play Center equipment. Because the equipment is custom made for You, there are no refunds of these deposits.

(3) You must pay for the expenses of attending training, such as lodging, meals, transportation and wages of trainees. Each Play Center must have at least one trained and certified manager. The cost of these expenses will depend on the distance they must travel, the type of accommodations, the number of Your employees attending training and their wages. More than two trainees will increase these expenses and cost additional fees of \$500 each per week. Additionally, You and Your personnel must at all times be CPR certified.

(4) You will sublease Play Center Location from Our Affiliate IPI at its costs based on the master lease. Lessors typically require an initial payment of one month's rent and a security deposit equal to an additional month's rent, which is assumed here. The lease or sublease may include percentage rent of 6% of gross sales or the percentage specified in the master lease, if higher.

(5) **Includes architectural and engineering fees, building and related permit cost, and the actual cost of construction.** You will follow Our standard development procedures and adapt them to meet the specific requirements of Your proposed Play Center. Costs vary widely from area to area and for different locations within the same area. Lessors will often contribute to the cost of remodeling or constructing the space for Your Play Center. You should investigate all these costs in the area, and for the specific site, where You wish to establish Your Play Center.

(6) The Manual contains a list of mandatory items for each Play Center. This amount includes the items which We believe You should have for Your office at the Play Center. The Manual contains a list of mandatory items for new Play Centers with instructions for various site variations. We do not recommend that You purchase additional or upgraded items other than as specified in the Manual.

PLEASE SEE ADDITIONAL FOOTNOTES ON NEXT PAGE:

FOOTNOTES (CONTINUED):

(7) This amount consists of all equipment and supplies needed to establish the Café in Your Play Center. This amount will vary within this range depending on the form of Café and approved vendor You select.

(8) This amount consists of accessories and supplies that You should stock at the Play Center. The amount will vary depending on size of Your franchised Play Center and the sales volume You anticipate as well as current market prices.

(9) You must obtain all necessary business permits, licenses and approvals to operate the Play Center. The costs of these licenses and permits vary widely from area to area. You should contact an attorney and the government authorities in Your area for information about the cost and level of difficulties in obtaining all necessary permits.

(10) Insurance is included in this miscellaneous amount. You should have funds for one year's estimated insurance premiums. The cost of insurance varies depending on many factors. Insurance must be obtained to meet minimum requirements set by the System Standards. (Franchise Agreement, Section 11.2.) Initial premiums for commercial general liability insurance are subject to change due to market forces. The cost of other coverage, including workers' compensation and employer liability coverage varies depending on many factors. You should contact Your insurance agent and obtain an estimate of Your actual insurance costs.

(11) This category includes estimated payroll, employee background and drug screenings, and utilities, as well as expenses related to vendors, advertising, promotions and similar costs during the initial phase of a new Play Center. This estimate is based on Our founders' past experience, and We cannot guarantee that You will not have additional expenses starting Your Play Center. Your costs will depend on factors such as how much LUV 2 PLAY Equipment You begin with, how closely You follow the System and its procedures, the local market for Play Centers, the prevailing wage rate, competition, and the sales level reached during the initial period.

(12) This is Our estimate of the total expenses to start Your Play Center. Except as noted above, none of the above payments are expected to be refundable. We will not finance any of these payments. The above are all estimates based on the Our management's experience and knowledge, but Your costs will depend to a great extent on Your geographic area, the size of Your Play Center; how much You follow the System and its procedures; Your management skill, experience, and business acumen; and the sales level reached during the initial period. You should review these figures carefully with a business advisor, accountant or attorney before making any decision to purchase a franchise.

ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Each Play Center must be constructed or remodeled to Our specifications. You must obtain Our written approval of any proposed alterations to Our specifications before any work is begun. You must design, construct, remodel, equip and supply Your Play Center from using vendors and suppliers previously approved by Us, which include IPI (“Approved Suppliers”).

We may develop programs and relationships that involve volume purchases of products designated in the Manual. In order to maintain uniformity and conformity within the System, You must cooperate with Us and participate in these programs and purchase the products from suppliers designated in the Manual so long as they are also required for all other franchisees similarly situated. We may modify or add new specifications in writing.

Except as described in this ITEM 8, You are not obligated to purchase anything else from Us or IPI, but You will be obligated to make 100% of Your purchases from Approved Suppliers. We may negotiate purchase arrangements with suppliers including price terms for the benefit of franchisees and the System. You must use some supplies that are proprietary to Us, including copyrighted forms and materials bearing the Marks. The only material benefits You will receive for using Approved Suppliers are lower prices and better services and quality due to Our negotiations with them on behalf of the System.

We will specify Approved Suppliers and the products and services that are required to be purchased or leased in the Manual. The list of required items will be changed to meet current needs. Approved Suppliers are identified in Our Operations Manual. We may update our list of Approved Suppliers as We deem necessary or appropriate. As of the date of this Disclosure Document, there are Approved Suppliers who are the only source for equipment, equipment maintenance, merchandising materials, gift cards, rewards programs, beverages and POS system. We reserve the right to receive discounts, rebates, allowances, and other consideration from suppliers of products and services as a result of franchisee purchases.

Approved Suppliers and specifications are determined based on the current needs for operating the Play Center. We evaluate Approved Suppliers based on price, service, quality, and other commercially reasonable benchmarks. We have the right to limit the number of vendors and suppliers for products, goods, supplies, fixtures and equipment. We also have the right to designate a single source of supply for certain products. We or an affiliate may be that single source.

Required Purchases – Single Source:

Currently, we use Aluviii, Inc. for the Point of Sale (POS) software. You are required to use this POS system for Your Play Center. You must use your POS system to complete all sale transactions, and provide sales, accounting, and inventory reports.

The current monthly license fee is \$276.00, but that may change at any time. These amounts may be adjusted up to 10% annually to account for inflation and product enhancements. You are required to pay an activation fee to be added to the POS system (currently \$899). See Item 11 for more details.

Currently, We use High Score Amusements, Ltd. ("High Score") for the specialty arcade games and redemption gaming systems. You are required to use this equipment for Your Play Center. You will be responsible for the build-out of the custom redemption counter. High Score supplies, maintains and repairs the redemption system, arcade games and toys for the Play Center. Their current weekly license fee is \$56.54. You and High Score will share equally the costs of the toys and merchandise. The net profit from the gaming system will also be share equally, and weekly You will send High Score the weekly license fee and their share of Net Profits. **(Exhibit D)**.

You must purchase certain branded drink items according to Our standards and specifications, subject to Our right to change or discontinue any identified brands. Currently, drink items include syrups for carbonated and non-carbonated Coke-Cola owned products which must be purchased from authorized Coke suppliers. As of the date of this Disclosure Document, We have executed a Master Beverage Marketing Agreement with Coke-Cola Company ("Coke") which provides marketing, equipment and service programs to the LUV 2 PLAY system. Coke will provide the Play Center's dispensing equipment, and provide regular repair and service up to four times annually. Coke will distribute payments to both franchised and company owned Play Centers based upon a percentage of purchases by these locations. In addition, Coca-Cola may remit other consideration to Us such as marketing funds as a result of system-wide purchases. As of June 30, 2018, We received \$12,000 of initial funds in relation to this Master Beverage Marketing Agreement.

Required Purchases from an Affiliate or Us:

You must purchase the initial equipment and supplies for Your Play Center from Our Affiliate IPI. IPI is the only approved supplier of the Play Center equipment and accessories, signage, and themed supplies. ~~IPI supplies, maintains and repairs the arcade games, redemption system and toys for the Play Center at no charge. You will receive 40% of the net profit from the gaming system. You will be responsible for the build-out of the custom redemption counter.~~

Our mandatory Play Center maintenance program is set forth in the Manual. IPI is our current supplier for maintenance of all Play Centers. Your annual maintenance costs for the Playground equipment are estimated to be between \$3,000 to \$6,000. The annual maintenance costs for the Play Center can vary depending on the equipment You select and the Your Play Center's square footage. Any replacement parts not under warranty will be invoiced separately from the maintenance cost.

You must sublease the premises for Your Play Center from Our Affiliate IPI on the same terms as IPI leases the premises from the master lessor. IPI will work with a realtor to determine several approved sites that meet Our guidelines. You will make the final

decision on the approved site and IPI will negotiate the terms of the lease. IPI is solely responsible for lease negotiations and You agree not negotiate directly with the master landlord or its agents during this process.

If We introduce proprietary Products and/or items bearing the Marks, You may be required to purchase them from IPI or Us. You may be required to purchase from Us in the future software, Internet, and multi-area marketing programs and to participate in these programs, as designated in the Manual. There are no such requirements at this time, and We estimate based on present circumstances, that these required purchases will be less than one percent of Your operating expenses.

None of Our officers own an interest in an Approved Supplier other than IPI, which is owned by Our parent. If We receive rebates or referral fees from suppliers based on Franchisee purchases, We will use the funds to benefit the System. If We derive income based on certain required purchases or leases made in accordance with Our specifications, that income will generally be a percentage of the gross revenue derived by the approved supplier from sales to Our franchisees. We do not have any purchasing or distribution cooperatives.

As of December 31, 2017, IPI's revenues from the sale of goods and services to Franchisees was approximately, \$1,257,449.90 or 38% of its total revenues of \$3,309,078.69. ~~In the year ended June 30, 2017, We received \$17,191.50 from Newtek Financial that was based on financing provided to Our franchisees which was calculated at .075% of the funded loan amount.~~

We will approve additional suppliers. If You want to purchase items from another supplier, You may request Our "Supplier Approval Form." We reserve the right to charge a fee for processing your requests. Our specifications and standards for supplier approval are generally available upon written request. Based on the information and samples You supply Us, We will test the items supplied and review the proposed supplier. We will complete Our review promptly, generally within 30 days. You must not sell or offer for sale any products/services of the proposed supplier until our written approval of the proposed supplier is received. ~~A lack of response after 30 days will mean that the proposed supplier was not approved.~~

The Franchise Agreement requires You to obtain insurance from Qualified Insurance Carriers satisfactory to Us. Each insurance company must be rated no less than A VII by A.M. Best and Company. The insurance You must obtain includes coverage during the construction of Your Play Center and its operation. We must be named as an additional insured on each policy except workers compensation insurance. The required insurance policies must have at least the minimum coverage specified in the Franchise Agreement.

ITEM 9. FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the Franchise Agreement (“FA”). It will help you find more detailed information about your obligations in these agreements and in other items of this Franchise Disclosure Document.

Obligation	Section in Agreement	Item in Disclosure Document
a. Site Selection and acquisition	FA: § 1.3	Items 1, 11
b. Pre-opening purchases/leases	FA: §5.4, Exhibit B	Items 5, 7, 8, 11, 16
c. Site development and other pre-opening requirements	FA: § 5.4	Items 1, 5, 7, 11, 12, 15
d. Initial and ongoing training	FA: § 5	Items 1, 11, 17
e. Opening	FA: § 7.8	Items 5, 7, 11
f. Fees	FA: §§ 1.3, 2, 3.2, 4.8, 5.6, 9.1	Items 1, 5, 6, 7, 17, 19
g. Compliance with standards and policies/Manuals	FA: §§ 4.3, 4.4, 11.2	Items 1, 11
h. Trademarks and proprietary information	FA: § 14	Items 13, 14
i. Restrictions on products & services offered	FA: § 13	Items 8, 16
j. Warranty and customer service requirements	FA: § 4	Item 1
k. Territorial development and sales quotas	FA: §§ 1.2, 2.4	Items 1, 12
l. Ongoing product/service purchases	FA: §§ 4.8, 6.2, 7.3	Items 8, 16

m. Maintenance, appearance & remodeling requirements	FA: §§ 1.3, 4.3, 4.4, 4.6, 6	Item 17
n. Insurance	FA: § 11	Item 7
o. Advertising	FA: § 7	Items 6, 7, 11
p. Indemnification	FA: §§ 10.2, 11, 14.5	Item 13
q. Owner's participation/management/staffing	FA: §§ 4, 5	Item 15
r. Records/ Reports	FA: § 8	Items 6, 11
s. Inspections/Audits	FA: § 9	Item 17
t. Transfer	FA: § 13	Items 6, 17
u. Renewal	FA: § 3	Items 6, 17
v. Post termination obligations	FA: § 15	Item 17
w. Non-competition covenants	FA: § 4.9	Items 5, 17
x. Dispute resolution	FA: § 16.5	Item 17

ITEM 10. FINANCING

We do not offer direct or indirect financing. We do not guarantee Your note, lease or other obligation. We may receive a referral fee from lenders as a result of successful franchisee loans. We are registered with the SBA Franchise Registry. This affiliation may assist You with obtaining expedited loan processing if You should seek SBA financing. There are no waiver of defenses or similar provisions in any note, contract or other instrument executed by franchisees with Us.

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

Except as listed below, LUV 2 PLAY is not required to provide You with any assistance.

A. Pre-opening. Before You open Your Play Center, We will:

1. Loan You a copy of Our confidential operating Manual, which contains mandatory and suggested specifications, standards, approved suppliers, required products and services, operating procedures, approved suppliers and rules, in written and/or electronic form (Franchise Agreement, Section 4.4).
2. Conduct an initial training course for two persons (Franchise Agreement, Section 5.1).

B. Post-opening. During the operation of Your Play Center, We will:

1. Make available additional training programs as We deem appropriate (Franchise Agreement, Section 5.5).
2. Develop and administer at Our discretion advertising and promotion programs designed to promote the collective success of all Play Centers (Franchise Agreement, Section 7.1).
3. Make available any revisions and/or updates to Our confidential operating Manual when available (Franchise Agreement, Section 4.4).

C. Site Selection.

You may locate Your Play Center anywhere with Our approval. We will provide Guidelines and procedures for site selection as part of Your Initial Training. (See Training Table below.)

Within three (3) months after execution of the Franchise Agreement, You should have located and obtained approval for the site for Your Play Center. If You have not done so but have been duly diligent and acting in good faith under the circumstances, We will grant You up to two 90 day extensions, after which the Franchise Agreement will be considered as abandoned and canceled.

We will consider as part of site approval a number of factors such as potential customer density levels, assessment of a demographic study of the customer mix compared to existing profiles already established by Us, assessment of competitor activity, traffic patterns of the area as well as specific size, parking and other physical characteristics of the proposed site itself. We will use reasonable efforts to make a site

acceptance decision within 30 days after We acknowledge receipt of a complete site information form and any other materials we have requested. Our approval means that the site and plans meet minimum specifications and is not a warranty for their appropriateness. We do not generally own the premises and lease it to franchisees.

D. Time Before Opening.

We believe that based upon our management's experience, You should typically open a Play Center within three (3) to twelve (12) months after executing the Franchise Agreement. This length of time may be affected by factors such as difficulties in obtaining a good location, financing arrangements, acquiring necessary permits and licenses, procuring insurance, and shipping and delivery logistics. You must open Your Play Center within one year of signing Your Franchise Agreement, unless We extend the time in writing. Failure to open within the specified time period is a breach of the Franchise Agreement and Your Franchise Agreement can be terminated (Franchise Agreement Section 1.4)._-

You are responsible for conforming premises to building codes and local ordinances. ~~and~~ You must adhere to Our standards and specifications for the construction and design of the Play Center, which will include requirements for the interior and exterior layout, signage, equipment, fixtures and trade dress. You must obtain Our prior written approval of site specific drawings/plans before beginning construction. You may not open Your Play Center without Our prior written consent and satisfaction of all pre-opening obligations stated in the Manual and the installation of all equipment, fixtures, furnishings and signs included in the plans and specifications approved by Us.

You must purchase the initial equipment and supplies for Your Play Center from Our Affiliate IPI. IPI is the only approved supplier of the Play Center equipment and accessories, signage, themed supplies and gaming systems. IPI will deliver and install these items. You will be solely responsible for all hiring and employment decisions and functions relating to Your Play Center.

E. Advertising.

We will develop marketing promotional and advertising programs designed to promote LUV 2 PLAY Centers. Your participation in all such advertising and sales promotion programs must be in full and complete accordance with any terms and conditions as We may have established.

We will provide access to advertising and marketing materials and services to You. We may also use premium incentives and product awareness campaigns in advertising and promotions. Advertising media may include print, Internet, vehicle wraps, fundraisers, public relations campaigns and radio or television (primarily local in scope). Whenever possible, the material is produced in-house or provided by vendors.

You may develop advertising materials for Your own use at Your own cost. All advertising materials must have been approved by Us in advance and in writing. Approval typically takes between ten (10) and thirty (30) days. All of Your advertising, promotion and marketing must be completely clear and factual, not misleading and conform to the highest standards of ethical marketing and the promotion policies. You must submit to Us samples of all advertising, promotional and marketing materials (including Internet or electronic media marketing material) for Our prior written approval. You must only use advertising copy and other materials which are in strict compliance with Our requirements, as set forth in the Manual or otherwise.

There are no restrictions on Your advertising, except that You may not advertise independently on the World Wide Web or outside Your Protected Area and that Your advertising must be approved by Us as stated above. You may not establish or maintain any website or any type of presence on the Internet or World Wide Web that in any manner whatsoever uses the Marks without Our prior written approval. You must adhere to the social media policies that We establish from time to time, and must require Your employees to do so as well.

You must participate in Our online marketing campaigns, Gift Card program, Customer Loyalty program and similar marketing programs as they are developed. Currently, We use Fivestars, Inc. for the Customer Loyalty program. The current monthly fee is \$249, which includes two tablets.

Grand Opening. You must conduct a pre-approved grand opening promotion for Your Play Center. The cost of the grand opening promotion will range from \$5,000 to \$10,000 in approved expenditures in regard to such promotion. We will assist You in planning Your grand opening.

Local Advertising. You must spend at least one percent (1%) and up to two percent (2%) of Your Play Center's Gross Revenues for approved local advertising and promotion of Your Play Center in its trade area. You must submit confirmation of Your Local Advertising expenditures following the procedures and timing requirements designated in the Manual.

If an Advertising Cooperative ("**Ad Co-op**") is established for the area where Your Play Center is located, You must join, actively participate in and contribute to the Ad Co-op. We currently have no advertising cooperatives, however reserve the right, in Our discretion, to designate any geographical area for purposes of establishing a regional advertising and promotional cooperative, and to determine whether a Ad Co-op is applicable to Your Play Center.

The Ad Co-op may also serve as means of exchanging ideas, sharing information and problem solving. We may require the Ad Co-op to be formed, changed, dissolved, or merged, but the members will administrate the Ad Co-op. Each Ad Co-op will be organized and governed in a form and manner and will operate according to written governing documents, all of which must be approved in advance by Us. Members may review the governing documents. You must contribute to the Ad Co-

op up to 2% or more of Your Play Center's Gross Revenues, which is in addition to your contributions to the system wide Marketing Fund discussed below. The Ad Co-op members may agree to additional funding in accordance with its established Bylaws. If You are in default of the Franchise Agreement, You will not have voting privileges. The Ad Co-op may prepare annual or periodic financial statements and these will be available to You upon request.

Marketing Fund. After more Play Centers are open operating, We plan to establish a **Marketing Fund** to be used to promote all Play Centers and the LUV 2 PLAY brand. You must contribute to the Marketing Fund, as specified in the Manual. We will use these funds to develop, produce and administer marketing programs designed to increase sales for all Play Centers system-wide. Advertising may be in the form of print ads, radio, television or electronic media and may be conducted on a regional and/or national basis. We may use a national or regional advertising agency or in-house advertising to create and place advertisements. All interest earned on monies contributed to the Marketing Fund will be used for the same purpose. Marketing Fund contributions will not be targeted to advertise or sell franchises.

The purpose of the Marketing Fund is to develop advertising and marketing programs that will benefit all Play Centers wherever located. We cannot ensure that the Marketing Fund's expenditures will be equally beneficial or proportionate to each Play Center's contributions. We and IPI will also contribute to the Marketing Fund the same percentage of Gross Revenues from Our operation of LUV 2 PLAY Center in the continental United States if and when such operations exist.

We will deposit and keep monies in the Marketing Fund separate from Our other funds. Money from the Marketing Fund may be used to pay Us, IPI or an Affiliate for the reasonable salaries, administrative costs, travel expenses and overhead incurred by Us in the administration of the Marketing Fund and its programs. We will prepare an annual unaudited statement of monies collected and costs of the Marketing Fund and provide it to You upon Your written request.

F. Computers; Computer Programs.

Your Play Center must have a point of sale and computer system as specified in the Manual, which will operate Our currently approved software and allow You to participate in the LUV 2 PLAY Network. Your Play Center must also have inventory and accounting programs, Internet access, a telephone number, and voicemail system as specified in the Manual. We may require You to upgrade or update Your equipment, such as the computers, other hardware, programs and telephone system, with reasonable limitation on the frequency or cost of this requirement. You are responsible for installing and maintaining a broadband hook-up and other reasonably necessary utilities for Your Play Center.

Currently, we use Aluviii, Inc. for the Point of Sale (POS) software. You are required to use this POS system for Your Play Center. You must use your POS system to complete all sale transactions, and provide sales, accounting, and inventory reports. The current monthly license fee is \$276, but that may change at any time. These amounts may be adjusted up to 10% annually to account for inflation and product enhancements. You are required to pay an activation fee to be added to the POS system (currently \$899).

You will be responsible for all ongoing computer maintenance and repairs (which we estimate will not exceed \$1,500 in any 12-month period) and upgrades. We will maintain an independent access to any POS system with your franchised location, and any data located therein and there are no contractual limits on our independent access to this information.

All of the designated equipment and software is available generally at competitive prices. The purchase cost is estimated at \$13,000 to \$20,000, though some Franchisees will already own sufficient equipment prior to starting their Play Center, therefore not requiring them to purchase any equipment upfront. Your annual maintenance costs are estimated to be near \$5,000. The purchase and maintenance costs can vary depending on the form of Café You select and the Your Play Center.

Currently, we use High Score Amusements, Ltd. ("High Score") for the specialty arcade games and redemption gaming systems. You are required to use this equipment for Your Play Center. You will be responsible for the build-out of the custom redemption counter. You and High Score share equally the net profit from the gaming system. High Score supplies, maintains and repairs the redemption system, arcade games and toys for the Play Center. You and High Score share equally the costs of the toys, merchandise and the weekly Embed license fee of \$56.54. The net profit from the gaming system will also be shared equally and weekly You will send High Score the weekly license fee and their share of net profits.

Your Play Center must have a system to play music in accordance with Our Manual. Currently, We use SESAC, LLC to provide each Play Center with a license to use their stations and music platforms. Their current annual fee is \$261.00, but that may change at any time. You must only use music licensed through SESAC for Your Play Center.

You must also obtain a security system in accordance with Our Manual. Your security system must monitor Your Play Center including recording equipment to record and store video records of any injuries. We require remote access to Your security system at all times and will provide You with our minimum specifications.

If We establish an online management and communication system for Play Center Operations, You must participate fully with its requirements as stated in the Manual.

None of the above are proprietary properties of Us or IPI, and We are not obligated to provide or assist You in obtaining the above items or services.

G. Confidential Manual.

You may review Our Manual before purchasing a Franchise. However, You may not copy any of the information contained in the Manual as it contains proprietary information. You must sign a confidentiality agreement regarding the Manual before Your review. (**Exhibit E**)

H. Training.

As of June 30, 2017, Our Initial Training Program consisted of the following content with a duration of approximately 2 to 3 weeks according to the following general outline:

TRAINING PROGRAM

Subject	Hours of Online Training	Hours of on the Job Training	Location
Introduction (History, Mission, Vision)	.30	0	Online and Your Play Center
Computer and POS Systems	4.0	4.0	Online and Your Play Center
Operations and Administration	2.0	2.0	Company Center and Your Play Center
Sales	1.0	.3	Online and Your Play Center
Accounting and Bookkeeping	2.0	1.0	Online and Your Play Center
Marketing	.30	0	Online and Your Play Center
Product Knowledge	1.30	1.0	Online and Your Play Center
Redemption Training, Gaming Systems (if applicable)	0	4.0	Online and Your Play Center
Personnel	1.0	1.0	Online and Your Play Center
Client Service and Selling	1.0	1.0	Online and Your Play Center
Total	12.9	14.3	

NOTES:

(1) The above description reflects the typical content, schedule of the Initial Training Program. The location of Your training is expected to be online training, on-site at your location and at an existing Company Play Center.

(2) You and/or Your Designated Operator must attend and successfully complete the Initial Training. We may terminate the Franchise Agreement for failure to successfully complete this training course. We do not charge a training fee for up to two people, but you are responsible for all travel, lodging, food and miscellaneous costs while attending the training, including the costs of transportation, lodging, meals, and wages. Currently, the first week of training will be at the Play Center operated by IPI in Surprise, Arizona.

(3) We expect You to successfully complete the Initial Training and open Your Play Center within 3 to 6 months thereafter. These training courses are expected to occur several times each year. Additionally, You and Your personnel must at all times be CPR certified.

(4) Our instructors will include Trainers and Training Managers, each of who have a minimum of two years experience in the children's playground industry and related systems. Patti Barnes Our Franchise Development Director is in charge of Our training program for both online and onsite training.

(5) The materials used in the Initial Training in addition to other training and business optimization materials, such as instructional videos, online training and how-to guides. We may modify and/or add to Our training programs at any time for the purposes of improving the System.

(6) The actual hours required for Initial Training will depend on a variety of factors, including the trainee's prior experience in certain applicable areas and his or her ability to pass any written and/or practical exams to Our reasonable satisfaction.

(7) The Café Vendor that You select for the Play Center will provide all the necessary training for the Café operation. Such training will be online and on-site. Typically, the on-site training is between 1 to 2 days.

(8) As We deem necessary, We may require that You and Your personnel attend additional training courses or programs covering operations and new product or procedure introductions. We may require You to pay a reasonable fee for the additional training currently \$500 per day per person. You may be required to pay for all travel, lodging and food costs for You and Your personnel to attend. We expect that additional training will be conducted at Our headquarters and will be one or two days in duration and cover changes in Your Play Center, the Products, and System procedures.

ITEM 12. TERRITORY

You must operate Your Play Center at a specific location selected by You and approved by Us. You will have the right and obligation to place, operate, and maintain Your Play Center within a geographic area designated as Your Play Center area described in this ITEM 12 (Your “**Protected Area**”). You are not entitled to move Your Play Center or open up another Play Center without Our written consent, which is at Our sole discretion.

You and We will agree upon the location and size of Your Protected Area based on numerous factors including, but not limited to, the amount of LUV 2 PLAY Equipment You buy, the population density, natural boundaries and demographics of the area, and other considerations. Your Protected Area will generally be within a radius of 10 square miles, but it may be smaller or larger depending on the density of population in the area. For example, in higher density areas the radius may be smaller and in less dense areas it may be larger.

The Franchise Agreement will not grant You any options, rights of first refusal or similar rights to acquire additional franchises within Your Protected Area or contiguous areas. There is no minimum sales quota. You maintain rights to Your Protected Area even though the population increases, and Your territorial rights are not dependent upon achievement of a certain sales volume, market penetration or any other contingency, and it will not be altered except by mutual consent.

You must receive Our approval before relocating the Play Center. Any request to relocate Your Play Center will be either approved or denied within 90 days of Our receipt of all relevant information. We may approve the relocation of Your Play Center in certain limited circumstances, such as loss of the location due to condemnation, eminent domain destruction, or loss of Your right of possession for reasons not caused by You.

We reserve all rights not expressly granted in the Franchise Agreement. You will not receive an “exclusive” territory and You may face competition from other franchisees, from outlets that We own, or from other channels of distribution or competitive brands that We control.

The Franchise Agreement does not restrict Us from operating or authorizing others to operate other franchises or company-owned Play Centers or other channels of distribution, at any location, from selling or leasing similar products or services under a name other than LUV 2 PLAY. Neither We nor any Affiliate has established or presently intends to establish Play Centers under a different trade name or trademark, but We reserve the right to do so.

We have the sole and exclusive right to produce, license, distribute and market products using the Marks or other marks (such as pre-packaged products and beverages; books; clothing, souvenirs and novelty items) through any outlet anywhere and through any distribution channels. You will not receive any of these rights. We are not required to pay You any compensation if we exercise any of these rights. We reserve all rights not expressly granted in the Franchise Agreement.

There are no restrictions on Your advertising, except that You may not advertise independently on the World Wide Web or outside Your Protected Area, and You may not maintain any Website or any presence on the Internet without Our prior written consent. Your advertising must be approved by Us, as stated in Item 11 above.

ITEM 13. TRADEMARKS

You will receive the right to operate a Play Center under the name LUV 2 PLAY. You may also use other current or future Marks as We designate to operate Your Play Center. By Marks, We mean trade names, trademarks, service marks and logos used to identify and operate Your Play Center. The following Marks have been registered on the United States Patent and Trademark Office (“USPTO”) Principal Register:

<u>Mark</u>	<u>Reg. Number</u>	<u>Date</u>	<u>Image</u>
LUV 2 PLAY (design)	4979814	6/14/16	
LUV 2 PLAY	4979813	6/14/16	LUV 2 PLAY
MAKE THE WORLD YOUR PLAGROUND	5114535	1/03/17	MAKE THE WORLD YOUR PLAYGROUND

All required affidavits have been filed. You must follow Our rules when You use any of the Marks. Our license agreement is in writing and has an indefinite term. It can be cancelled only by the mutual written consent of both parties.

You may not use any of the Marks alone or with modifying words, designs or symbols as part of a corporate name or in any form on the Internet, including, but not limited to URLs, domain names, email addresses, locators, links, metatags or search techniques except as We license to You. You may not use any of the Marks in connection with the sale of an unauthorized product or service or in a manner not authorized by us in writing. Guidelines regarding proper trademark use and notices are set forth in the Manual and will be updated from time to time.

No agreements that limit Our right to use or franchise the use of the Marks. We do not know of any infringing uses that could materially affect Your use of the Marks. There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, and no pending infringement, opposition, or cancellation proceeding, or any pending material litigation, involving the Marks. We have no actual knowledge of either superior prior rights or infringing uses that could materially affect your use of the Marks. We have no actual knowledge of either superior prior rights or infringing uses that could materially affect your use of the Marks.

You must notify Us immediately after learning about an infringement of or challenge to Your use of the Marks. We will take the action We think appropriate to protect the integrity and validity of the Marks. We are not required to take any specific action in regard to infringements involving the Marks. We have the sole right to control administrative proceedings or litigation regarding any trademark infringements.

We will defend You and indemnify You if You are a party to a legal proceeding involving a Mark licensed by Us and used properly by You. You must modify or discontinue the use of a trademark if We modify or discontinue it. We have the right to modify, add to, or discontinue use of the Marks, or to substitute different Marks. You must promptly comply with any required changes, revisions and/or substitutions, and You will pay all the costs of modifying Your signs, advertising materials, interior graphics and any other items which bear the Marks. You must not contest Our right to the Marks, trade secrets or business techniques.

ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

You do not receive the right to use an item covered by a patent or copyright, but You can use the proprietary information in the Manual, training materials, including DVDs and CDs, emails and confidential information. Although We have not made a copyright filing for the Manual, training materials, advertising materials and other written materials, We claim a copyright and the information is proprietary and confidential and the may only be used as provided in the Franchise Agreement. The Manual will remain Our sole property. You must keep in a secure place on the Play Center premises.

In association with Your Play Center, We will provide You with information that is confidential and proprietary to Us, which may include Our trade secrets. Included in this, without limitation, is Our playground technology, knowledge of the System, equipment suppliers, location acquisition criteria, service agreements, techniques, sales strategies, best practices, and all contents of the Manual. You agree to at all times maintain strict confidentiality of all such information. This confidentiality requirement will survive the termination or natural end of the Franchise Agreement and Your Play Center. You expressly agree not to use any of Our confidential and/or proprietary information for any other Play Center or other manner not expressly approved by Us in advance and in writing.

You or Designated Operator may divulge confidential information only to those employees who must have access to it to operate Your Play Center. The Manual may not be copied, recorded or otherwise reproduced without Our prior written consent.

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

You or Your Designated Operator, who has successfully completed Our Initial Training program, must directly supervise and participate in the actual day-to-day operation of the Play Center.

Your Play Center must at all times have an on-site manager approved by Us and certified as designated in the Manual. All of Your personnel must be CPR certified. You must take steps necessary to ensure that Your employees preserve good customer relations; render competent, prompt, courteous and knowledgeable service; and are properly trained. You and Your employees must handle all customer complaints, refunds, returns and other adjustments in a manner that will not detract from Our name and goodwill. You will be solely responsible for all employment decisions and functions of the franchised location, including those related to hiring, firing, training, wage and hour requirements, record-keeping, supervision, and discipline of employees.

If You are an entity, We do not require that Your Designated Operator own an equity interest in such entity. Neither You nor Your Designated Operator may have an interest or relationship with any of Our Play Center competitors, unless otherwise approved by Us in advance and in writing. We may require Your officers, directors, executives, members, managers, shareholders, partners, employees and owners to sign a non-competition agreement provided by Us.

If You are a legal entity such as a corporation, partnership or limited liability company, one of Your owners must be approved by Us to be Your full-time representative. All of Your owner(s) must personally guarantee the Franchise Agreement. We have the right to approve all owners and any future owners.

ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may offer and sell only those services and products that We have approved (see ITEM 8). You must offer all products and services that We designate as required for all franchisees. These required products and services are described in the Manual. You must obtain Our prior written approval for any other products and services to be offered by Your Play Center. If We implement customer satisfaction programs for all franchisees, You must participate fully with their requirements as stated in the Manual. You must only use the LUV 2 PLAY Equipment we sell You unless we have expressly agreed otherwise in writing.

We may change the types of authorized products and services that You must offer from Your Play Center. There are no limits on Our right to make such changes. If You propose an additional product or service, You must submit it to Us for approval before offering it in Your Play Center. We may approve it initially for testing only. All proposals approved by Us will become Our property. Except as described above and in ITEM 8, You are not restricted by the Franchise Agreement or any other requirement imposed by Us relating to the products or services you may offer or sell and/or the customers to whom You may sell.

ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

This table lists important provisions of the Franchise Agreement. You should read these provisions in the Franchise Agreement attached to this disclosure document.

THE FRANCHISE RELATIONSHIP

Provision	Section	Summary
a. Initial Term	FA: §3.1	Initial term of Franchise is 10 years.
b. Renewal or extension of the term.	FA: §3.2	You may renew the franchise for unlimited additional 5-year terms if certain conditions are met. “Renewal” may require You to sign an agreement with materially different terms and conditions than Your original agreement.
c. Requirements for renewal or extension.	FA: §3.2	6-12 months notice; no defaults during last 12 months; material and timely compliance with franchise during initial term; satisfied all monetary obligations owed to Us, IPI, and Your suppliers; completed all required additional training; made all requested changes in operating personnel; modernized the Play Center and other equipment; pay a renewal fee; sign then-current Franchise Agreement, which may contain materially different terms and conditions than your initial Franchise Agreement; and sign a general release.
d. Termination by You	FA: §15.2	

e. Termination by Us without cause	None	
f. Termination by Us with cause.	FA: §15.1	We can terminate only if You default.
g. "Cause" defined as defaults which can be cured.	FA: §15.1	You have 30 days after notice to cure defaults (except defaults in payment to Us, in which case You only have ten days to cure after notice). Includes defaults in other franchise agreements with Us. No cure period for default repeated twice within any twelve-month period.
h. "Cause" defined as defaults which cannot be cured.	FA: §15.1	Non-curable defaults: Failure to open in specified time period, failure to complete training or allow inspection, bankruptcy or similar action, loss of possession, material misrepresentation in obtaining franchise, violation of health and safety laws, conviction of crime involving moral turpitude, failure to obtain consent to transfer rights, or repetition of a default within any 12 month time period.
i. Obligations on termination.	FA: §15.3	Immediate obligations include no more use of Our name, trademarks or proprietary information; removal of all Marks; return of Our Manual(s), and proprietary equipment, including but not limited to any digital advertising equipment, and de-identify the LUV 2 PLAY Equipment and other parts of the Play Center.
j. Assignment of contract by Us.	FA: §13.3	No restriction on Our right to assign.
k. "Transfer" by You-definition	FA: §13.4	Includes transfer of rights under Franchise Agreement and ownership change.
l. Our approval of transfer by franchisee.	FA: §13.4	We have the right to approve all third party transfers but will not unreasonably withhold approval.

m. Conditions for Our approval of transfer.	FA: §§13.4, 13.5	No default, assets of the Play Center in standard condition, payment of all amounts owed to Us and Affiliates, payment of transfer fee, transferee qualifies and passes training, current Franchise Agreement signed by transferee and release and non-competition agreement signed by You.
n. Our right of first refusal to acquire Your Play Center.	FA: §13.7	We can match any offer for Your franchised Play Center.
o. Our option to purchase Your Play Center	§ 15.5	We may purchase Your Play Center assets at fair market value if the agreement is terminated.
p. Your death or disability.	FA: § 13.6	Approval by Us of heir or sale within six months to an approved buyer.
q. Non-competition covenants during the term of the franchise.	FA: § 4.9	No interest in a Play Center or similar Play Center offering the same or similar products and services to those sold in a LUV 2 PLAY Center (“ Similar Play Center ”) without Our advanced written approval.
r. Non-competition covenants after the franchise is terminated, transferred or expires.	FA: § 4.9	No interest in any Similar Play Center for 2 years within 30 miles of Your Protected Area or any other Play Center
s. Modification of the agreement.	FA: § 16.12	Only written and signed modifications but Manual subject to change.
t. Integration/ merger clause.	FA: § 16.11	The agreement between the parties is limited to the agreement and other documents referred to therein. Only the terms of the franchise agreement are binding (subject to state law). Any representations or promises outside of the disclosure document may not be enforceable.
u. Dispute resolution by arbitration or mediation.	FA: § 16.5	Except for certain claims, all disputes must be arbitrated in Orange County, California. These provisions may be subject to applicable state law.

v. Choice of forum	FA: § 16.5	Except for injunctions filed by Us, any arbitration or litigation must be in Orange County, California. These provisions may be subject to applicable state law.
w. Choice of Law.	FA: §§16.5, 16.7	The Franchise Agreement will be interpreted and construed under the laws of California. The Lanham Act shall also apply to provisions concerning trademarks, trade names, services marks, slogans, copyrights, designs, emblems, logos, trade dress, trade secrets and commercial symbols. These provisions may be subject to applicable state law.

ITEM 18. PUBLIC FIGURES

We do not use any public figure to promote Our franchises but may do so in the future.

ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize Our employees or representatives to make any such representation either orally or in writing. If You are purchasing an existing outlet, however, We may provide You with the actual records of that outlet.

If You receive any other financial performance information or projections of Your future income, You should report it to the franchisor's management by contacting Julie Caricato at 13200 W. Foxfire Drive, Suite #144, Surprise, AZ 85378; (855) PLAY-002, the Federal Trade Commission and the appropriate state regulatory agencies.

ITEM 20: OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
SYSTEM WIDE OUTLET SUMMARY
For Years ~~2016 - 2018~~2015--2017

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at of the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2016	0	0	0
	2017	0	3	3
	<u>2018</u>	<u>3</u>	<u>8</u>	<u>5</u>
Company - Owned	2016	0	0	0
	2017	0	1	1
	<u>2018</u>	<u>1</u>	<u>1</u>	<u>0</u>
Total Outlets	2016	0	0	0
	2017	0	4	4
	<u>2018</u>	<u>4</u>	<u>9</u>	<u>5</u>

Note: Our Fiscal Year ends June 30th. Neither We nor IPI operate any LUV 2 PLAY Outlet locations.

Table No. 2
TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS
(OTHER THAN THE FRANCHISOR)
For Years ~~2016 - 2018~~2015--2017

Column 1 State	Column 2 Year	Column 3 Number of Transfers
Totals	2016	0
	2017	0
	<u>2018</u>	<u>0</u>

Table No. 3
STATUS OF FRANCHISED OUTLETS

For Years ~~2016 - 2018~~2015 – 2017

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Terminations	Column 6 Non- Renewals	Column 7 Reacquired By Franchisor	Column 8 Ceased Operations - Other Reasons	Column 9 Outlets at End of the Year
California	2016	0	0	0	0	0	0	0
	2017	0	1	0	0	0	0	1
	2018	1	3	0	0	0	0	4
Texas	2016	0	0	0	0	0	0	0
	2017	0	1	0	0	0	0	1
	2018	1	2	0	0	0	0	3
Virginia	2016	0	0	0	0	0	0	0
	2017	0	1	0	0	0	0	1
	2018	1	0	0	0	0	0	1
Total	2016	0	0	0	0	0	0	0
	2017	0	3	0	0	0	0	3
	2018	3	5	0	0	0	0	8

Table No. 4
STATUS OF COMPANY OUTLETS
For Years ~~2016 - 2018~~~~2015~~—~~2017~~

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Outlets Reacquired from Franchisees	Column 6 Outlets Closed	Column 7 Outlets Sold to Franchisees	Column 8 Outlets at End of the Year
Arizona	2016	0	0	0	0	0	0
	2017	0	1	0	0	0	1
	2018	1	0	0	0	0	1
Total	2016	0	0	0	0	0	0
	2017	0	1	0	0	0	1
	2018	1	0	0	0	0	1

Table No. 5
PROJECTED OPENINGS
AS JUNE 30, ~~2017~~~~2018~~

State	Franchise Agreements Signed But Outlets Not Opened	Projected Franchised New Outlets In The Next Fiscal Year	Projected Company Owned Outlets Opening In Next Fiscal Year
Arizona	1	0	1
California	8	0	1
Florida	12	0	0
Illinois	0	0	1
Massachusetts	24	0	0
New Hampshire	1	0	0
New York	1	0	0
Texas	2	0	0
Virginia	1	0	0
Wisconsin	1	0	0

Totals	47 16	0	3
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You should be aware that We are required by law to disclose Your contact information to other franchise purchasers if You become a franchisee or leave Our franchise system. The names, addresses and telephone numbers of Our franchisees are listed in **Exhibit G**. The name, last known address and telephone number of every franchisee within the most recently competed fiscal year who has had a franchise terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement or who has not communicated with Us within 10 weeks of the date of this Disclosure document, are set forth in **Exhibit G**.

During the last three fiscal years, We have signed no settlement agreements containing confidentiality clauses with current or former franchisees. We have not created, sponsored or endorsed any trademark-specific franchisee organization associated with Our System and no such association has asked to be included in this disclosure document.

ITEM 21. FINANCIAL STATEMENTS

Our audited financial statements dated June 30, 2018, June 30, 2017, and June 30, 2016 ~~and June 29, 2015~~ are attached as **Exhibit H**. Our fiscal year end is June 30th.

ITEM 22. CONTRACTS

Copies of the following agreements are attached:

- A. Franchise Agreement with Exhibits and State Addenda
- B. IPI Sales Contract with Warranty Information
- C. Sublease
- D. High Score Agreement
- E. Confidentiality Agreement

ITEM 23. RECEIPTS

You will find copies of a detachable receipt in **Exhibit I** at the very end of this disclosure document.

It is important that You sign, date and return a Receipt to Us. As noted on the cover page, this Disclosure Document is available in electronic format, in which case You must print a copy of the Receipt and send a signed and dated copy to Us. Thank you. Our Franchise Seller is Julie Caricato. Her address and telephone number are: 13200 W. Foxfire Drive, Suite #144, Surprise, AZ 85378; at (855) PLAY-002.

Exhibit

A



FRANCHISE AGREEMENT

LUV 2 PLAY ®
FRANCHISE AGREEMENT
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LUV 2 PLAY® FRANCHISE AGREEMENT

THIS AGREEMENT dated as of _____ 201__ (“Effective Date”) is between Universal Entertainment Group, LLC, an Arizona limited liability company (“**We**”, “**Us**” or “**Our**”), and _____ (“**You**” or “**Your**”), and if You are a legal entity, the Principals identified on the signature page of this Agreement (“**Principals**”).

RECITALS:

A. We own the exclusive rights to offer and sell franchises for the operation of children’s playground centers and café which use the name and trademark LUV 2 PLAY® and other trademarks (the “**Marks**”) and follow a system of operation (“**System**”) to operate a chain of these playground Centers (“**Play Centers**”) which was developed and used by Us and Our commonly owned companies (collectively, the “**Affiliates**”).

B. You desire to purchase an LUV 2 PLAY franchise and own and operate a Play Center, and We have approved You for an LUV 2 PLAY franchise.

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

ARTICLE 1: GRANT OF FRANCHISE

1.1 Grant

Subject to the following terms and conditions, We grant to You a franchise to use the System and the Marks solely in direct connection with the sale of services and products from a LUV 2 PLAY Center with café to be operated by You at the following location (referred to in this Agreement as “**Your Play Center**”):

Address: _____

LUV 2 PLAY Center No. _____

1.2 Territorial Rights

You and We agree that We will not operate and will not authorize any other person to operate an LUV 2 PLAY Center within the geographic area described on **ATTACHMENT 1** attached hereto, (“**Your Protected Area**”), which is based on approved demographics estimating the number of families in Your Protected Area. Except for the foregoing, You and We agree that this franchise is non-exclusive and

except for the address where Your Play Center is located, We reserve all other rights, including the right, directly or indirectly:

(a) To operate, and authorize others to operate, LUV 2 PLAY Centers or other Play Centers operating under any name other than LUV 2 PLAY, at any location and of any type or category whatsoever;

(b) To produce, license, distribute and market products using the Marks or other marks (such as toys, books, clothing, souvenirs and novelty items) through any outlet anywhere using the name LUV 2 PLAY or other Mark (which outlets may for example include toy stores and sports facilities) and through any distribution channel, at wholesale or retail, including by means of the Internet, mail order catalogs, direct mail advertising and other distribution methods;

(c) To operate, and to authorize others to operate, an LUV 2 PLAY Center at a Non-Traditional Venue near Your Play Center. **“Non-Traditional Venue”** means a site or location within another primary business or at institutional settings such as schools, colleges and universities, military and other governmental facilities, hospitals, hotels, limited access highways, shopping malls, airports, toll roads, office facilities, sports arenas and stadiums, supermarkets, grocery stores or convenience stores, some of which may have other Play Center operations such as a site or location for which the lessor, owner or operator thereof shall have indicated its intent to prefer or limit the operation of the Play Center itself or a preferred provider.

1.3 Site Selection, Specifications and Relocation

(a) You agree (i) that although We may have been involved in the site selection process for Your Play Center and approved its location, You have sole responsibility for selecting the above location for Your Play Center and (ii) that We make no warranty, representation or guaranty of any kind with respect to Your Play Center's location, success or profitability.

(b) ~~After approval of the site, You agree to purchase from Us a copy~~ After approval of the site, We will provide You a generic copy of Our plans and specifications for building out a Play Center, and You agree to employ an architect, designer and other necessary persons to revise the plans as necessary for Your site. Except as may be expressly provided in the Manual, no changes of any kind in design, equipment or decor will be made in, on or about Your Play Center premises without prior written approval of in each instance. In any event, You must obtain Our prior approval of the final plans and specifications for Your Play Center before beginning construction or remodel.

(c) You will not relocate Your Play Center without Our prior written consent. We will consent to a relocation to an alternative, pre-approved location under limited circumstances only, such as loss of the location due to condemnation, eminent domain destruction, loss of Your right of possession for reasons not caused by You or a very substantial and detrimental change in the business potential and character of the location. If We consent to the relocation of Your Play Center, You must comply with such reasonable site selection and construction procedures as We may require and following relocation, You must conduct a Grand Opening Promotion as required by Section 7.8 below. You will be solely responsible for the expense of any such relocation and will pay Us a reasonable fee for Our services in connection with such relocation. You will be fully responsible for closing the existing location and must comply with Section 15.3 below regarding de-identification.

1.4 Opening Date

You must open Your Play Center and commence business within one year of the Effective Date of this Agreement. You may not open Your Play Center without Our prior written consent and satisfaction of all pre-opening obligations stated in the Manual and the installation of all equipment, fixtures, furnishings and signs included in the plans and specifications approved by Us. Your failure to open the Play Center in full compliance with these provisions will be a material event of default under this Agreement, and We may prevent You from opening the Play Center.

ARTICLE 2: FEES

2.1 Fees

You agree to pay Us:

(a) A non-refundable "**Initial Franchise Fee**" of \$30,000, which must have been paid in full after upon execution of this Agreement;

(b) A "**Royalty Fee**" equal to six percent (6%) of Your Play Center's Gross Revenues as payment for the continuing right to use the System and Marks; and

(c) In the future when We determine that the System has grown to an appropriate size, a "**Marketing Fund Fee**" designated by Us and to be applied as described in Section 7.3 below.

2.2 No Fees Refundable

You agree that these Fees are not refundable in whole or part under any circumstances and have been fully earned by Us by the grant of this franchise.

2.3 Payment of Fees

(a) You agree to pay Us the Royalty Fee and Marketing Fund Fee, no later than the third (3rd) day following the end of each week or such other time as may be designated in the Manual such as daily transfers. You must make payments in strict accordance with Our requirements, including EFT payments as described below. TIME IS OF THE ESSENCE regarding payment of such Fees.

(b) You agree to pay all such Fees to Us by direct transfer of funds ("EFT") or other method of payment designated by Us. Such method of payment will be determined by Us in Our sole discretion and may be changed from time to time.

(c) You agree at Our request to furnish the information, execute such forms, make such arrangements and complete such procedures as are reasonably necessary to establish direct EFT payments automatically from Your account(s) to such account(s) as We may designate in order to pay directly such Fees within each payment period referred to above. Without limiting the foregoing, You specifically agree to obtain the necessary equipment used by the System to transmit revenues and other polling information which will allow Us to cause such transfers to be made. You agree to maintain sufficient funds in Your account(s) to allow timely honoring of each payment to Us by Your bank or other financial institution. You specifically authorize Us to make such direct transfers of the Fees so long as such transfers are limited to amounts computed with reference to revenues information furnished by You, or if You fail to furnish such information, with reference to good faith estimates by Us.

(d) Royalty and Marketing Fund Fees which are not paid when due will bear interest from and after their respective due dates at the rate of eighteen percent (18%) per annum or the highest rate permitted by law, whichever is less. Any late payment of such Fees will be accompanied by a late payment administrative charge of \$250.00.

2.4 Gross Revenues

The term "**Gross Revenues**" as used in this Agreement will mean the total of all cash or other form of payment received for the use of the Play Center and sales of services and products in or from the Play Center, including clothing, food, drinks and other tangible property of every kind, or for entertainment charges, made or sold at, in, upon or from Your Play Center and from any vending, game or other type of machine or similar device located at Your Play Center; and any and all other amounts which are received as compensation for any services rendered from Your Play Center. All amounts collected and paid out for sales taxes, selling or issuing system gift or loyalty cards, and the proceeds from the sale of any furniture, fixtures or equipment previously used at Your Play Center are excluded from Gross Revenues.

ARTICLE 3: TERM; RENEWAL

3.1 Initial Term

Subject to earlier termination, this Agreement has an Initial Term of ten (10) years ("**Initial Term**") or the length of Your sublease for Your Play Center. The Initial Term will commence on the date on which You first operate Your Play Center as an LUV 2 PLAY Center. You agree to send Us written notice of Your Play Center's opening date.

3.2 Renewal

You may renew this Agreement for two additional consecutive five (5) year terms, so long as all of the following conditions have been met before the end of the then current term:

(a) You must give Us written notice of renewal not less than six (6) months or more than twelve (12) months before the end of the current term;

(b) You must not default in any material provision of this Agreement, or any other agreement with Us at any time during the last twelve months of the prior term and must have complied with all material terms and conditions of this Agreement during the current Term;

(c) You must be in good standing as a LUV 2 PLAY Franchisee and be approved by Us operationally and financially;

(d) You must have paid all amounts owed to Us and our affiliated companies ("**Affiliates**"), and Our approved suppliers (as defined in Section 4.8) and have timely paid all such amounts throughout the current term;

(e) We may send You a written notice of required changes to be made at Your Play Center, such as (i) additional training requirements, (ii) personnel changes and (iii) modernization of Your Play Center and its equipment and/or redecorating Your Play Center and installing new signs and equipment to reflect the then current LUV 2 PLAY standards and image, in which case You must make all of such changes;

(f) You must execute and deliver to Us Our then-current form of Franchise Agreement to apply to the renewal term, but in no event shall the term be longer than Your right to occupy the Play Center. The Franchise Agreement will contain the then-current Royalty Fee rate and marketing amounts required of new Franchisees;

(g) You must execute Our form of a general release of any and all claims against Us and Our Affiliates, and Our and their officers, directors, agents and employees.

ARTICLE 4: OPERATING SYSTEM AND PROCEDURES

4.1 Opening Assistance

We will advise and assist You in operating Your Play Center, including periodic visits by Our representative(s), on-site pre-opening and opening assistance, to the extent We deem necessary.

4.2 Designated Operator

The individual named in this Section will devote his or her full time, best efforts and constant personal attention to the day to day operation of Your Play Center:

(the "**Designated Operator**"), who must be at all times approved by Us and certified by Us as fully trained for operations. Any change in the identity of Your Designated Operator must be approved by Us in writing.

4.3 Operation of Your Play Center

Unless You have received Our prior written approval to the contrary, You will:

(a) Keep Your Play Center open for business during the hours specified by Us;

(b) Operate Your Play Center in a clean, safe and orderly manner, providing courteous, first-class service, including specifically regular disinfectant wipe downs of all equipment several times each day depending on the amount of usage that day and if any contagious diseases are in the vicinity of the Play Center;

(c) Construct, equip, and operate Your Play Center in accordance with all Ours standards, policies, and procedures as may be established from time by Us, as stated in the Manual or other written communications from Us;

(d) Participate in Our mandatory Play Center maintenance program, standards and procedures as may be established from time by Us, as set forth in the Manual or other writing issued by Us;

(e) Keep current in all monetary obligations owed Us, Our affiliated companies and Approved Suppliers;

(f) Comply with all health, safety and other laws applicable to the operation of Your Play Center, including its cafe, cure any deficiencies immediately after a governmental inspection and request another inspection as soon as possible thereafter;

(g) Diligently promote and make every reasonable effort to increase the business of Your Play Center;

(h) Diligently participate in all promotional campaigns, special offers, and other programs, which are prescribed from time to time by Us.

(i) Advertise Your Play Center by the use of the Marks and any other insignia, slogans, emblems, symbols, designs and other identifying characteristics as may be developed or established from time to time by Us as stated in the Manual or other written communication from Us;

(j) Prevent the use of Your Play Center for any immoral or illegal purpose, or for any other purpose, business activity, use or function which is not expressly authorized by this Agreement or in the Manual;

(k) Obtain and use only the equipment required by the Manual, such as without limitation, a computerized point of sale cash collection system (“**POS System**”) which among other things will allow Us to poll information about Your Play Center, credit card and/or debit card system, computer equipment and related software and communications systems, and a security system for the Play Center which among other things will allow both You and Us remote access;

(l) Never manipulate or tamper with the POS System software or the security system without Our prior written approval;

(m) Never sell any food or beverage product at Your Play Center café that contains ingredients which were not purchased from a supplier approved by Us and which does not meet Our specifications;

(n) Maintain a competent, conscientious, trained staff and take any and all steps necessary to ensure that Your employees preserve good customer relations and comply with any dress code as may be established from time by Us, as stated in the Manual or other written communications from Us;

(o) You and your employees must promptly handle all customer complaints, in a manner that will not detract from our name and goodwill; and

(p) Not establish or use any Internet or website for Your Play Center or otherwise using the Marks without Our prior written consent. Diligently comply with Our standards, protocols and restrictions regarding social media outlets, including without limitation Facebook, Twitter, Instagram, Pinterest or other similar outlets, that may exist in the future.

4.4 Confidential Manual

(a) We will loan You for Your Play Center one copy of Our Confidential Manual (the “**Manual**”). You agree to comply strictly with and perform all things required by the Manual, such as those dealing with the **construction and design**, selection, purchase, storage, preparation, packaging, service and sale (including content and presentation) of all products, maintenance and repair of Your Play Center's buildings, grounds, furnishings, fixtures and equipment, operating hours and days, employee uniforms and dress, accounting, bookkeeping, record retention and other business systems, procedures and operations.

(b) The Manual, as presently written and as We may in the future amend and supplement them from time to time, is incorporated into and made part of this Agreement by reference. All references to the Manual in this Agreement are to the Manual as most recently revised as of the relevant date. The Manual may be in paper form or available in electronic form or a combination of both media.

(c) You agree that the purpose of the Manual is to provide a means of communicating to all Franchisees specific details of Our System which will enhance uniformity and conformity among all Play Centers. You specifically agree that the Manual is an integral, necessary and material element of the System and that it will be necessary for Us, in order to maintain the high quality of the System and maximize its competitive position, to revise and update the Manual from time to time. We have the right at any time and from time to time, in the good faith exercise of Our reasonable business judgment, to revise, delete from and add to the materials contained in the Manual. You expressly agree to comply promptly with all obligations in and changes to the Manual.

4.5 Confidentiality; Our Property

(a) You agree that We own all rights in and to the System, including the information and materials described or contained in the Manual, and that the System and Manual contain trade secrets and themselves constitute Our trade secrets which have been or will be revealed to You in confidence. You agree not to disclose, duplicate, license, sell or reveal any portion thereof to any other person, except an employee of You required by his or her work to be familiar with such information. You agree to keep and respect all confidential information received from Us, to obtain from each of Your Play Center's managers an agreement to keep and respect all such confidences and to be responsible for Your employees'

keeping this information confidential. A copy of the employee confidentiality agreement is attached hereto as **Exhibit 3**.

(b) The Manual and all other confidential materials furnished to You are on loan only, will remain Our property, and You will return all copies of such documents to Us immediately upon the expiration or termination of this Agreement. The Manual may be in hard copy or electronic form and may include more than one volume.

4.6 Uniformity and Conformity

In all regards, You agree that strict conformity by You with this Agreement, the System and the Manual, is vitally important to the collective success of all LUV 2 PLAY Centers, including Your Play Center, because of the benefits You and other LUV 2 PLAY operators will derive from uniformity in menu items, identity, quality, appearance, facilities and service among all LUV 2 PLAY Centers. Any material failure to adhere to the requirements contained in this Agreement or in the Manual will be considered a material breach of this Agreement.

4.7 Services and Products

You agree to offer for sale from Your Play Center, at all times when Your Play Center is open for business, all of the children and family services and products expressly described in the Manual, unless You have received Our prior written consent to any exception. No other product, brand or service other than those identified in the Manual will be offered or sold at or from Your Play Center without Our prior written consent in each case. You agree to submit to Us in writing any additional product, brand or service proposed by You for Us for Our consideration and final determination before You implement any such change. We may approve it initially for testing only. All proposals approved by Us will become Our property upon submission.

4.8 Approved Suppliers

(a) In order to assure uniformity and conformity among Play Centers in the System and to comply with all truth in advertising laws, You agree to purchase all equipment, supplies and products for sale at Your Play Center only from suppliers who are at that time approved in writing by Us as an approved supplier ("**Approved Supplier**"), which may include one of our Affiliates.

(b) If You want to purchase any items from a supplier who is not an Approved Supplier, You will notify Us of such supplier, pay an approval fee and instruct the proposed supplier to contact Us and follow Our procedures for becoming an Approved Supplier. We may charge a reasonable fee for the fees and costs involved in these approval procedures. You understand and agree that at Our discretion any such proposal may be utilized on a test basis only subject to

the terms of a written test agreement. You may not sell or offer for sale any products or services of the proposed supplier until Our written approved of the proposed supplier is received.

4.9 Approved Suppliers: Play Center Construction and Appearance

In order to assure uniformity and conformity among Play Centers in the System, You agree to use architects, contractors, and other vendors that affect the appearance of Your Play Center who are at that time approved in writing by Us as an Approved Supplier. If You want to use a supplier who is not an Approved Supplier, You will notify Us of such supplier, pay an approval fee and instruct the proposed supplier to contact Us and follow Our procedures for becoming an Approved Supplier. We may charge a reasonable fee for the costs involved in these approval procedures.

4.10 Your Covenants

(a) You agree that LUV 2 PLAY Centers, including Your Play Center, must compete against similar businesses (as defined below) which may have far greater financial resources and may be better established in the family services industry. For purposes hereof, a "**Similar Business**" is any Play Center or similar business offering the same or similar services to those provided by an LUV 2 PLAY Center.

(b) Therefore, You agree on behalf of Yourself and each and every person with an ownership interest in Your Play Center ("**Owner**") to take all necessary action to assure compliance throughout the term of this Agreement with the requirements of this Section 4.9 and the other Sections in this ARTICLE 4, including obtaining and delivering to Us a written agreement from each such person that he or she agrees to each of the covenants set forth in this Section 4.9.

(c) Neither You nor any Owner will, directly or indirectly, engage in or have any interest whatsoever in any Similar Business without Our prior express written consent.

(d) Neither You nor any Owner will perform any services for or become a landlord of any Similar Business without Our prior express written consent.

(e) Neither You nor any Owner will divert or attempt to divert any business or customer of Your Play Center, or of any other LUV 2 PLAY Center, to any Similar Business by direct or indirect inducement, advertising or otherwise do or perform, directly or indirectly, any other act which is injurious or prejudicial to the goodwill associated with the System or the value of the Marks.

(f) For a period of two (2) years following the expiration or termination of this Agreement, neither You nor any Owner will, directly or indirectly, engage in or have any interest whatsoever in any Similar Business which is located within ten (10) miles of any LUV 2 PLAY Center without Our prior express written consent.

(g) You agree that any violation of this Section 4.9 would result in irreparable injury to Us and the System and that We would be without an adequate remedy at law. You agree that in the event of a breach or threatened breach of any such covenant, We will not be required to prove actual or threatened damage from such breach in order to obtain a temporary and/or permanent injunction and a decree for specific performance of the terms of this Section 4.9. In addition to injunctive relief, We shall be entitled to any other remedies which We may have under this Agreement, at law or in equity.

(h) The parties agree that each of these covenants will be construed as independent of each other and of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section 4.9 is held unenforceable by a court having valid jurisdiction in a final decision between the parties hereto and from which no appeal has or may be taken, You expressly agree to be bound by the remaining portion of such covenant.

4.11 Employees

(a) You will not hire or make arrangements to hire any person employed by Us, by any Affiliate of us or by another LUV 2 PLAY franchisee without first obtaining Our or such other franchisee's written consent. The parties agree that in the event of Your breach of this covenant, actual damages would be extremely difficult to compute, and accordingly, in the event of such a breach, You agree to pay the prior employer of such person liquidated damages equal to the greater of such person's prior annual salary or one-half of the annual salary and of any bonus paid or to be paid by You to such person during the first year of employment.

(b) You and You alone will be solely responsible for all hiring and employment decisions and functions relating to Your Play Center, including those related to hiring, firing, training, establishing remuneration, compliance with wage and hour requirements, personnel policies, benefits, recordkeeping, supervision and discipline of employees, regardless of whether you have received advice from Us on these subjects or not. Any guidance We may give You regarding employment policies should be considered merely examples. You will be responsible for establishing and implementing your own employment policies, and should do so in consultation with local legal counsel experienced in employment law.

4.12 Software

You agree to use in Your Play Center the software designated by Us in the Manual for Franchisees to use in making estimates, preparing invoices, keeping accounting records and other aspects of the operation of the Play Center. The software will be available to You on the same terms available to other Franchisees and as specified in the Manual.

4.13 Online Management and Communication System

We may establish an online management and communication system for LUV 2 PLAY Center Operations and You agree to participate and perform all things necessary to set up and connect to the online communication system and comply strictly with its requirements.

4.14 Redemption Equipment, Games and Game Management System

You agree to use in Your Play Center the redemption system, video games, merchandiser games and management system designated by Us in the Manual.

4.15 Pricing

To the fullest extent permitted by applicable law at such time, We reserve the right to establish maximum, minimum or other pricing requirements with respect to the prices You may charge for products or services, and You agree to comply with any such requirements.

ARTICLE 5: TRAINING

5.1 Initial Training

We will make available at a place or places designated by Us Our initial LUV 2 PLAY operations training course to You or Your Designated Operator, as identified in this Agreement.

5.2 Training Required

You or Your Designated Operator must each attend and complete Our Initial training course to Our reasonable satisfaction. All of the Managers of Your Play Center must either attend and successfully complete Our training or otherwise become certified as required by the Manual. You must always have a properly certified Manager on duty at Your Play Center whenever it is open to the public. In Our sole discretion, We may also provide training for successor and replacement personnel.

5.3 Training Employees

You will be responsible for full compliance at Your Play Center with the requirements taught at Our Initial Training and will cause Your Play Center's employees to be trained in those requirements which are relevant to the performance of their respective duties. We may require Your employees to be trained and certified in the performance of their duties, and with Our consent You may have employees approved as certified trainers for the other employees.

5.4 Pre-Opening Events

Prior to opening Your Play Center Premises for business, You agree at your own expense to conduct mock service and pre-opening operations following the requirements of the Manual ("**Pre-Opening Events**").

5.5 Continuing Training

You and such employees as We may designate will, from time to time, personally attend and complete refresher courses in Play Center operations and any training sessions held for the purpose of introducing new products or procedures.

5.6 Fees; Expenses

We reserve the right to charge a reasonable fee for training successor or replacement personnel and for any additional training programs and for course materials, at Our discretion. ~~You agree to pay a reasonable fee for any other training courses offered by Us.~~

ARTICLE 6: MAINTENANCE; LEASE PROVISIONS

6.1 Repairs and Maintenance

(a) You agree to maintain Your Play Center and its parking area in a "like new" condition and in conformity with the requirements set forth in the Manual or other writings issued by Us. You agree to replace Play Center equipment as necessary or desirable and to obtain any new or additional equipment as may be reasonably required by Us for new products or procedures. You agree to take all such action as requested by Us promptly within a reasonable time period after receipt of such request. If You have failed to take any action within fifteen (15) days after Our notice, We may, in addition to all other remedies, enter Your Play Center and effect the corrective action contained in the notice, and You shall immediately pay the costs incurred by Us in taking such action.

(b) Except as may be expressly provided in the Manual, no changes of any kind in design, signs, equipment or decor will be made in, on or about Your Play Center premises without prior written approval of in each instance. You will obtain, repair, maintain and replace all equipment, signs and other Play Center items at Your sole cost. You agree participate in the mandatory maintenance program for Your Play Center equipment as set forth in the Manual or other writing issued by Us.

6.2 Modernization

In order to compete effectively and to assure the continued success of Your Play Center, You agree, from time to time as reasonably required by Us (taking into consideration the cost and then remaining term of this Agreement), to modernize Your Play Center premises, parking area and equipment to Our then current standards and specifications. You understand and agree that this obligation is in addition to other obligations under this Agreement, such as repair, maintenance and purchase of new equipment. No such modernization will be required by Us unless and until Our Affiliates have at that time implemented such standards and specifications in at least twenty-five percent (25%) of their Play Centers located in the continental United States.

6.3 Lease Provisions

If You are or become a lessee of Your Play Center premises, You will provide Us with a true, correct, complete and executed copy of the lease. Such lease must contain the option required by Section 15.5 below and a provision which precludes any other children's or family services similar to LUV 2 PLAY Centers from operating in the same business Play Center or five (5) miles from Your Play Center and the alteration and de-identification rights required by this Agreement where the premises will no longer be operated as an LUV 2 PLAY Center. Such lease will also require the lessor (a) to give Us reasonable notice of any lease termination and a reasonable time in which to take and make the above actions and alterations and (b) provide that You have the unrestricted right to assign such lease to Us. These lease provisions may be subject to the reasonable consent of the lessor.

ARTICLE 7: MARKETING AND ADVERTISING

7.1 Marketing, Promotion and Advertising Programs

The parties recognize the value of marketing, advertising and promotions to enhance the goodwill and public image of the System. We agree that We will develop marketing, promotion and advertising programs designed to promote and enhance the collective success of all LUV 2 PLAY Centers. It is expressly agreed that in all respects of such marketing, promotion and advertising (such as type, quantity, timing, placement and choice of media, market areas and advertising agencies), Our decisions made in good faith will be final and binding. Your participation in all such

advertising and revenues promotion programs must be in full and complete accordance with any terms and conditions as We may have established.

7.2 Local Advertising

(a) You agree that during the term of this Agreement, you will spend monthly up at least one percent (1%) and up to two percent (2%) of Gross Revenues (as designated by Us) for conducting advertising and revenues promotion programs for Your Play Center as designated by Us in the Manual or otherwise in writing. We may require You to provide proof of all such marketing, promotion and advertising expenditures. You acknowledge and agree that You must obtain Our prior written approval for all of Your local programs in order for them to qualify for required spending. This obligation is in addition to Your obligation for grand opening promotion. Payments to an approved Advertising Cooperative (“**Ad Co-op**”) will be applied to this Local Advertising obligation.

(b) You will not issue any press release without Our prior express written approval.

(c) You will not make any contributions or donations of items, services or money to any individual or entity, or provide any type of other benefit to any charitable, religious, political, social, civic or other type of organization (or to any individual on behalf on any such organization) in the name of Your Play Center or otherwise associate with the Marks, without our prior express written consent.

(d) You will not establish Your own “eclub” marketing campaigns, Gift Card programs, or Loyal Customer programs or any social media or other such programs as designated in the Manual without Our prior written approval. You agree to diligently participate in all promotional campaigns, customer loyalty programs, special offers, and other programs, which are prescribed from time to time by Us.

7.3 Marketing Fund

(a) In order to maximize the general public recognition and acceptance of LUV 2 PLAY Centers, We may at such time as We believe is appropriate for the System establish an LUV 2 PLAY Marketing Fund. You agree that We may require that You contribute up to three percent (3%) of Your Play Center’s Gross Revenues to this Fund.

(b) We will use monies from the Marketing Fund to pay for the production costs, advertising, marketing and promotion of LUV 2 PLAY Centers, including without limitation, costs and expenses related to the employment of advertising agencies, payment of talent and residuals, research and development, design and development of trademarks and logos, promotions, public relations market research, reimbursement to Us or Our Affiliates of general and administrative expenses and allowances directly related to marketing of LUV 2 PLAY Centers and clearance of marketing, advertising and promotional programs.

(c) Our Affiliates will also contribute to the Marketing Fund the same percentage of the Gross Revenues from operation of LUV 2 PLAY Centers in the continental United States.

(d) We will deposit the Marketing Fund Fees in a separate account which will not be considered one of Our assets.

(e) We agree to cause an annual accounting of the Marketing Fund and to make the results of such accounting available to You upon request. If such accounting is made by an independent accounting firm, the expenses thereof shall be paid from the Marketing Fund.

(f) We agree that if We receive advertising promotional allowances and/or advertising rebates from suppliers or distributors which relate directly to purchases by LUV 2 PLAY Centers operated by franchisees, We will use the funds to benefit the System, with the understanding that You and We may retain all such payments paid directly to You or Us, respectively.

(g) You agree that We have no obligation in administering the Marketing Fund to make expenditures for You or others which are equivalent or proportionate to the contribution(s) made or to ensure that any particular franchisee benefits directly or pro rata from any marketing program or advertising.

(h) You agree that We may reimburse Ourselves from the Brand Fund for (i) the direct costs and expenses incurred by Us or our Affiliates in administering the Brand Fund and (ii) up to fifteen (15%) of Brand Fund contributions for each of Our fiscal years to cover (A) Our administrative costs and overhead incurred by Us in connection with activities related to the administration of the Brand Fund and its programs and (B) a pro rata portion of the compensation paid by Us or Our Affiliates to persons for their work on Brand Fund related matters.

7.4 Marketing Fund Policy

(a) We will develop and modify from time to time as necessary a Marketing Fund Policy which will include procedures and guidelines for disbursements and expenditures from the Marketing Fund.

(b) All monies in the Marketing Fund, including any interest or other income earned from the investment of such monies, must be spent and disbursed only in accordance with this Agreement and the Marketing Fund Policy, which may be modified from time to time at Our discretion so long as all monies are used to pay for marketing, promotion and advertising programs for LUV 2 PLAY Centers in the United States of America.

7.5 Temporary Investment

We may temporarily invest any or all of the monies held in the Marketing Fund from time to time at Our sole discretion in accordance with the Marketing Fund Policy.

We will use any interest or other income received from such investments to pay for the expenses of administering the Marketing Fund pursuant to the Marketing Fund Policy. Interest or income received from temporary investments that exceed the reasonable expenses of administering the fund will be considered part of the Marketing Fund.

7.6 Ad Co-ops

(a) We may at Our discretion designate any geographical area as a basis for an Ad Co-op for the purpose of marketing, advertising and promoting LUV 2 PLAY Centers in that area, including the Affiliates' Play Centers. The Ad Co-op will also serve as means of exchanging ideas, sharing information and problem solving.

(b) You agree to become a member of an Ad Co-op at any time the Play Center is located within the designated area for such Ad Co-op.

(c) You agree to execute and deliver any such Ad Co-op agreements or undertakings required by such Ad Co-op, to make contributions as required of its members and to maintain Your status as a member in good standing of such Ad Co-op at all times.

(d) We may from time to time establish the requirements for approval of Ad Co-ops, the amount of contribution by members to each such Ad Co-op and exemptions from membership or temporary suspensions of contributions. All such contributions will be credited toward your Local Advertising Spend.

(e) The mandatory contribution to an Ad Co-op may exceed one percent of Gross Revenues if the Ad Co-op members agree to additional funding in accordance with established Bylaws.

7.7 Approval of Advertising

(a) You must use only advertising copy and other materials which are in strict compliance with Our requirements, as set forth in the Manual or otherwise. All of Your advertising, promotion and marketing must be completely clear and factual, not misleading and conform to the highest standards of ethical marketing and the promotion policies.

(b) If You wish to use other or modified materials, You must submit to Us, in each instance and at least thirty (30) days prior to first use, the proposed advertising copy and materials for approval in advance of publication. You may use only advertising materials which have been approved in writing by Us.

(c) In no event will Your advertising contain any statement or material which may be considered (i) in bad taste or offensive to the public or to any group of persons, (ii) defamatory of any person or an attack on any competitor, (iii) will not be misleading, and (iv) will conform to the highest standards of ethical marketing and the promotion policies that We prescribe from time to time.

7.8 Grand Opening

You agree to conduct an approved grand opening promotion for the Play Center shortly after its opening and to spend at least \$5,000 in approved expenditures in regard to such promotion. We will assist You in planning for Your Grand Opening in accordance with our standards, including, without limitation, standards related to the timing, type, size and amount spent on the grand opening promotion (“**Grand Opening Event**”). All advertising, methods and media You use in connection with such Grand Opening Event must have Our prior approval. At Our request, You must submit to Us expenditure reports accurately reflecting Your Grand Opening Event expenditures. Grand Opening Event expenditures will not be credited toward any of Your other obligations under this Section 7.8.

7.9 Websites and Internet Advertising

You shall not, indirectly or directly, establish or use any Internet web page, web site address, Internet directory listing, or any other social networking site as defined in the Manual, relating in any way to Your Play Center, or which uses the Marks without Our prior written consent. You will adhere to any social media policies that We establish from time to time and will require all of Your employees to do so as well. Except email communications, You may not conduct any aspect of Your Play Center business through the Internet without Our prior consent. We will include information about Your Play Center on Our Web site, and follow our System procedures on referring potential customers to You.

7.10 Promotional Programs

You shall participate in all promotional programs We develop for the System. You will be responsible for the costs of such participation. You shall purchase or lease, and install, all required fixtures, furniture, furnishings, signs and equipment (including required computer, point-of-sale, and other electronic information system and all equipment components and software necessary to accept and process gift cards [and loyalty cards] and participate in our gift card, [customer loyalty,] and similar programs) for Your Play Center.

7.11 Social Media

We have sole discretion and control over any profiles using or relating to the Marks, or that display the Marks, that are maintained on social media outlets, including without limitation Facebook, Twitter, Instagram, Pinterest or other similar

outlets that may exist in the future. We may use part of the Marketing Fund monies We collect under this Agreement to pay or reimburse the costs associated with the development, maintenance and update of such profiles. We may (but need not) establish a social media policy and guidelines pursuant to which You may establish profiles or otherwise establish a presence on such social media outlets. In that event, You shall comply with the standards, protocols and restrictions that We impose from time to time on such use.

ARTICLE 8: ACCOUNTING AND RECORD KEEPING

8.1 Point of Sales System

(a) Before the opening of Your Play Center and at Your own expense, You agree to procure and install the computer hardware, software, Internet connections and service, required dedicated telephone and other computer-related accessories, peripherals and equipment that are required in the Manual (the “**Point of Sales System**”).

(b) You agree to accurately, consistently and completely record and provide through the Point of Sales System all information concerning the operation of Your Play Center that We require, in the form and at the intervals that We require, as set forth in the Manual.

(c) You acknowledge and agree that We will have full and complete independent access to Your Point of Sale System, and We may retrieve from Your Point of Sale System all information that We consider necessary, desirable or appropriate.

8.2 Accounting Information

You understand and agree that We may under Section 8.1 require You to use software which will generate accounting information which will be accessible to Us electronically. You also agree that We may require You, following written notice or as part of the Manual to send to Us in the form and within the time schedules set forth in the Manual hard copy or other form of reports and information. These may include Profit and Loss Statements, Balance Sheets and Statements of Cash Flow, sales tax returns, and income tax returns.

8.3 Accounting Records

You agree to maintain and preserve for a minimum of seven (7) years from the date of preparation full, complete and accurate books, records and accounts in accordance with generally accepted accounting principles and in the form and manner prescribed by the Manual.

ARTICLE 9: AUDITS AND INSPECTIONS

9.1 Audit Rights

You agree that We will at all times have the following audit rights:

(a) Our representatives may on a reasonable basis review, inspect and copy any and all accounting records, tax records and other such documents, as they determine, in their sole discretion as being necessary to audit Your compliance with this Agreement.

(b) If any inspection or audit reveals that the Gross Revenues reported in any report or statement are less than the actual Gross Revenues calculated during such inspection, and/or fees owing are otherwise miscalculated, then You will immediately pay Us the additional amount of fees owing by reason of the understatement of Gross Revenues previously reported and/or other miscalculation, together with interest as provided in Section 2.3. In the event that any report or statement by You understated gross revenues and/or fees owing by more than two percent (2%) calculated during Our inspection, You will, in addition to paying for the additional fees and interest, pay and reimburse Us for any and all expenses incurred in connection with its inspection, including, but not limited to, reasonable accounting and legal fees. Such payments will be without prejudice to any other rights or remedies We may have under this Agreement or otherwise. In addition, We may at Our sole discretion require a complete and full audit in accordance with generally accepted accounting principals and by a certified public accountant acceptable to Us, at Your expense.

9.2 Inspection

(a) You agree to, at Your expense, participate in Our approved inspections and surveys regarding guest satisfaction and Play Center inspections as stated in the Manual. In addition, You will cause the reports of all such inspections or surveys be sent to Us.

(b) We will make periodic visits to Your Play Center as We deem advisable. You agree that Our representatives will have the right at any time and from time to time without notice to enter Your Play Center for the purpose of inspecting its condition and its operations for compliance with Our requirements contained in this Agreement and in the Manual, and for any other reasonable purpose connected with the operation of Your Play Center.

(c) You agree to incorporate into Your Play Center any reasonable corrections and modifications We require to maintain Our standards of quality and uniformity, as quickly as is reasonably possible and using all resources at Your disposal.

9.3 Books and Records

Without limiting the generality of Section 9.2, Our representatives will have the right at all times during normal business hours to confer with Your Play Center's employees and customers, and to inspect Your books, records and tax returns, or such portions thereof as pertain to the operation of Your Play Center. All of Your books, records and tax returns will be kept and maintained at Your Play Center, at Your primary office or such other place as may be agreed to from time to time in writing by the parties.

9.4 Ownership Records

If You are not an individual or sole proprietorship, You must maintain an accurate ownership register or other list of names, addresses and interests of all Your record and beneficial owners. Upon ten days written notice from Us, You will deliver to Us a copy of such register and/or list of owners, certified by Your chief executive officer to be correct. During any audit or other inspection under this Section 9, You will allow Our representatives to inspect and copy such register and/or list.

ARTICLE 10: RELATIONSHIP OF PARTIES AND INDEMNIFICATION

10.1 Relationship

You are not, and will not represent or hold Yourself out as being an agent, legal representative, joint venture, partner, employee or servant of Us for any purpose whatsoever and, where permitted by law to do so, will file a business certificate to such effect with the proper recording authorities. You are an independent contractor and are not authorized to make any statement or commitment on behalf of Us, or to create any obligation, express or implied, on behalf of Us. You agree that We are not in any way a "fiduciary" in regards to You. You will not use the name LUV 2 PLAY or any similar words as part of the name of a corporation or other business entity directly or indirectly associated with You.

10.2 Indemnification

(a) You will indemnify Us, Our Affiliates and their officers, directors, employees, agents, affiliates, successors and assigns from and against (i) any and all claims based upon, arising out of, or in any way related to the operation or condition of any part of Your Play Center or Play Center premises, the conduct of Your Play Center's business, the ownership or possession of real or personal property, any negligent act, misfeasance or nonfeasance by You or any of Your agents, contractors, servants, employees or licensees, (ii) Your failure to perform any of Your obligations under this Agreement, and (iii) any and all fees (including reasonable attorneys' fees), costs and other expenses incurred by Us or on Our behalf in the investigation of or defense against any and all such claims.

(b) We will indemnify You and Your Owners and Your and their employees, agents, affiliates, successors and assigns from and against (i) any and all claims based upon, arising out of, or in any way related to the Marks, the System and the operation of Your Play Center so long as You were properly operating the Play Center according to the System and the Manual or related to Our obligations incurred pursuant to any provisions of this Agreement, (ii) Our failure to perform any of Our obligations under this Agreement, and (iii) any and all fees (including reasonable attorneys' fees), costs and other expenses incurred by or on Your behalf in the investigation of or defense against any and all such claims.

ARTICLE 11: INSURANCE

11.1 Insurance

You will obtain before beginning construction or remodeling of Your Play Center and will maintain in full force and effect during the entire term of this Agreement, at Your sole cost and expense, an insurance policy or policies protecting You and Us against any and all loss, liability or occurrence, arising out of or in connection with the construction, condition, operation, use or occupancy of Your Play Center or Your Play Center premises. We will be named as an additional insured in all such policies, workers' compensation excepted.

11.2 Policies

In all events, the insurance policy or policies will include at least the following:

- (a) Comprehensive general liability insurance, including products liability coverage with minimum coverage of \$1,000,000 per occurrence and \$3,000,000 in the aggregate.)
- (b) Liquor liability coverage (if any alcoholic beverages are offered for sale from the Cafe) with minimum coverage of \$1,000,000 and \$2,000,000 in the aggregate.
- (c) Property insurance covering the perils of fire and extended coverage, vandalism and malicious mischief with coverage to be at replacement cost.
- (d) Liability for owned, non-owned and hired vehicles with minimum coverage of \$1,000,000 per occurrence and \$3,000,000 in the aggregate.
- (e) Umbrella liability insurance policy providing a minimum of \$5,000,000 coverage including the above limits.
- (f) Course of construction insurance at replacement cost.
- (g) Workers' compensation insurance as required by applicable state law.
- (h) Business interruption insurance (reasonable coverage and time limit).

Your obligation to maintain this insurance will not be limited in any way by reason of any insurance maintained by Us.

11.3 Qualified Insurance Carrier

All insurance policies required by this Agreement must be written by a responsible insurance company or companies satisfactory to Us and in accordance with the minimum limits set forth in Section 11.2 above, which may be changed from time to time by Us at Our discretion to reflect changed conditions. Each insurance company must be rated no less than A VII by A.M. Best and Company. You must maintain such additional insurance coverage and increased limits that We may reasonably consider advisable for a Play Center business in the area where Your Play Center is located.

11.4 Certificates

Upon obtaining the insurance required by this Agreement and on each policy renewal date thereafter, You will deliver to Us for Our approval certificates of insurance showing compliance with the requirements of Section 11.1. Such certificates must state that the policy or policies will not be canceled or altered without at least thirty (30) days' prior written notice to Us. Maintenance of such insurance and the performance by You of Your obligations under this Section 11 will not relieve You under the indemnity provisions of this Agreement or limit such liability.

11.5 Failure to Insure

If You, for any reason, fail to obtain and maintain the insurance coverage required by this Section, We will have the right and authority to obtain immediately such insurance coverage and to charge the cost thereof plus a ten percent (10%) processing fee to You, which charges will be paid immediately upon notice and will be subject to charges for late payments in the manner set forth in Section 2.3 above.

ARTICLE 12: DEBTS AND TAXES

12.1 Debts and Taxes

You will pay promptly when due all debts and other obligations incurred directly or indirectly in connection with Your Play Center and its operation; including, without limitation, all taxes and assessments that may be assessed against Your Play Center land, building and other improvements, equipment, fixtures, signs, furnishings and other property, and all liens and encumbrances of every kind and character incurred by or on behalf of You in conducting Your Play Center business. You may protest or contest any of such amounts so long as such protest or contest does not adversely affect the continued business of Your Play Center or possession of Your Play Center premises.

ARTICLE 13: PRINCIPALS, SALE AND ASSIGNMENT, RESTRICTIONS

13.1 Definition of Principals; Personal Guarantees

For purposes of this ARTICLE 13, the term "**Principals**" will include the persons signing this Agreement as Principals, any of Your future owners and the spouses, minor children or any trust for the benefit of any such Principal. Unless We have given Our written consent to the contrary, each of the Principals signing this Agreement hereby personally guarantees, jointly and severally, the full payment and performance of Your obligations under this Agreement. We have unrestricted right to approve all owners and any future owners. Future owners will be required to execute and deliver to Us a Personal Guarantee attached hereto as **Attachment 2**.

13.2 Authorized Agent

You and the Principals appoint the following person with full authority (the "**Authorized Agent**") to act on behalf of You and the Principals in regard to performing, administering or amending this Agreement: _____. We may deal completely with the Authorized Agent in such regard unless and until Our actual receipt of written notice from You and the Principals of the appointment of a successor to the Authorized Agent.

13.3 Personal Contract; Consent Mandatory

You agree that a material part of the consideration for Our entering into this Agreement is the personal confidence We have in You and the Principals. No person will succeed to any of Your rights under this Agreement by virtue of any voluntary or involuntary proceeding in bankruptcy, receivership, attachment, execution, assignment for the benefit of creditors, other legal process or transfer not expressly authorized and consented to by Us. Except as expressly provided for in this Agreement any attempt by You to transfer any of Your rights or interest under this Agreement will constitute a material breach of this Agreement, and in such event We will have the right to terminate this Agreement upon written notice to You. We will not be bound by any attempted transfer in any manner whatsoever, by law or otherwise, of any of Your rights or interests under this Agreement except as permitted by this ARTICLE 13.

13.4 Form of Legal Entity

(a) If You have been organized under applicable law as a legal entity such as a corporation, partnership or limited liability company (hereinafter referred to as a "**Legal Entity**") or if Your interests in this Agreement are to be transferred to a Legal Entity, such Legal Entity must be expressly approved in advance and in writing by Us and You must comply with this Section 13.4 and any other condition which We may require, including a limitation on the number of owners of the Legal Entity. We have unrestricted right to approve all equity owners and any future owners and to require

a Personal Guaranty. We will not charge a transfer fee for forming or transferring ownership to such a Legal Entity. The organization documents must be promptly submitted for Our review.

(b) Unless We provide Our prior written consent to the contrary, the Legal Entity must satisfy the following conditions and such other conditions as We may require under the circumstances:

(i) The Legal Entity must be closely held with the single purpose of operating LUV 2 PLAY Centers.

(ii) The Principals will own and control not less than fifty and one-tenth percent (50.1%) of the voting rights of the Legal Entity or otherwise satisfy Us that the Principals have operational control of the Legal Entity.

(iii) There will not be more than ten (10) owners of the Legal Entity in addition to the Principals.

(c) You will notify Us of any proposed issuance or transfer of an ownership interest in the Legal Entity, and We will have thirty (30) days after its receipt of such notice to disapprove such intended issuance or transfer. Such disapproval must be reasonable and based on the transferee's being involved with other parties in competition with LUV 2 PLAY Centers or having a known history, reputation or character which is adverse to the interests of LUV 2 PLAY Centers. A failure by Us to respond timely to such notice will be deemed an approval of the proposed transfer. Each such notice from You must identify the proposed transferor and transferee and provide a complete and accurate description of the proposed transferee sufficiently detailed to allow Us to make a reasoned decision of approval or disapproval.

(d) Notwithstanding anything to the contrary contained in this Section 13.4, a transfer of ownership interest in the Legal Entity which involves only a transfer between or among the Principals, entities wholly owned and controlled by the Principals or any of them or entities controlled by any Principal for the benefit of members of his or her immediate family shall not require Our prior written approval so long as the other requirements of this Section 13.4 are satisfied and We receive prior written notice of such transfer together with complete details regarding the ownership and legal structure of the transferee(s). We will not unreasonably withhold Our approval of any transfer so long as the Principals maintain operational control over You.

(e) The organization documents of the Legal Entity will contain the restrictions set forth in Subsections 13.4(b) and (c) above and this Subsection 13.4(e). You will cause to be printed on each certificate or other document of ownership of the Legal Entity a legend referencing the restrictions contained herein, which will read substantially as follows:

"The transfer of ownership in this company is subject to the terms and conditions of an LUV 2 PLAY Franchise Agreement. Reference is made to such Franchise Agreement and to the restrictive provisions contained in the organization documents of this company."

13.5 Written Consent

(a) Except as otherwise expressly set forth in this ARTICLE 13, neither Your rights and interests under this Agreement nor any ownership interests in You (if You are a Legal Entity) may be sold, assigned, encumbered or otherwise transferred (all of which are hereinafter included within the term "**transfer**") in whole or in part in any manner whatsoever without Our prior express written consent.

(b) We will not unreasonably withhold Our consent to a transfer. In considering a request for transfer, We will consider, among other things, the qualifications, apparent ability and credit standing of the proposed transferee as if he or she were a prospective direct purchaser of a franchise from Us. In addition, but without limitation, We will require as conditions to the granting of Our consent all of the following:

- (i) There must be no existing default in the performance or observance of any of Your obligations under this Agreement or any other agreement with Us, and Your Play Center will be in condition and appearance satisfactory to Us and in accordance with Our System standards at that time;
- (ii) You must settle all outstanding accounts with Us and our Affiliate(s);
- (iii) You must pay Us Our then current Transfer Fee to compensate Us for Our expenses incurred in connection with investigating the qualifications of the proposed transferee, training the proposed transferee and the direct administrative costs of effectuating the transfer. The amount of the Transfer Fee will be twenty-five (25%) of our then current initial Franchise Fee;
- (iv) The proposed transferee must appoint a Designated Operator acceptable to Us; Designated Operator and the proposed transferee (at its option, if different) must, prior to the transfer personally attend and satisfactorily complete Our initial training program;
- (v) The proposed transferee or other person(s) designated by Us must execute Our then current form of Franchise Agreement for the remaining term of this franchise.
- (vi) The transfer documents must contain a non-competition agreement by You similar to that set forth in this Agreement at subsection 4.9(f);
- (vii) If You and/or Your Principals finance any part of the sale price of the transferred interest, You and Your Principals must agree that all of the proposed transferee's obligations are subordinate to the transferee's obligations to pay amounts due to Us and Our Affiliate(s); and

- (viii) Such other requirements as We may in Our discretion deem reasonably necessary, including a general release of any claims against Us.

(c) Neither this Agreement, any of the rights conferred on You hereunder nor any ownership interests in the purchasing franchisee may be retained by You as the transferring franchisee as security for the payment of any obligation that may arise by reason of any such transfer.

13.6 Death and Disability

(a) Except as provided for herein to the contrary, the death or disability of an owner of a Legal Entity shall have the legal results of applicable law. In the event of the death or legal incapacity of one of the Principals, the decedent's estate or You must immediately notify Us of such death and within thirty (30) days after such notice further notify Us of a proposed successor to the decedent's interests (the "**Successor**"). If We approve the Successor, he or she will replace the decedent as a Principal hereunder.

(b) In the event We do not approve the Successor, We will so notify You, and You or the decedent's estate will use Your best efforts within the six (6) months from the date of such written notice from Us to sell the interests in this Agreement and Your Play Center to a bona fide purchaser in accordance with and subject to all of the provisions of this ARTICLE 13. If by the end of such six-month period, You have not consummated a transfer of such interest or stock in a transaction which meets the requirements of this ARTICLE 13, We will have the option to purchase all of such interest in Your Play Center and franchise or in the ownership of the Legal Entity at the fair market value thereof as determined in good faith by an independent appraiser selected as set forth in subsection (c) below.

(c) The procedure for determining the fair market value or other terms of purchase shall be that We and You shall each select one appraiser and such two appraisers shall select a third appraiser, and the third appraiser shall make the necessary determination, with the costs of appraisal to be borne equally by You and Us.

(d) If We in Our discretion decide that the death or disability of an individual, a Principal or a Successor will result in unsatisfactory operation of Your Play Center, We may take over operation of Your Play Center temporarily, and You will reimburse Us for all of Our costs and compensate Us for Our efforts at an amount equal to 5% of Gross Revenues during such time.

13.7 Right of First Refusal

(a) You must give written notice to Us of any planned, attempted transfer or offer to transfer by You in any manner whatsoever of any interest in or under this Agreement or of any transfer of the controlling ownership interest in You if You are a

Legal Entity. You grant Us the right of first refusal in regard to any such offer or transfer to purchase such interest on the same terms and conditions (or on terms and conditions determined by Us which will result in the same net financial benefits to You as transferor). In exercising Our right of first refusal, We may pay the transferor cash at closing in the same amount as the principal amount of any promissory note(s) otherwise required by the transferee or in the amount of the fair market value of any other non-cash purchase price, and if stock is provided for, may substitute stock of itself or an affiliated corporation in an equivalent value to the stock contained in the offer of first refusal. Any determination of fair market value, equivalent value or net financial benefits made by Us in good faith shall be deemed an acceptance of the offer. Until We have accepted or rejected the offer of first refusal from You, You will neither consider nor accept any other offer and will keep confidential all of the terms of such transfer.

(b) The first refusal offer to Us must be in writing and must include complete details of all of the terms, conditions and provisions of the proposed transfer, including copies of all agreements which may be assumed by or assigned to the transferee. After receipt of all of such information, We will have thirty (30) days after actual receipt of all of such documents within which to accept or reject it. Our failure to accept within such thirty (30) days will constitute a rejection. If rejected, You may consummate the transfer to a third party if all other provisions of this Agreement are satisfied, but the transfer must be consummated within six (6) months and only upon the terms, conditions and provisions previously offered to Us.

(c) After any rejection by Us, You must in all events submit a fully executed copy of all final transfer documents to Us at least three (3) days in advance of any proposed consummation or closing date for Our review and comparison with the first refusal offer previously submitted to it. Any variation will require an offer of first refusal to Us on the varying terms following the same procedures set forth above. Our right of first refusal will be unrestricted and absolute, and We will in all cases have at least thirty (30) days to consider and act on each offer or any change in the terms and conditions of offer.

(d) Nothing contained in this Section 13.7 will in any way be deemed to limit Our discretion in considering, approving or disapproving any request to transfer any interest under this Agreement.

13.8 Assumption

This Agreement and Our rights, interests and obligations hereunder may be transferred to the benefit of any entity which succeeds to Our business and assumes Our obligations hereunder.

ARTICLE 14: TRADEMARKS

14.1 Ownership

You agree that We have the sole and exclusive right (except for rights granted under existing and future franchise agreements) to use the Marks in connection with the products and services to which they are or may be applied by Us. You represent, warrant and agree that neither during the term of this Agreement nor after its expiration or other termination You will not directly or indirectly contest or aid in contesting the validity, ownership or use of the Marks by Us or take any action whatsoever in derogation of the rights claimed therein by Us.

14.2 Nonexclusive License

The license granted under this Agreement to use the Marks is nonexclusive except to the extent otherwise specified herein, and We, in Our sole and absolute discretion, may grant other licenses in, to and under the Marks in addition to those licensees already granted, both within and outside Your Play Center's trading area, and to develop and license other names and marks on any such terms and conditions as We deem appropriate.

14.3 Other Uses

You expressly agree that We have the exclusive, unrestricted right to engage directly and indirectly, at wholesale, retail, catering and otherwise, within Your Play Center trading area and elsewhere, in (a) the production, distribution and sale of services and products under the Marks licensed hereunder or other marks; and (b) the use, in connection with such production, distribution and sale, of any and all trademarks, trade names, service marks, logos, insignia, slogans, emblems, symbols, designs and other identifying characteristics as may be developed or used from time to time by Us. The license granted to You under this Agreement does not include any right or authority of any kind whatsoever to sell outside the Play Center any products or services using the Marks. We have the sole and exclusive right to such rights at all times and at all locations.

14.4 Goodwill

Nothing contained in this Agreement will be construed to vest in You any right, title or interest in or to the Marks, the goodwill now or hereafter associated therewith or any right in the design or any Play Center building, other than the rights and license expressly granted herein of the term hereof. Any and all goodwill associated with or identified by the Marks will inure directly and exclusively to Our benefit, including without limitation any goodwill resulting from operation and promotion of Your Play Center.

14.5 Use of Marks

You will not use the Marks in connection with any statement or material which may, in Our judgment, be in bad taste or inconsistent with the LUV 2 PLAY public image, or tend to bring disparagement, ridicule or scorn upon Us, the Marks or the goodwill associated therewith. You, whether doing business as a proprietorship or Legal Entity, will not adopt, use or register (by filing a certificate or articles of incorporation, a fictitious business name statement, or otherwise) any trade name or business name, style or design which includes, or is similar to, any of LUV 2 PLAY identifying characteristics. We will defend You (using legal counsel chosen by Us) and indemnify You from any claims of infringement regarding use by You of the Marks so long as You were using the Marks properly and as authorized by this Agreement.

14.6 Changes in Marks; Protection

We will have the right at any time and from time to time upon notice to You to make additions to, deletions from, and changes in the Marks, or any of them, all of which additions, deletions and changes will be as effective as if they were incorporated in this Agreement. All such additions, deletions and changes will be made in good faith, on a reasonable basis and with a view toward the overall best interest of LUV 2 PLAY Centers generally. We will protect and preserve the integrity and validity of the Marks by taking the actions deemed by Us in Our discretion to be appropriate in the event of any apparent infringement of the Marks.

14.7 Infringements

You must notify Us promptly of any claims or charges of trademark infringement against Us or You, as well as any information You may have of any suspected infringement of the Marks. You will take no action with regard to any such matters without Our prior written approval and will cooperate fully with Us in dealing with any infringement or claim of infringement.

ARTICLE 15: EXPIRATION AND TERMINATION

15.1 Events of Default

(a) We will have the right to terminate this Agreement immediately upon written notice to You if any of the following events occur:

(i) in the event of any breach or default under Sections 1.4 (opening date), 4.3(c) (failure to comply with applicable laws), 5.2 (mandatory training), 9.1 (inspection), 13.3 and 13.5 (unauthorized transfer) or 13.7 (right of first refusal);

(ii) if a petition in bankruptcy, an arrangement for the benefit of creditors or a petition for reorganization is filed by or against You, or if You make any

assignment for the benefit of creditors, or if a receiver or trustee is appointed for Your Play Center, unless remedied to Our satisfaction within twenty (20) days;

(iii) if You for any reason lose Your right to possession of Your Play Center premises, including without limitation, termination of Your sublease and unlawful detainer;

(iv) if We discover that You have made any material misrepresentation or omitted any material fact in the information furnished by You in connection with the grant of this franchise;

(v) if You (or any Principal) are convicted of any felony or other criminal conduct which is relevant to operation of Your Play Center or if You engage in conduct which reflects materially and unfavorably upon the operation and reputation of the LUV 2 PLAY business or System.

(vi) If You abandon Your Play Center by failing to operate it for five consecutive days or lesser period if the facts and circumstances indicate that You do not intend to continue to operate Your Play Center (except as a result of fire, flood, earthquake or similar causes beyond Your control);

(vii) If You repeatedly fail to comply with one or more requirements of this Agreement, whether or not corrected after notice; or

(viii) If We make a reasonable determination that continued operation of Your Play Center by You will result in an imminent danger to any of its customers or to public health or safety.

(b) If You default in any other requirement of this Agreement, We will have the right to terminate this Agreement immediately following thirty (30) days written notice to You (except in the case of a default in payment to Us, in which case only ten (10) days written notice is required). If a non-monetary default cannot by its nature reasonably be cured within such thirty-day period, and so long as You are diligently taking all action reasonably necessary to effect such cure, the cure period will be extended to a reasonable amount of time to effect such cure. A default in any other LUV 2 PLAY franchise agreement in which You or anyone holding an interest in You also has an interest will be considered a default under this Agreement, which if not cured will result in termination of this Agreement.

(c) We may terminate this Agreement upon written notice to You without any curative period if a default is repeated within any 12-month time period.

(d) The provisions of this Section 15.1 are subject to the provisions of any local statutes or regulations which may prohibit Us from terminating this Agreement without good cause or without giving You additional prior written notice of termination and opportunity to cure any default.

15.2 Termination by You

You may terminate this Agreement following ninety (90) days written notice to Us if We materially breach this Agreement and fail to cure such breach within such ninety-day period.

15.3 Requirements Upon Termination

Upon the expiration or earlier termination of this Agreement for any reason, You must:

- (a) immediately discontinue the use of the Marks and the System, including all LUV 2 PLAY proprietary procedures;
- (b) unless We consent to the contrary, remove the Marks from Your Play Center building and its signs, fixtures and furnishings, eliminate entirely LUV 2 PLAY trade dress and alter and paint Your Play Center exterior and improvements a design and color which is basically different from the LUV 2 PLAY image and design so that there will no longer be any indication to the public that Your Play Center was an LUV 2 PLAY Center. If You fail to make or cause to be made any such change within thirty (30) days after written notice, We will have the right to enter upon Your Play Center premises, without being deemed guilty of trespass or any other tort, and make or cause to be made such changes and You will reimburse Us for all of Our reasonable expenses immediately following demand;
- (c) not thereafter use any identifying characteristic that is in any way associated with Us or similar to those associated with Us, or operate or do business under any name or in any manner that might tend to give the public the impression that You are or were a franchisee or otherwise associated with Us;
- (d) immediately deliver to Us all copies of the Manual and any items bearing the Marks or which are confidential; and
- (e) pay all sums due Us or to become due to Us pursuant to this Agreement.

15.4 Trademark Infringement

If You refuse to comply with a written notice of termination sent by Us and a court later upholds such termination of this Agreement, any operation of Your Play Center by You from and after the date of termination stated in such notice will constitute trademark infringement by You and You will be liable to Us for damages resulting from such infringement in addition to any royalties paid or payable hereunder, including, without limitation, Your profits.

15.5 Option

If Your Play Center premises are leased by You from a third party, You will have included in such lease and any subsequent lease of the premises the right by You to assign such lease to Us without further consent by the lessor. We may elect to have the lease automatically assigned to Us under such provision if this Agreement is terminated, whether it is terminated by Us or by You. If We so elect, You will immediately vacate the premises, and We will be entitled to take possession of said premises, including all fixtures and leasehold improvements, and We will pay to You the fair market value of the interests owned by You in Your Play Center's furnishings and equipment. Fair market value will be determined by mutual agreement or an appraiser selected by Us or the American Arbitration Association if We cannot agree.

ARTICLE 16: MISCELLANEOUS

16.1 No Effect

The waiver by Us of any breach or default, or series of breaches or defaults, of any term, covenant or condition herein or of any same or similar term, covenant or condition in any other agreement between Us and any franchisee will not be deemed a waiver of any subsequent or continuing breach or default of the same or any other terms, covenants or conditions contained in this Agreement, or in any other agreement between Us and any franchisee.

16.2 Right and Remedies

All of Our rights and remedies will be cumulative and not alternative, in addition to and not exclusive of any other rights or remedies provided for herein or which may be available at law or in equity in case of any breach, failure or default or threatened breach, failure or default of any term, provision or condition of this Agreement. Our rights and remedies will be continuing and not exhausted by any one or more uses thereof, and may be exercised at any time or from time to time as often as may be expedient; and any option or election to enforce any such right or remedy may be exercised or taken at any time and from time to time. The expiration or earlier termination of this Agreement will not discharge or release You from any liability or

obligation then accrued or any liability or obligation continuing beyond or arising out of the expiration or earlier termination of this Agreement.

16.3 Consents

Whenever the consent of a party is sought or required hereunder, such consent will not be unreasonably withheld.

16.4 Partial Invalidity

If any part of this Agreement will for any reason be declared invalid, unenforceable or impaired in any way, the validity of the remaining portions will not be affected thereby, and such remaining portions will remain in full force and effect as if this Agreement had been executed with such invalid portion eliminated. It is hereby declared the intention of the parties that they would have executed the remaining portion of this Agreement without including therein any such portions which might be declared invalid; provided, however, that in the event any part hereof relating to the payment of fees to Us, or the preservation of the Marks, trade secrets or secret formulae licensed or disclosed hereunder is for any reason declared invalid or unenforceable, then We will have the option of terminating this Agreement upon written notice to You.

16.5 Arbitration; Jurisdiction

(a) Except as set forth in Subsection 16.5(b), any unresolved dispute between the parties arising out of this Agreement shall be submitted to binding arbitration pursuant to the rules of the American Arbitration Association applicable to commercial arbitrations and the Federal Arbitration Act. Such arbitration shall be held within Orange County, California (the "**Home County**"). At the conclusion of the arbitration, the arbitrator must deliver to the parties a written statement of conclusions of fact and conclusions of law supporting the final award of the arbitrator. Any party may move for judicial confirmation, modification or correction of the final award of the arbitrator within 60 days after receipt thereof. Alternatively, judgment upon such decision may be entered in any court having jurisdiction over the matter. Arbitrators shall apply the law of the State of California (without giving effect to any conflict of law principals) as set forth in section 16.7 below.

(b) Notwithstanding the foregoing, any action by Us which involves Your continued usage of any of the Marks or the System or an issue involving injunctive relief, may be submitted to a court in the Home County having jurisdiction over the issue involved. You and We expressly consent to personal jurisdiction in the Home County and agree that such court(s) shall have exclusive jurisdiction over any issues not subject to arbitration.

16.6 Attorneys Fees

If either party initiates any legal proceeding which involves issues arising out of this Agreement, the prevailing party in such action will be paid its reasonable attorneys' fees and costs by the other party.

16.7 Governing Law

The parties agree that the law of the State of California (without giving effect to any conflict of laws principles) will apply to the construction and enforcement of this Agreement and govern all questions which arise with reference hereto.

16.8 Notices

All notices and other communications required or permitted to be given hereunder will be deemed given when delivered in person, sent by telefax to such person's telefax number with a copy sent by regular mail, sent by an established overnight delivery service or mailed by certified mail addressed to the recipient at the address set forth below, unless that party will have given such written notice of change of address to the sending party, in which event the new address so specified will be used. If mailed, such notice shall be deemed to have been received three days after mailing, and if sent by overnight deliver, such notice shall be deemed to have been received the day following sending.

Us: Universal Entertainment Group, LLC
13200 W. Foxfire Drive, Suite #144
Surprise, AZ 85378
ATTN: The President

You: _____

16.9 Terms and Headings

All terms used in this Agreement regardless of the number and gender in which they are used, will be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context or sense of this Agreement may require, the same as if such words had been written in this Agreement themselves. The headings inserted in this Agreement are for reference purposes only and will not affect the construction of this Agreement or limit the generality of any of its provisions. Definitions are presented in bold face solely for ease of reference.

16.10 Compliance with Laws

You will at Your own cost and expense promptly comply with all laws, ordinances, orders, rules, regulations, and requirements of all federal, state and municipal governments and appropriate departments, commissions, boards and offices thereof. Without limiting the generality of the foregoing, You will abide by all applicable rules and regulations of any Public Health Department.

16.11 Entire Agreement

This Agreement and the documents referred to herein constitute the entire agreement between the parties and supersede and cancels any and all prior and contemporaneous agreements, understandings, representations, inducements and statements, oral or written, of the parties in connection with the subject matter hereof. Nothing in this Agreement or any related agreement is intended to disclaim the representations We have made in Our Franchise Disclosure Document.

16.12 Amendment or Modification

Except as expressly authorized herein, no amendment or modification of this Agreement will be binding unless executed in writing by both Us and You.

16.13 Acknowledgment

BY INITIALING WHERE INDICATED, YOU EXPRESSLY ACKNOWLEDGE THAT:

(a) YOU HAVE ENTERED INTO THIS AGREEMENT AS A RESULT OF YOUR OWN INDEPENDENT INVESTIGATION, AND AFTER CONSULTATION WITH AN ATTORNEY OR OTHER ADVISOR(S) OF YOUR CHOICE, AND IN ANY EVENT NOT AS A RESULT OF ANY REPRESENTATIONS BY US, OUR AGENTS, OFFICERS OF EMPLOYEES EXCEPT AS CONTAINED HEREIN AND IN OUR FRANCHISE DISCLOSURE DOCUMENT PREVIOUSLY DELIVERED TO YOU.

YOUR INITIALS:_____

(b) THE SUCCESS OF THE FRANCHISED BUSINESS WILL BE LARGELY DEPENDENT UPON YOUR ABILITIES AND EFFORTS, AND WE HAVE MADE NO WARRANTY OR GUARANTEE TO YOU THAT THE FRANCHISED BUSINESS WILL BE SUCCESSFUL OR PROFITABLE.

YOUR INITIALS:_____

(c) YOU ARE NOT RELYING UPON ANY FINANCIAL PROJECTIONS OR SIMILAR INFORMATION OR EARNINGS CLAIMS MADE BY US OR ANYONE ON OUR BEHALF.

YOUR INITIALS:_____

(d) A COMPLETE COPY OF THIS AGREEMENT AS SIGNED BY YOU WAS RECEIVED BY YOU AT LEAST SEVEN CALENDAR DAYS PRIOR TO ITS EXECUTION BY YOU AND A COMPLETE COPY OF OUR FRANCHISE DISCLOSURE DOCUMENT WAS RECEIVED AT LEAST 14 CALENDAR DAYS PRIOR TO YOUR EXECUTION OF THIS AGREEMENT.

YOUR INITIALS: _____

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

You:

Us:

Universal Entertainment Group, LLC

By: _____

Title: _____

Principals:

Printed Name: _____ %Ownership: _____

Signature: _____

Printed Name: _____ %Ownership: _____

Signature: _____

Printed Name: _____ %Ownership: _____

Signature: _____

Attachment 1

PROTECTED AREA

The geographic area described below is **Your Protected Area** referred to in Section 1.2 of the Franchise Agreement:

You: _____

By: _____

Title: _____

Us: Universal Entertainment Group, LLC

By: _____

Title: _____

PERSONAL GUARANTY

For good and valuable consideration, the receipt of which is hereby acknowledged, each of the undersigned (the "**Guarantors**") hereby personally guarantees, jointly and severally, the due, punctual and full payment and performance of each and all of the obligations of the franchisee ("**Franchisee**") under the foregoing LUV 2 PLAY Franchise Agreement dated _____, 201____ by and between the Franchisee and Universal Entertainment Group, LLC, the LUV 2 PLAY franchisor ("**UEG**") and hereby individually undertakes to be bound by all of the terms of such Franchise Agreement.

It is the intention of the undersigned that this Personal Guaranty shall be full and absolute. Accordingly, each of the Guarantors hereby waives and agrees not to assert or take advantage of any right or defense based on the absence of any presentment, demand (including demands for performance), notice and protest of each and every kind and of any right to require UEG or its assignee to proceed against Franchisee or any other person or to pursue any other remedy before proceeding against a Guarantor.

This Personal Guaranty applies to, binds and inures to the benefit of the Guarantors and their heirs, devisees, legatees, executors, administrators, representatives, successors and assigns. UEG may assign its rights hereunder without reducing or modifying the liability of any Guarantor hereunder.

IN WITNESS WHEREOF, each of the Guarantors has executed this Personal Guaranty as of the date set forth below.

GUARANTORS:

Printed Name: _____
Signature: _____
Dated: _____

Printed Name: _____
Signature: _____
Dated: _____

Printed Name: _____
Signature: _____
Dated: _____

Printed Name: _____
Signature: _____
Dated: _____

CONFIDENTIALITY AGREEMENT

The undersigned Employee of _____ ("**Employer**"), which has applied for and/or received an LUV 2 PLAY franchise from hereby agrees that he or she shall not, while employed by Employer or following such employment, communicate to, or use for the benefit of, any other person, persons, partnership, or corporation any confidential information, knowledge, or know-how concerning the methods of operation of an LUV 2 PLAY Center; provided, however, that the foregoing does not include information which the Employee can demonstrate came to his or her attention prior to being employed by Employer or which has become a part of the public domain through publication or communication by others.

The Employee acknowledges that any failure to comply with the requirements of this Confidentiality Agreement will cause Employer and Universal Entertainment Group, LLC (the "**Franchisor**") irreparable injury, and Employee agrees that in addition to any other right or remedy provided by law, Employer and/or the Franchisor shall be entitled to specific performance of, or an injunction against violation of, the requirements of this Confidentiality Agreement.

The Employee agrees to promptly disclose to Employer, any and all ideas, improvements, processes, names, menu items, and enhancements to the franchised business which Employee alone or with others invents, discovers makes or conceives ("Innovations") at any time during, and for a period of one year after employment in a LUV 2 PLAY Center. All such Innovations will be deemed the sole and exclusive property and works made-for-hire for the Franchisor. The Franchisor has the right to incorporate such Innovations into the System without compensation to the Employee.

The Employee agrees that upon termination of his or her employment with Employer for any reason, he or she will return all copies of documents containing confidential information or trade secrets to Employer, including without limitation the LUV 2 PLAY Confidential Manuals.

IN WITNESS WHEREOF, the undersigned has executed this document in consideration of his or her employment by the Employer.

DATED: _____

Print Name: _____

Signature: _____

("Employee")

CALIFORNIA STATE LAW ADDENDA

**CALIFORNIA STATE LAW ADDENDA
UNIVERSAL ENTERTAINMENT GROUP, LLC.**

The following modifications are to the LUV2PLAY Franchise Disclosure document and may supersede, to the extent then required by valid applicable state law and certain portions of the Franchise Agreement dated _____, 201__.

CALIFORNIA

~~THE AUDITED FINANCIAL STATEMENTS INCLUDE AN AUDITOR'S NOTE THAT RAISES SUBSTANTIAL DOUBT ABOUT THE COMPANY'S ABILITY TO CONTINUE AS A GOING CONCERN WHICH CREATES A HIGHER RISK THAT ITS FRANCHISEES WOULD LOSE THEIR INVESTMENTS SHOULD THE FRANCHISOR CEASE TO BE A GOING CONCERN.~~

If you are a legal entity such as a corporation, partnership or limited liability company, all of your owner(s) must personally guarantee the Franchise Agreement unless we have given our written consent to the contrary.

None of the persons identified in Item 2 of the franchise disclosure document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

THE 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.

In connection with Item 17 of the franchise disclosure document, the following paragraphs are included pursuant to California law:

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.).

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. The franchise agreement contains a liquidated damage clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

5. The franchise requires a franchisee to execute a general release of claims upon renewal or transfer of the agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order thereunder is void. Section 31512 voids a waiver of your rights

under the Franchise Investment Law (California Corporations Code Section 31000-31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000-20043).

6 California Corporations Code Section 31125 requires the franchisor to give the franchisee a disclosure document approved by the Department of Business Oversight prior to a solicitation of a proposed material modification of an existing franchise.

7. Re: Website: www.luv2play.com

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT, ANY COMPLAINTS CONCERNING THE CONTENT OF THESE WEBSITES MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT at www.dbo.ca.gov

Exhibit C

STANDARD FRANCHISE SUBLEASE

THIS LEASE is dated as of _____, 201__ between Funtime, LLC ("**Sublessor**"), and _____ ("**Sublessee**").

A. The Sublessor is the Lessee in a master lease agreement ("**Master Lease**"), a copy of which is attached hereto as Exhibit A, for a LUV 2 PLAY® indoor playground center located at the following address ("**Play Center**"):

B. The Sublessor is willing to sublease the Play Center premises described in the Master Lease ("**Premises**") to Sublessee to operate the Play Center at the Premises.

NOW, THEREFORE, the parties hereby agree as follows:

1. Sublessor agrees to sublease the Premises to Sublessee on the terms and conditions hereinafter set forth.

2. The term of this Sublease is the same as the term of the Master Lease.

3. Sublessee agrees to perform faithfully and timely all obligations imposed upon the Sublessor in the Master Lease, including without limitation prompt payment of all rent (\$_____), and other charges, obligations and maintenance of insurance, and to be subject to all restrictions set forth in the Master Lease.

4. Sublessee may not assign or sub-sublet this Sublease, or any interest herein, or suffer any other person (agents and servants of Sublessee excepted) to occupy or use the Premises or any portion thereof without the prior written consent of Sublessor.

5. This Sublease is entered into with the understanding that Sublessee has or will enter into a LUV 2 PLAY franchise agreement with Sublessor's affiliate, Universal Entertainment, LLC. The parties specifically agree that any default or breach by Sublessee under such franchise agreement shall constitute a breach of this Sublease, and Sublessor shall have the right to retake possession or take any other action it may be entitled to, the same as if Sublessee breached this Sublease.

6. Sublessor will have the following options at its discretion if Sublessee should abandon the Premises before the end of the term or default in any obligations under this Sublease, the Master Lease, or the Franchise Agreement covering the Premises:

a. Sublessor may terminate the Sublease, in which event Sublessor may recover from the Sublessee any and all damages and other relief provided to the Sublessor under the Master Lease.

b. Sublessor may determine that this Sublease shall remain in effect for so long as Sublessor does not terminate Sublessee's right to possession, and Sublessor may enforce all its rights and remedies under this Lease, including the right to recover rent as it becomes due under this Lease.

c. The rights of Sublessor specifically set forth herein are not exclusive and shall be cumulative to all other rights or remedies now or thereafter given to Sublessor by law or by the terms of this Sublease or under the Master Lease. Nothing herein affects the right of Sublessor to equitable relief where such relief is appropriate. Nothing herein affects the rights of the parties under statutory provisions relating to actions for unlawful detainer, forceable entry and forceable detainer. The bringing of any action as described above does not affect Sublessor's right to bring a separate action for relief on termination or in equity, but no relief shall be requested and no damages shall be recovered in the subsequent action for any damages or detriment for which a claim for damages was made and determined on the merits in the previous action. After Sublessor obtains possession of the property under a judgment for restitution or forfeiture of Sublessee's interest, Sublessor will no longer be entitled to treat this Lease as continuing in effect, unless Sublessee obtains relief from the forfeiture or a restoration to his former estate under the statutory provisions applicable.

7. All notices to be given to Sublessee may be given in writing personally or by depositing the same in the United States mail, postage prepaid, and addressed to Sublessee at the Premises, whether or not Sublessee has abandoned or vacated the Premises.

8. Any holding over after the expiration of the term of this Sublease, with the consent of the Sublessor, shall be construed to be a tenancy from month to month, at the prevailing monthly rental under of the Master lease, and all terms and conditions as herein specified shall be in full force and effect so far as applicable.

9. Time is of the essence of this Sublease.

10. Sublessee agrees to design, construct, equip and operate Premises in accordance with all the standards, policies, and procedures as a LUV 2 PLAY franchised business. Sublessee further agrees to use architects, contractors and other vendors employed to develop the Premises that are only approved in writing by Sublessor.

11. Sublessee agrees to obtain Sublessor's prior written approval of the Premises' specific drawings/plans before beginning construction. Any proposed revisions to the Premises drawing/plans as previously approved by Sublessor must be submitted to Sublessor for review and prior written authorization. Sublessee shall cooperate with and permit Sublessor or its designees to enter the Premises during normal business hours, with prior notice to Sublessee, to inspect and evaluate aspects of the development and construction of the any Premises.

~~10.12~~ If more than one Sublessee is named in this Sublease, the liability of each shall be joint and several.

13. If Sublessee has been organized under applicable law as a legal entity such as a corporation, partnership or limited liability company ("**Legal Entity**"), all equity owners of the Legal Entity are required to execute a Personal Guaranty, a copy of which is attached hereto as Exhibit B.

~~11.14~~ This Sublease may be executed in one or more counter-parts, each of which shall be deemed an original, but all of which together shall constitute but one and the same instrument.

~~12.15~~ This Lease shall be governed by and construed in accordance with the laws of the state in which the Premises are located.

* * * * *

IN WITNESS WHEREOF, the parties hereto have executed this Sublease as of the date first written above.

SUBLESSOR:

Funtime, LLC

By: _____

Title: _____

SUBLESSEE:

|

EXHIBIT A

|

{MASTER LEASE FOR LUV 2 PLAY® PREMISES}

PERSONAL GUARANTY

For good and valuable consideration, the receipt of which is hereby acknowledged, each of the undersigned (the "**Guarantors**") hereby personally guarantees, jointly and severally, the due, punctual and full payment and performance of each and all of the obligations of the Sublessee under the foregoing Sublease Agreement dated _____, 201____ by and between the _____ ("Sublessee") and Funtime, LLC, ("Sublessor") and hereby individually undertakes to be bound by all of the terms of such Sublessee.

It is the intention of the undersigned that this Personal Guaranty shall be full and absolute. Accordingly, each of the Guarantors hereby waives and agrees not to assert or take advantage of any right or defense based on the absence of any presentment, demand (including demands for performance), notice and protest of each and every kind and of any right to require Sublessor or its assignee to proceed against Sublessee or any other person or to pursue any other remedy before proceeding against a Guarantor.

This Personal Guaranty applies to, binds and inures to the benefit of the Guarantors and their heirs, devisees, legatees, executors, administrators, representatives, successors and assigns. Sublessor may assign its rights hereunder without reducing or modifying the liability of any Guarantor hereunder.

IN WITNESS WHEREOF, each of the Guarantors has executed this Personal Guaranty as of the date set forth below.

GUARANTORS:

By: _____
Printed Name: _____
Dated: _____

By: _____
Printed Name: _____
Dated: _____

By: _____
Printed Name: _____
Dated: _____

By: _____
Printed Name: _____
Dated: _____

By: _____
Printed Name: _____
Dated: _____

Exhibit D

FRANCHISEE MACHINE LEASE AGREEMENT

This Franchisee Machine Lease Agreement (the "Lease") is made and effective as of (the "Effective Date") by and between High Score Amusements, Ltd. ("High Score") and _____, a _____ (the "Lessee"). High Score and the Lessee may be referred to individually as a "Party" or collectively as the "Parties."

RECITALS

WHEREAS, High Score is the lessee of certain pay for play electronic games and activities (including by example and not limitation, video games, coin operated pool tables, specialty games and juke boxes) and all adaptations, updates, and accessories thereto, described more particularly in Exhibit A hereto and made a part hereof by reference (the "Machines"); and

WHEREAS, the Lessee is a duly authorized franchisee of Universal Entertainment Group, LLC dba Luv 2 Play ("Franchisor"); and

WHEREAS, the Lessee wishes to lease the Machines from High Score in accordance with the terms and conditions of the Lease; and

WHEREAS, High Score wants to lease the Machines to the Lessee in accordance with the terms and conditions of the Lease; and

WHEREAS, each Party is duly authorized and capable of entering into this Lease;

NOW, THEREFORE, in consideration of the above recitals and the mutual promises and benefits contained herein, and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, the Parties hereby agree as follows:

1. LEASE OF MACHINES.

Effective as of the Effective Date, High Score agrees to lease and deliver to the Lessee, and the Lessee agrees to lease and accept delivery from High Score, all of its right and interest in and to the Machines for use at _____ (the "Franchise Location").

High Score shall be responsible for arranging the transportation of the Machines from their current location to the Franchise Location after the beginning of the Lease Term, and High Score shall be responsible for the return of the Machines at the end of the Lease Term.

High Score shall have the sole and exclusive right to select which Machines to place at the Franchise Location as well as the location of the Machines at the Franchise Location. All Machines shall be placed on top of the padded flooring where required.

Prior to the delivery and installation of the Machines, Lessee shall:

- i. Supply and install a redemption show case and mount slat wall;

- ii. Supply and install all necessary electrical for the Machines; and
- iii. Supply and install data cable to kiosk and all Machines where required.

2. GRANT OF RIGHTS

2.1 Lessee grants to High Score an exclusive right and license, from the Effective Date, on the terms in this Agreement to install and operate the Machines at the Franchise Location.

2.2 High Score shall have the exclusive right to supply Machines at the Franchise Location, whether developed by High Score on its own behalf, or for operation by a third party or Franchisee, from July 1, 2018.

3. TERM.

3.1 The term of this Agreement shall be 5 years from the date of installation at that Franchise Location, and will automatically renew for a further period of 5 years unless terminated by High Score or Lessee on a minimum of 180 days prior written notice (the "Term").

3.2 Termination for Cause. Either Party, as applicable, shall have the right, in addition and without prejudice to any other rights or remedies, to terminate this Agreement as follows:

- 3.2.1 by High Score, if Lessee fails to pay the amounts due to High Score pursuant to Section 4 within five (5) calendar days written notice to Lessee;
- 3.2.2 by Lessee, if High Score fails to meet any of its obligations under this Agreement within five (5) calendar days written notice to High Score; or
- 3.2.3 by either Party for any material breach of this Agreement that is not capable of immediate cure.

4. RENTAL PAYMENTS.

Lessee agrees to pay to High Score a fee equal to reimbursement of High Score's third party licensing fees plus cost of merchandise acquired as prizes, on a cost recovery without markup basis, (collectively the "Costs") plus a fee equal to 50% of the difference between the gross sales and the Costs, as defined, for each Machine, payable weekly, for the preceding 7-days unless otherwise agreed by the Parties. Sales proceeds are deemed held in trust by Lessee for the benefit of High Score, until paid. High Score shall provide to Lessee a record weekly of revenue by Machine and Costs at each Location since the preceding calculation, and of the fee and Costs due to it as a result. Such statement shall comprise the Invoice of High Score.

All merchandise supplied by High Score through the redemption centers as prizes shall be used as prizes only and shall not be resold or used in any other manner other than prizes in the redemption center. In the event Franchisee fails to adhere to this provision, Franchisee shall pay to High Score the full retail price for any merchandise that is resold or that is not used as a prize.

Payment and Invoicing: Lessee will provide an automatic fund transfer permitting High Score to automatically withdraw the amount of its fee immediately upon presentation of the fee calculation contemplated in this Section 4. Lessee shall execute the ACH Recurring Payment Authorization Form attached hereto as Exhibit B and incorporated herein by reference. The fee shall be calculated utilizing internal meters within the Machines, accessible remotely by High Score. Amounts outstanding and unpaid after invoice shall carry interest at 1% per month until paid.

If any payment is returned unpaid by the drawee, in addition to the accrual of interest until paid, Lessee agrees to pay to High Score a service charge in the sum of \$35.00.

Price per Play: The price charged to a user of a Machine is the price determined by High Score unless the parties agree otherwise, and may be changed from time to time by High Score, in its sole discretion.

Payment of the Rent does not give the Lessee any equity interest in the Machines. All Rent shall be paid to High Score at the address set forth in Section 20 below or at such other address that High Score may hereafter specify in writing.

5. OWNERSHIP.

Except for Lessee's rights of use under this Lease, the Machines is and shall at all times be and remain the exclusive property of High Score, even if installed in or attached to real property by the Lessee, The Lessee shall have no right, title, or interest in or to the Machines except as expressly set forth in this Lease.

Upgrades and replacements of the Machines supplied to the Franchise Location shall occur at the end of the Term or as agreed to by the Parties in writing. In any event, High Score shall have the discretion to upgrade or replace Machines throughout the Term.

6. CARE, USE, AND MAINTENANCE OF MACHINES.

(a) Installation, Maintenance and Repair: High Score will be responsible for the delivery and installation of the Machines at the Franchise Location. High Score will be responsible for the delivery of the Machines to the Franchise Location. The Franchisee is responsible for unpacking, moving and placing the Machines in the approximate location as agreed to by the games layout map. Lessee shall supply sufficient labor to unpack, move and place the Machines. Franchisee shall also be responsible for removing and disposing of all the refuse associated with the shipment of the Machines. High Score shall be responsible for the assembly and connection of the Machines. High Score warrants that each Machine provided for under this Agreement will be in good working order on the effective date for such item. Except

for minor maintenance or repairs, which Lessee will handle at the direction of High Score and/or High Score's supplier, High Score shall, in accordance with the terms of this Agreement, cause to be made all necessary adjustments, repairs, and replacements necessary to maintain the Machines in good working order. All Machines are supplied and maintained subject to this warranty. High Score's obligation under this Agreement is limited to repair or replacement of any parts or items of the Machines when High Score determines that they do not conform to this warranty. This warranty is in lieu of all other warranties, express or implied, and of all obligations or liabilities on the part of High Score for damages, including, but not limited to, consequential damages, arising out of or in connection with the use or performance of the Machines. High Score shall provide reasonable technical support with respect to such at the request of Lessee.

(b) Inspection, Testing, and Adjustments: Within 30-days of delivery and Installation of the Machines, unless recommended sooner by High Score's supplier, Lessee shall inspect, test, and have High Score adjust, if necessary, all Machines to ensure in proper working order.

(c) Operation of the Machines: Lessee shall ensure that the Machines are accessible and operational at all times during normal business hours, and are not removed from the agreed configuration within the Franchise Location, or from the property, unless agreed to by High Score.

(d) Training: Lessee and its employees shall make themselves available for training on the care, use, and maintenance of the Machines.

(e) Use of Machines: The Machines shall be used solely for business purposes and not for personal or household purposes.

(f) Utilities: Lessee shall supply the Machines with all required utilities (including power and internet connection) at his/her/its sole cost.

(g) Access to Properties: Lessee shall grant High Score with reasonable access to the property on which the Machines are located during regular business hours for the purposes of: (a) installing, inspecting, repairing, maintaining, upgrading, and replacing the Machines; (b) removing the Machines on the expiry or termination of the Agreement or as otherwise provided for; and (c) ensuring compliance with the terms of this Agreement.

(h) Lessee shall not make any alterations or additions to the Machines without High Score's prior written consent. Lessee shall not remove, alter, disfigure or cover up any numbering, lettering, insignia or signage placed upon the Machines.

(i) The Lessee shall notify High Score within 24 hours of any loss, theft, or destruction of all or any part of the Machines, or of any damage beyond repair to the Machines, and shall make the Machines or any wreckage available for disposal.

(j) The Lessee shall not assign, sublease, or transfer the Machines without High Score's prior written consent.

7. LESSEE'S REPRESENTATIONS AND WARRANTIES.

The Lessee hereby represents and warrants to High Score as follows:

(a) Each item of Machines is being leased for use in the conduct of the Lessee's business.

(b) All documents delivered by the Lessee in connection with this Lease have been duly authorized by all necessary action on the part of the Lessee.

8. INSURANCE.

Lessee shall carry commercial liability insurance of at least \$2,000,000.00 per occurrence and contents insurance (to full replacement value, and including reasonable loss of income of the Machines) in an amount to be agreed upon by High Score and Lessee.

This insurance shall provide primary coverage for the protection of the Parties without regard to any other coverage carried by either Party protecting against similar risks. The Lessee shall add High Score and its lender as additional insureds under the insurance policy and provide High Score with an original policy or certificate evidencing the insurance. The Lessee hereby appoints High Score as the Lessee's attorney in fact, with power and authority to do all things, including but not limited to, making claims, receiving payments, and endorsing documents, checks, or drafts necessary or advisable to secure payments due under any policy of insurance required under this Lease. The Lessee shall provide at least thirty (30) days' advance written notice to High Score about any cancellation, change, or modification of the insurance coverage.

9. TAXES AND FEES.

Point of Sale and Sales Tax: Lessee and High Score, agree that each shall be responsible for applicable point of sale and sales tax payable with respect to use of the Machines and income earned from the Machines, and licensing and permitting fees, on an equal 50/50 basis which shall be remitted in accordance with the requirements of the legislation applicable in the given jurisdiction. The fee in Section 4 shall be free from such taxes, remissions, or fees except to the extent that the laws of any jurisdiction require otherwise.

10. LIABILITY FOR LOSS AND DAMAGE.

If the Machines are damaged or lost while in the possession and/or use by the Lessee, the Lessee shall be responsible for such damage or loss.

11. DEFAULT.

The occurrence of any of the following events (each an "Event of Default") shall constitute a default of this Lease:

(a) The failure to make a required Rent payment under this Lease as and when due, including but not limited to Rent, interest charges, excess item expenses, or other charges;

(b) The breach or violation by the Lessee of any term, covenant, promise, agreement, representation, or warranty of this Lease;

(c) The insolvency or bankruptcy of the Lessee;

(d) Any default, breach, or violation of or under any debenture, bond, or evidence of indebtedness of the Lessee; or

(e) Subjection of any of the Lessee's property to any levy, seizure, assignment, application or sale for or by any creditor or government agency.

12. RIGHTS OF HIGH SCORE ON DEFAULT.

On the occurrence of any Event of Default under Section 11, High Score shall have the right, without notice or demand, to terminate this Lease and take possession of the Machines, in addition to any other rights afforded to High Score by law. The Lessee shall not be released from paying damages sustained by High Score on such termination. If on any termination of this Lease the Lessee fails or refuses to deliver the Machines to High Score, High Score shall have the right to enter the Lessee's premises and retake possession of the Machines without legal process. The Lessee releases any claim or right of action for trespass or damages caused by High Score's entry and repossession. The Lessee expressly waives all further rights to possession of the Machines and all claims for injury suffered through or loss caused by the repossession. The Lessee shall pay all expenses, including attorneys' fees, High Score incurs to enforce this Lease. All of High Score's remedies are cumulative and may be exercised concurrently or separately.

13. INTEREST.

If the Lessee fails to pay when due Rent, or any other charges or amounts payable by the Lessee to High Score hereunder, the Lessee shall be charged interest on such unpaid sums at the rate of 1% per month. Interest shall be calculated from the due date of such amount to the actual payment date.

14. INDEMNITY.

To the fullest extent permitted by law, Lessee shall indemnify and save harmless High Score from and against any claims, actions, losses, damages, and injuries arising from or resulting from the Machines or their use which may be made or brought by any third parties, High Score, or Lessee.

Lessee waive any claim for damages resulting from the operation or non-operation of the Machines and agree that High Score shall not be liable for any claims for damages arising from interruptions in service with respect to the Machines, including economic loss. High Score shall

accept reasonable wear and tear, but damage to any Machine shall be for the account of Lessee, as applicable.

15. RETURN OF MACHINES.

At the end of the Term, the Lessee shall be obligated to return the Machines to High Score at High Score's expense.

16. HIGH SCORE'S RIGHT OF INSPECTION.

High Score shall have the right, on prior written notice to the Lessee, to inspect the Machines during the Lessee's normal business hours.

17. SUCCESSORS AND ASSIGNS.

All references in this Lease to the Parties shall be deemed to include, as applicable, a reference to their respective successors and assigns. The provisions of this Lease shall be binding upon and shall inure to the benefit of the successors and assigns of the Parties.

18. NO IMPLIED WAIVER.

The failure of either Party to insist on strict performance of any covenant or obligation under this Lease, regardless of the length of time for which such failure continues, shall not be deemed a waiver of such Party's right to demand strict compliance in the future. No consent or waiver, express or implied, to or of any breach or default in the performance of any obligation under this Lease shall constitute a consent or waiver to or of any other breach or default in the performance of the same or any other obligation.

19. ADDITIONAL DOCUMENTS.

If High Score so requests, the Lessee shall execute and deliver to High Score such documents as High Score deems necessary or desirable for purposes of recording or filing to protect the interest of High Score in the Machines including, but not limited to, a UCC financing statement.

20. NOTICE.

Notices. All notices given under or regarding this Agreement will be in writing and will be considered delivered if delivered personally, mailed via registered or certified mail (return receipt requested and postage prepaid), given by facsimile (confirmed by certification of receipt), given by electronic mail (email) or sent by courier (confirmed by receipt) addressed to the following designated parties:

If to High Score:

Vince Goff or Bob Evans

#201, 9809 – 116 Avenue, Grande Prairie, AB T8V 4V4
Email: highscoreamusements@gmail.com
Telephone: (780) 832-7665 or
(888) 748-7665

If to the Lessee:

21. GOVERNING LAW.

This Lease shall be governed by the laws of the state or country in which the Machines are physically located . In the event that litigation results from or arises out of this Lease or the performance thereof, the Parties agree to reimburse the prevailing Party's reasonable attorneys' fees, court costs, and all other expenses, whether or not taxable by the court as costs, in addition to any other relief to which the prevailing Party may be entitled.

22. COUNTERPARTS/ELECTRONIC SIGNATURES.

This Lease may be executed in one or more counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument. For purposes of this Lease, use of a facsimile, e-mail, or other electronic medium shall have the same force and effect as an original signature.

23. SEVERABILITY.

Whenever possible, each provision of this Lease, will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Lease is held to be invalid, illegal, or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality, or unenforceability will not affect any other provision or any other jurisdiction, but this Lease will be reformed, construed, and enforced in such jurisdiction as if such invalid, illegal, or unenforceable provisions had never been contained herein.

24. CONSTRUCTION

This Lease shall be deemed to have been prepared jointly by the Parties, and the usual rule that the provisions of a document are to be construed against the drafter shall not apply

25. FORCE MAJEURE

Neither party shall be liable under this Lease for delays or other non-performance caused by any unusual occurrence beyond the party's reasonable control, including, but not limited to, war, fire, strikes, other labor troubles, unforeseeable breakage of Machines, accidents beyond

control of either party, acts of God, delays of common carriers, and unforeseeable actions of governmental authority, laws, rules and/or regulations.

26. ENTIRE LEASE.

This Lease, together with Exhibit A and any and all other subsequently added schedules and exhibits, constitutes the final, complete, and exclusive statement of the agreement of the Parties with respect to the subject matter hereof, and supersedes any and all other prior understandings, both written and oral, between the Parties.

27. HEADINGS.

Headings used in this Lease are provided for convenience only and shall not be used to construe meaning or intent.

IN WITNESS WHEREOF, the Parties have executed this Lease as of the date first above written.

HIGH SCORE

HIGH SCORE AMUSEMENTS LTD.

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

LESSEE

By: _____
Name: _____
Title: _____

EXHIBIT A
INVENTORY OF MACHINES LEASED

EXHIBIT B

ACH RECURRING PAYMENT AUTHORIZATION FORM

ACH Recurring Payment Authorization Form

Please complete the information below:

I _____ authorize High Score Amusements to charge my bank account indicated below on Wednesday of each week for the royalty payment from Monday through Sunday of the previous week.

Billing Address _____ Phone# _____

City, State, Zip _____ Email _____

Account Type: ☐ Checking ☐ Savings

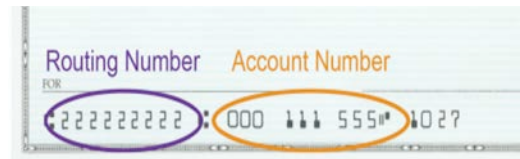
Name on Acct _____

Bank Name _____

Account Number _____

Bank Routing # _____

Bank City/State _____



SIGNATURE

DATE

I understand that this authorization will remain in effect until I cancel it in writing, and I agree to notify High Score Amusements in writing of any changes in my account information or termination of this authorization at least 15 days prior to the next billing date. If the above noted periodic payment dates fall on a weekend or holiday, I understand that the payment may be executed on the next business day. I understand that because this is an electronic transaction, these funds may be withdrawn from my account as soon as the above noted periodic transaction dates. In the case of an ACH Transaction being rejected for Non-Sufficient Funds (NSF) I understand that High Score Amusements may at its discretion attempt to process the charge again within 30 days and agree to an additional \$35.00 charge for each attempt returned NSF which will be initiated as a separate transaction from the authorized recurring payment. I acknowledge that the origination of ACH transactions to my account must comply with the provisions of U.S. law. I agree not to dispute this recurring billing with my bank so long as the transactions correspond to the terms indicated in this authorization form.