

FRANCHISE DISCLOSURE DOCUMENT

play street museum

PSM Worldwide, LLC
 (a Texas limited liability company)
 1900 Preston Road, Suite 267-291
 Plano, Texas 75093
 (469) 440-0650
franchise@playstreetmuseum.com
www.playstreetmuseum.com

We offer franchises for the operation of "Play Street Museum" locations. "Play Street Museum" locations are clean, upscale and educationally-focused children's museums, targeted primarily to children eight and under, to provide entertainment in a stimulating learning environment of creative and dramatic play.

The total initial investment necessary to begin operation of a "Play Street Museum" location ranges from \$304,650 to \$761,140. This includes \$270,100 to \$358,100 that you must pay to us or our affiliates.

If you enter into an Area Development Agreement to develop multiple "Play Street Museum" locations, when you sign the Area Development Agreement you will pay a development fee in the amount of \$15,000 for each location to be developed (a minimum of two). The development fee is applied toward the initial franchise fee payable for each location. The total investment necessary to develop two "Play Street Museum" locations ranges from \$604,300 to \$1,517,280. This includes \$535,200 to \$711,200 that must be paid to the franchisor or an affiliate.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar-days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental 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 disclosures in different formats, contact Mike Muccio at 1900 Preston Road, Suite 267-291, Plano, Texas 75093 (469/440-0650).

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

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

The issuance date of this Franchise Disclosure Document is November 1, 2023.

How to Use This Franchise Disclosure Document

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

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

WHAT YOU NEED TO KNOW ABOUT FRANCHISING *GENERALLY*

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

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

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

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

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

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

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

SOME STATES REQUIRE REGISTRATION

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

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

SPECIAL RISKS TO CONSIDER ABOUT *THIS* FRANCHISE

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

Out-of-State Dispute Resolution. The franchise agreement requires you to resolve disputes with us by mediation and litigation in Texas. Out of state mediation and litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate and litigate in Texas than in your own state.

Financial Condition. The franchisor's financial condition, as reflected in its financial statements (see item 21), calls into question the franchisor's financial ability to provide services and support to you.

Supplier Control. You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.

Minimum Payments. You must make minimum payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

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

PSM Worldwide, LLC**Franchise Disclosure Document**

<u>Table of Contents</u>		<u>Page</u>
Item 1	The Franchisor, And Any Parents, Predecessors, And Affiliates	1
Item 2	Business Experience	3
Item 3	Litigation	4
Item 4	Bankruptcy.....	4
Item 5	Initial Fees	4
Item 6	Other Fees.....	6
Item 7	Estimated Initial Investment.....	10
Item 8	Restrictions On Sources Of Products And Services.....	10
Item 9	Franchisee's Obligations	19
Item 10	Financing.....	20
Item 11	Franchisor's Assistance, Advertising, Computer Systems, And Training.....	21
Item 12	Territory	30
Item 13	Trademarks	32
Item 14	Patents, Copyrights, And Proprietary Information	34
Item 15	Obligation To Participate In The	35
	Actual Operation Of The Franchise Business	35
Item 16	Restrictions On What The Franchisee May Sell.....	35
Item 17	Renewal, Termination, Transfer, And Dispute Resolution.....	36
Item 18	Public Figures.....	41
Item 19	Financial Performance Representations	41
Item 20	Outlets And Franchisee Information	44
Item 21	Financial Statements	47
Item 22	Contracts	47
Item 23	Receipt	47

Exhibits

- | | |
|---|---|
| A. Franchise Agreement | I. Financial Statements |
| B. Area Development Agreement | J. Franchisee Acknowledgement |
| C. List of Franchisees | K. State-Specific Amendments to the Disclosure Document |
| D. List of Affiliate-owned Locations | L. State-Specific Amendments to the Various Agreements |
| E. List of Former Franchisees | M. General Release Language |
| F. List of State Administrators | N. Acknowledgment of Receipt |
| G. Agents for Service of Process | |
| H. Operating Manual (Table of Contents) | |

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

The Franchisor

The franchisor is PSM Worldwide, LLC ("**we**" or "**us**"). We were formed as a Texas limited liability company on July 18, 2016, and we maintain our principal place of business at 1900 Preston Road, Suite 267-291, Plano, Texas 75093 (tel: 469.440.0650). We do not maintain sales offices anywhere else. We conduct business only under our corporate name.

We offer and sell franchises for "Play Street Museum" locations ("**PSM Locations**"). PSM Locations are businesses operating under our Proprietary Marks (defined below) in buildings that bear our interior and/or exterior trade dress. PSM Locations are clean, upscale, and educationally focused children's museums, targeted primarily to children eight years of age and under, to provide entertainment in a stimulating learning environment of creative and dramatic play. A "Play Street Museum" location is an "edutainment" concept providing superior quality play and educational experiences to young children and their families in an upscale, thematic, and interactive environment. PSM Locations offer public open play, private parties, special events, and classes as well as upscale retail space.

We have offered franchises for PSM Locations since the fourth quarter of 2016. We do not conduct business in any other line of business and do not offer, and have not offered in the past, franchises in any other line of business. Our affiliate, Ventures (see below), through its single-purpose subsidiaries, operates our company-operated PSM Locations, and has operated PSM Locations since 2014. There are currently two company operated PSM Locations, each of which is located in Texas.

Our agents for service of process are listed in Exhibit G.

Our Parents, Predecessors and Affiliates

Our affiliate, PSM Holdings, LLC ("**Holdings**"), is a Texas limited liability company formed on January 26, 2015. Holdings owner of the Proprietary Marks and has licensed to us the right to use the Proprietary Marks in the manner described in Item 13 below. Holdings' principal place of business is the same as ours at 1900 Preston Road, Suite 267-291, Plano, Texas 75093. Holdings does not and has never offered franchises in any line of business.

Another affiliate, PSM Ventures, LLC ("**Ventures**") owns through its single-purpose subsidiaries and operates our company-owned PSM Locations. As of the date of this Disclosure Document, Ventures operated two such PSM Locations. Ventures is a Texas limited liability company formed on January 26, 2015. Ventures' principal place of business is the same as ours at 1900 Preston Road, Suite 267-291, Plano, Texas 75093. Ventures does not and has never offered franchises in any line of business.

Another affiliate, PSM Supply, LLC ("**Supply**") manufactures proprietary retail items that are sold wholesale to our franchisees for sale in their locations, provides marketing supplies to our franchisees, and sources furniture, exhibits, play buildings, equipment, supplies, and other components utilized in the establishment of new PSM Locations. Supply is a Texas limited liability company formed on January 7, 2022. Supply's principal place of business is the same

as ours at 1900 Preston Road, Suite 267-291, Plano, TX, 75093. Supply does not and has never offered franchises in any line of business.

Except as described above, we have no other parents, predecessors or affiliates that must be included in this Item.

The Franchise Offered

If we approve your application to become a "Play Street Museum" franchisee, you will sign a franchise agreement in the form attached to this disclosure document as Exhibit A-1 ("**Franchise Agreement**"). Under a Franchise Agreement, we will grant you the right, and you will accept the responsibility, to establish and operate a PSM Location in a permanent building (the "**Location**" or "**Franchised Business**") at an agreed-upon location (the "**Approved Location**"). (In this disclosure document, we use the term "**you**" to refer to individuals, partnerships, corporations, limited liability companies and partnerships, and the direct and indirect owners of partnerships, corporations, limited liability companies and partnerships.)

We may also offer area development agreements ("**Area Development Agreements**") to qualified individuals, corporations, partnerships, limited liability companies and partnerships ("**Area Developers**") in the United States. The Area Development Agreement is attached to this disclosure document as Exhibit B. If you sign an Area Development Agreement, we will grant you the right, and you will accept the responsibility, to establish an agreed-upon number of PSM Locations within an agreed-upon designated area (the "**Development Area**"), under an agreed-upon timetable (the "**Development Schedule**"). Each PSM Location will be constructed and operated under a Franchise Agreement. The Franchise Agreement for the first PSM Location developed under the Area Development Agreement will be in the form attached to the Area Development Agreement. The Franchise Agreement for each additional PSM Location developed will be in the form of the Franchise Agreement we generally offer to new franchisees at that time.

The System

We have developed, and we own, a system for the development and operation of PSM Locations (the "**System**"). The System's distinguishing characteristics include (among other things): confidential and proprietary information and trade secrets (including curriculum and related plans); distinctive images, designs, business formats, methods, procedures, and specifications; distinctive exterior and interior design, decor, color scheme, and furnishings; uniform standards, specifications, and procedures for operations; quality and uniformity of Products (defined below) and services offered; procedures for management and inventory control; training and assistance; and advertising and promotional programs (together, the "**System**"); all of which we may periodically change, improve, and further develop. PSM Locations will offer services and certain educational toys and merchandise, as well as certain snacks and drink items ("**Products**"). We may introduce private labeled Products (referred to as "**Proprietary Items**").

The System is identified by our federally registered service mark PLAY STREET MUSEUM, and any other trade names, service marks and trademarks that we may designate otherwise in writing for use with the System (the "**Proprietary Marks**"). You must conduct the Franchised Business according to our Confidential Operating Manual (the "**Manual**"), a copy of which we will lend to you for the term of the Franchise Agreement. You may offer only those services and sell only those items and products that we specify or approve. A significant portion of the sales at your Franchised Business are derived from birthday parties.

A typical newly constructed PSM Location will be located in a "Class A" shopping location or at stand-alone retail locations of approximately 2,500 to 3,000 square feet in size.

Competition

The children's entertainment market is highly competitive, generally mature and well developed. We believe, however, that the segment of the children's entertainment market targeted by PSM Locations is still relatively immature and growing rapidly. You will compete with national, regional and local competition including company owned and franchised chains as well as independently owned child focused businesses. Competition will also include both public and non-profit organizations that offer the same or similar services but at free or reduced costs. You may also compete with other company owned, affiliate owned or franchisee owned PSM Location locations.

Industry-Specific Regulations

You must comply with all local, state, and federal laws that apply to your Location operations including health, sanitation, no smoking, EEOC, OSHA, discrimination, employment, food labeling, handling and preparation, communications and telemarketing, advertising, payments, and sexual harassment laws. The Americans with Disabilities Act of 1990 and state equivalents require readily accessible accommodations for disabled people and may affect your building construction, site design, entrance ramps, doors, seating, bathrooms, drinking facilities, etc. You must also obtain real estate permits, licenses, and operational licenses. You must comply with all applicable federal, state, and local laws and regulations during the operation of your Location. You should consult with your attorney concerning these and other local laws and ordinances that may affect your Location's operation.

ITEM 2 **BUSINESS EXPERIENCE**

Chief Executive Officer and Member of the Board of Directors: **Courtney Muccio**
Our co-founder, Ms. Muccio has been our Chief Executive Officer and a Member of our Board of Directors since our inception in June 2016. She has also been Chief Executive Officer and a Member of the Board of Directors of Holdings and Ventures since their inception in January 2015.

Chief Operating Officer: **Lauren Lamb**
Ms. Lamb joined us as Chief Operating Officer in July 2023. Before that, she was Vice President of Strategy, Marketing, and Conference for Informa Markets' Infrastructure & Construction family in Irving, Texas from July 2019 to July 2023. From April 2018 to July 2019, Ms. Lamb was Senior Product Manager for Brink's in Coppell, Texas. She was Vice President of Product for the National Association of Expert Advisors (NAEA) in Frisco, Texas from January 2016 to April 2018, and Vice President of Marketing for Light Bulb Deal in Arlington, Texas from January 2015

to December 2015.

Vice President of Business Development: David Lackey

Mr. Lackey has been our Vice President of Business Development since November 2023. From September 2018 to November 2023, he was a Sales Executive at Surency in Dallas, Texas. Before that, he was a Sales Executive at TruAssure in Dallas, Texas from October 2017 to April 2018.

Director of Curriculum Development: Kaylin “KC” Camp

Ms. Camp has been our Director of Curriculum Development since June 2016. Before that, she was the Director of Curriculum Development for the company-owned PSM Location in Plano, Texas. From December 2013 to December 2015, Ms. Camp was an Educational Coordinator at The Woodlands Children’s Museum in The Woodlands, Texas. From August 2011 to September 2013 she served as an Exhibit Manager at the San Antonio Children’s Museum in San Antonio, Texas. From July 2006 to May 2011, Ms. Camp was an Assistant Gallery Manager, Gallery Supervisor, and also a Discovery Guide at the Children’s Museum of Houston in Houston, Texas.

Director of Ceramic & Decorative Arts: Amanda Baze

Ms. Baze has been our Director of Ceramic & Decorative Arts since January 2021. From March 2018 to December 2020, she was a Team Leader at the company-owned PSM Location in Frisco, Texas. From November 2016 to December 2020, Ms. Baze founded and operated Baze Bottoms Clothing in McKinney, Texas. Before that, she was an Artist Assistant at California State University San Bernardino in San Bernardino, California from March 2011 to August 2014.

Advisor and Member of the Board of Directors: Mike Muccio

Our co-founder, Mr. Muccio has been a Member of our Board of Directors since our inception. He is also an Advisor to us since October 2021. Before that, Mr. Muccio was our President and Chief Operating Officer from our inception in June 2016 until October 2021. He has also been President and Chief Operating Officer and a Member of the Board of Directors of Holdings and Ventures since their inception in January 2015.

ITEM 3
LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4
BANKRUPTCY

No bankruptcy information is required to be disclosed in this Item.

ITEM 5
INITIAL FEES

Franchise Agreement

When you sign the Franchise Agreement, and except as noted below for Franchise Agreements entered into in connection with an Area Development Agreement, you must pay us

an initial franchise fee of \$35,000 for the Franchised Business. The initial franchise fee will be fully earned when paid, must be paid in one lump-sum amount, excluding any required deposits, and, except as noted below will not be refundable. The initial franchise fee is uniform.

Failure to complete the initial training program constitutes grounds for termination of the Franchise Agreement, and so does failing to find a site for the Location within the required period of time under the Site Selection Addendum (defined in Item 11 below), but if we terminate the Franchise Agreement for either of those reasons, we will refund to you 50% of the initial franchise fee that you have paid to us, less our costs and expenses we have incurred in connection with providing initial services to you.

Product and Equipment Purchases

Before opening your Location, you will need to purchase several items, some of which you may be required to purchase from us or our affiliates. We estimate that these items will cost between \$235,100 and \$323,100, depending on the design, size and theme of your Location. Items that you may purchase from us or our affiliates include:

- Proprietary toys, clothing, merchandise and exhibits;
- Location Equipment and Supplies;
- Proprietary Fixtures and Millwork
- Marketing and promotional items; and
- Signage, custom (play) buildings, furniture and décor.

Area Development Agreement

When you sign the Area Development Agreement, you must pay us a development fee in the amount of \$15,000 for each PSM Location to be developed under the Area Development Agreement. The amount of the development fee will vary under the circumstances and will be subject to our mutual discussion and agreement, taking into account a number of factors. These factors include the number of PSM Locations you choose to develop under the Area Development Agreement, the market in which you choose to develop, the economics and demographics of that market, and our determination as to the “value” of the Development Area to be granted under the Area Development Agreement as measured by factors such as the total number of potential PSM Locations that we anticipate can be developed within the Development Area (regardless of the minimum number of PSM Locations that you are required to develop, and market conditions at the time the Area Development Agreement is signed). The development fee must be paid in lump sum, is uniformly applied, and is non-refundable.

If you are in compliance with your obligations under the Area Development Agreement, then we will credit to you the sum of \$15,000, which credit we will apply to the initial franchise fee payable under each Franchise Agreement for a Location that you are required to open under the Area Development Agreement (provided, that the total amount of the credits that we grant to you will not exceed the total development fee that you have actually paid to us).

In addition, and for each Franchise Agreement entered into in connection with the Area Development Agreement, you must pay an initial franchise fee in the following amounts:

1. \$35,000 for the first Franchise Agreement entered into under the Development Schedule;

2. \$30,000 for the second through fifth Franchise Agreements entered into under the Development Schedule;
3. \$25,000 for the sixth and each additional Franchise Agreement entered into under the Development Schedule; and
4. For any Franchise Agreements you enter into with us during the term of the Area Development Agreement for PSM Locations that exceed the number of Locations required under the Development Schedule, and subject to our written approval of your development of such Location(s), the initial franchise fee for each such Location will be \$22,500.

ITEM 6
OTHER FEES

Type of Fee	Amount	Due Date	Remarks
Royalty	5% of Gross Sales	Tuesday of each Week on your Gross Sales for the prior Week	" Gross Sales " means all revenue from the sale of services and products and all other income related to the Franchised Business, except sales taxes. See note 2.
Marketing Contribution	5% of Gross Sales	Same as Royalty	If we establish a Regional Fund, you must join that Regional Fund. See note 3 and Item 11.
Transfer	25% of our then-current initial franchise fee (but not less than \$9,375); plus \$5,000 for initial training of the buyer and its personnel; plus any applicable broker or commission fees.	On or before the date of the proposed transfer	However, if the transferee is a "Seasoned Party," (meaning they have been a "Play Street Museum" franchisee, in good standing, or have managed a PSM Location, for at least five years), then we will not require payment of a transfer fee; but instead, you must reimburse us for the out-of-pocket costs that we incur in connection with reviewing, approving, and documenting the proposed transfer, including our attorneys' fees, and must pay any applicable broker or commission fees.

Type of Fee	Amount	Due Date	Remarks
Audit by us	Cost of the audit	Upon request	If we audit your records and find that you understated amounts, or if you fail to submit the required weekly sales report then among other things, we may require you to reimburse us for the costs of our audit (such as auditors' fees). We may take other remedies as well.
Interest on Overdue Payments	1.5% per month or maximum rate permitted by law, whichever is less	Upon request	If you do not timely pay your royalties or Marketing Contributions under a Franchise Agreement, we may require you to pay interest on the overdue amounts.
Bank Fee	Fees imposed upon us by the bank, plus \$25 per event.	As incurred	You must maintain a proper and sufficient balance in the account from which your ACH deductions are made to pay all of the fees that are due under this Agreement, but if you do not do so, then you must reimburse us and pay the fee as noted.
Securities Offering	\$10,000 or such greater amount as is necessary to reimburse us for our reasonable costs and expenses (including legal and accounting fees) for reviewing the proposed offering	Upon request	If you propose to make an offering of any securities, you must reimburse us for our reasonable costs (including attorneys' and accounting fees) in evaluating your proposed offering.
Relocation Fee	\$5,000 (or such greater amount as is necessary to reimburse us for the costs (including our attorneys' fees) incurred in connection with reviewing, approving, and documenting the proposed relocation, any related lease matters, and any necessary amendments to the Franchise Agreement)	Upon request	We will have the right to grant or to withhold our approval of any proposed location or relocation.

Type of Fee	Amount	Due Date	Remarks
Convention Fee	Currently \$0 per participant, but may increase up to \$1,500 per participant	As incurred	You are required at your own cost to attend conventions, regional meetings and conferences we specify. You must also pay the convention fee.
Costs and Attorneys' Fees	Will vary under circumstances	Upon request	If you default under the Franchise Agreement or Area Development Agreement, you must reimburse us for the expenses we incur (such as attorneys' fees) in enforcing or terminating the agreement.
Cost of Defense	Will vary under circumstances	Upon request	If we determine that you have not used the Proprietary Marks according to the Franchise Agreement, you must bear the cost of our defense of you against any third-party claim, suit, or claim arising out of your use of the Proprietary Marks, including the cost of any judgment or settlement.
Inspection and product testing charge	Will not exceed reasonable cost of inspection and actual cost of test	Upon request	If you ask us to consider a new supplier, we may incur certain costs, including testing the supplier's facilities and products, and will ask you or the proposed supplier to reimburse us for those costs. See Item 8.
Indemnity	Will vary under circumstances	Upon request	You must reimburse us for the costs we incur if we are sued, or held liable for claims, that arise from your operation of the Franchised Business, for all actions caused by your failure to comply with the Americans With Disabilities Act, for any offer of your securities, and for costs we incur in defending claims that you used the Proprietary Marks in an unauthorized manner. See Items 9 and 13 for further discussion of your obligation to indemnify us.
Renewal fee	25% of our then-current initial franchise fee (but not less than \$9,375)	Before renewal	You only need to pay this fee if you renew the Franchise Agreement. There is no renewal under the Area Development Agreement.

Type of Fee	Amount	Due Date	Remarks
Additional and Training Fee	\$500 per day per trainer	As incurred	We will charge this if you request training to be conducted at the location of your Location, and we are willing to provide such training, available, You are also responsible for travel, lodging, meals and other expenses for our personnel conducting training.
Additional and Replacement Training	\$5,000 for each additional individual to be trained	Before training begins	We will train, at our expense, up to three of your personnel. You must pay this fee if you want to send additional personnel to the initial training program, or if you must send a replacement Operating Partner to the initial training program. Also, you will be responsible for paying for all of your employees' costs and expenses.
Lost Future Royalties	The average of the monthly Royalty Fees due for the previous 12 months, multiplied by the lesser of 36 or the number of months remaining in the then-current term of the Franchise Agreement	Upon request	You must pay this if we terminate the Franchise Agreement as a result of your default or if you abandon the Location.
Technology Fee	Our then-current fee, currently \$88, plus \$18 for each email account/user, per month. Note 4.	On or before the first day of each month.	This fee will be used to pay for certain technology services that we currently contract from third parties, but provide to you, in connection with the email addresses and webpage you use in connection with the Franchised Business, as well as for the use of our required franchise relationship management software. See note 4.

Notes:

1. We impose and collect all fees. All fees are uniformly applied to new system franchisees and non-refundable. However, in instances in which it is appropriate to do so, we may waive some or all of these fees for particular franchisees.
2. The term "**Week**" means a seven-day period that we designate, starting 12:00:00 am (local time at your Location) on Monday and ending at 11:59:59 pm on the following

Sunday. The first and last Weeks during which your Location operates will be partial Weeks.

3. We have the right to allocate your Marketing Contribution in the proportion that we designate among the Brand Fund (defined below), any Regional Fund (defined below) established for your area (but we are not required to establish a Regional Fund for your area), or for you to retain for expenditures on local advertising and promotion.
4. We have the right to increase or decrease the Technology Fee based on changes in our vendor's pricing and our technology needs, impose additional fees, as changes are made to the System's technology platforms, including computer hardware, software and other computer requirements or as required by the third-party service provider(s) or by any regulatory agency, or otherwise require you to pay the Technology Fee to a third-party vendor.

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Table A:
FRANCHISE AGREEMENT

Type of Expenditure	Amount (Low Amount to High Amount)	Method of Payment	When Due	To Whom Payment is Made	Refund-ability
Initial franchise fee (Note 1)	\$35,000	Lump Sum	Upon signing the Franchise Agreement	Us	Nonrefundable
Lease/rent (Note 2)	\$17,500 to \$39,000	As Arranged	Monthly rental amount due upon signing	Landlord	As Negotiated
Construction and Leasehold Improvements (Note 3)	\$20,000 to \$297,540	As Arranged	As Arranged	Contractors	As Negotiated
Equipment (Note 4)	\$8,500 to \$9,100	Lump sum	Before Opening	Vendors, Approved Suppliers, or Us	As Negotiated
Furniture and Fixtures (Note 5)	\$137,000 to \$237,500	Lump sum	Before Opening	Vendors, Approved Suppliers, or Us	As Negotiated

Type of Expenditure	Amount (Low Amount to High Amount)	Method of Payment	When Due	To Whom Payment is Made	Refund-ability
Computer Hardware and Software (Note 6)	\$3,900 to \$5,000	As Arranged	As Arranged	Vendor	As Negotiated
Inventory (Note 7)	\$10,000 to \$20,000	Lump sum	Before Opening	Vendors, Approved Suppliers, or Us	As Negotiated
Supplies (Note 8)	\$31,000 to \$37,000	Lump sum	Before Opening	Vendors, Approved Suppliers	As Negotiated
Interior and Exterior Signage (Note 9)	\$8,700 to \$12,000	Lump sum	Before Opening	Vendors	As Negotiated
Market Introduction Program (Note 10)	\$8,000 to \$12,000	As Incurred	Before Opening	Service Providers	Nonrefundable
Insurance (Note 11)	\$2,500 to \$3,000	As Arranged	As Arranged	Insurance Providers	As Negotiated
Labor and Training Expenses (Note 12)	\$3,000 to \$10,000	As Incurred	As Incurred	Airlines, hotels, restaurants	Nonrefundable
Business Licenses (Note 13)	\$100 to \$500	As Incurred	As Incurred	Government Agencies, providers	As Negotiated
Professional Fees (Note 14)	\$8,500 to \$10,000	As Incurred	As Arranged	Service Providers	Nonrefundable
Additional Funds (3 Months) (Note 15)	\$10,000 to \$30,000	As Incurred	As Incurred	Employees, vendors, utilities	Nonrefundable
Security Deposits (Note 16)	\$950 to \$3,000	As Arranged	As Arranged	Lender, Approved Suppliers	As Negotiated
Total (Note 18)	\$304,650 to \$761,140				

YOUR ESTIMATED INITIAL INVESTMENT

Table B:

AREA DEVELOPMENT AGREEMENT

(Assumes an Area Development Agreement for three Locations (Note 17))

If you become a Developer, you will pay us an initial fee as described in Item 5. For each Location you develop under the Area Development Agreement, you can expect to have an initial

investment as estimated above for a start-up franchise, subject to potential increases over time or other changes in circumstances. If you sign an Area Development Agreement, your professional fees (such as legal and financial) may be higher. The following chart shows your estimated initial investment to open three PSM Locations; if you sign an Area Development Agreement for more than three PSM Locations, then your investment will be proportionally higher (including, for example, additional initial franchise fees, which are as described in Item 5 above).

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is to be Made
Initial Investment – Location #1	\$304,650	\$761,140	Varies	Varies	Varies
Initial Investment – Location #2	\$299,650	\$756,140	Varies	Varies	Varies
Total	\$604,300	\$1,517,280			

Notes to Tables:

The following notes are intended to be read with the chart above.

Please note that we do not offer direct or indirect financing to you for any items. The availability and terms of financing from other sources will likely depend on factors such as the availability of financing generally, your creditworthiness, and the policies of lending institutions.

1 **INITIAL FRANCHISE FEE.** These amounts are discussed in detail in Item 5. The initial franchise fee must be paid when the Franchise Agreement is signed. If you have also signed an Area Development Agreement, and you are in compliance with your obligations under the Area Development Agreement and all of your Franchise Agreements, then we will apply a credit from your development fee toward the initial franchise fee. The amount of the credit will be \$15,000 for each Location, so long as the total amount of the credits that we extend to you does not exceed the amount that you paid us as a development fee under the Area Development Agreement. Under an Area Development Agreement, you also pay a reduced amount of an initial franchise fee for your second and each additional Location. See Item 5 for more details.

2 **LEASE/RENT.** If you do not own a location for your Location, you must purchase or lease a space. Locations are typically situated in class “A” shopping centers. The expenses represented in the table reflect anticipated rent for a Location that is within the preferred target range of 2,500 to 3,000 square feet, with rent ranging from \$28 to \$52 per square foot per year.

Rent varies considerably from market to market, and from location to location within each market. Rents may vary beyond the range that we have provided, based on factors such as market conditions in the relevant area, the type and nature of improvements needed to the premises, the size of the Location, the terms of the lease, and the desirability of the site. If you decide to purchase the property for the location of your Location, you will incur additional costs that we cannot estimate.

3. CONSTRUCTION AND LEASEHOLD IMPROVEMENTS. We will provide you, at no charge, a sample design and equipment layout plans and specifications for the Location. You must adapt, at your expense, the layout we provide, subject to our approval.

You will need to construct improvements, or “build out,” the premises at which you will operate the Location. Occasionally, you will take the premises in “vanilla box” condition (e.g., primed drywall ready to be painted, but without improvements) or as a “turn-key” where the landlord agrees to finish out the location per Play Street Museum specifications on your behalf with minimal improvements required by you. Among other things, you will need to arrange for proper wiring and plumbing, floor covering, wall covering, partitions, heat, air conditioning, lighting, cabinetry, storefront modifications, painting, bathroom facilities, and the like. This includes the cost of a licensed architect and a licensed builder, which you will need to hire (and that we may designate). Costs are likely to vary, and may be much higher, if you wish to establish your Location in an area where special requirements of any kind (e.g., historical, architectural, or preservation requirements) will apply.

In our affiliates’ and franchisees’ experience, they have received contributions from the landlord towards the leasehold improvement costs of a Location, ranging from \$0 to \$256,500. In our three most recent Locations to open (Mansfield, TX; Sunset Valley, TX; and Sugar Land, TX), the average landlord contribution towards the construction and leasehold improvements of the Locations was \$72,133 (\$121,500, \$55,000, and \$39,000, respectively). The average cost of completing the construction and leasehold improvements for these Locations was \$186,378 (\$183,194, \$230,000, and \$145,940, respectively). The average net contribution made by these franchisees towards the construction and leasehold improvements after subtracting the cost of the improvements, less the reimbursed amounts by the landlord for these three Locations, was \$114,245 (\$61,694, \$175,000, and \$106,040, respectively).

4. EQUIPMENT. We require franchisees to purchase equipment needed to operate the Location, such as refrigerators, washer/dryer, pottery kiln, ladders, phone system, and many other miscellaneous items. You will need to obtain the exact equipment we specify and in some cases from the vendor we specify. The amount spent for equipment will vary for each Location depending upon the Location’s size, style, theme, layout and local zoning requirements.

5. FURNITURE AND FIXTURES. The estimate is for the furniture and fixtures and you will need to operate the Location such as custom (play) buildings, museum exhibits, furniture and decorations. You will need to obtain these items and other fixed assets from us or from sources that we designate as qualified or designated vendors (where there are designated vendors). The amount spent for furniture and fixtures and will vary for each Location depending upon the Location’s size, style, theme and layout.

6. COMPUTER HARDWARE AND SOFTWARE. We require our franchisees to purchase a computer system consisting of a Mac-based hardware platform (including Mac processor and peripheral hardware devices such as touch screens, printers, bar code readers, card readers, cash drawers, scales, battery back-up, etc.) combined with proprietary software of ours or a third party. The computer system is described below in this disclosure document.

7. INVENTORY. Items of inventory which you are required to obtain for the Location are paid for at standard prices and terms. All items of inventory which you obtain from sources of your own choosing are paid for directly to the supplier of those inventory items at prices agreed upon by you and the supplier. Start-up inventory of products and supplies will vary based on expected volume of business and size of storage areas in the building. This estimate is for the

initial inventory only. Costs may be higher for Locations with greater square footage for merchandising or for Locations opening at peak holiday times.

8. SUPPLIES. Items of supplies which you are required to obtain from us or from our designated sources of supply are paid for at standard prices and terms. This estimate is for the initial supplies only.

9. INTERIOR AND EXTERIOR SIGNAGE. The cost of signs will vary from location to location depending on lease requirements, ordinances and restrictions, traffic patterns, competition, and related factors. In addition, other considerations – such as zoning requirements, as well as historical and architectural design standards – may affect your costs (both in terms of materials as well as professional fees that you will incur to get approval of your proposed signs) We may require you to use our designated signage suppliers.

10. MARKET INTRODUCTION PROGRAM. You are required to conduct a Market Introduction Program. Additional details regarding marketing and the Market Introduction Program can be found in Item 11, under the subheading “Marketing.”

11. INSURANCE. The estimate is for the annual premium for the policies required under the Franchise Agreement. Insurance costs will vary depending upon factors such as the size and site of the Location, business income level to be insured, payroll totals for workers compensation, flood zoning, and lease requirements. Your obligations with respect to insurance are more fully described below in this disclosure document.

12. LABOR AND TRAINING EXPENSES. The estimates assume travel, meals, auto, and lodging, for two individuals. The cost you incur will vary depending upon factors such as the distance traveled, mode of transportation, *per diem* expenses actually incurred, and the number of persons who will attend training. You will incur additional costs if you send more than two individuals to attend training.

13. BUSINESS LICENSES. Local, municipal, county, and state regulations vary on what licenses and permits are required by you to operate. These fees are paid to governmental authorities before starting business.

14. PROFESSIONAL FEES. The estimate is for legal, accounting, architectural design, demographic studies, and miscellaneous other professional fees that you may incur before you open for business, including (among other things) to assist you in reviewing the Franchise Agreement. Your actual costs may vary, for example, depending on the degree to which you rely upon your advisors, type of financing, lease negotiations, and the permitting process in your location. The hourly rates for advisors, accountants, and legal professionals will also vary.

15. ADDITIONAL FUNDS. You will need capital to support on-going expenses, such as payroll and utilities, to the extent that these costs are not covered by sales revenue. We estimate that the amount given will be sufficient to cover on-going expenses for the start-up phase of the business, which we calculate to be three months. This is only an estimate, however, and there is no assurance that additional amounts will not be necessary during this start-up phase or after.

Your credit history could impact the amount (and cost) of funds needed during the start-up phase. If you have no credit history or a weak credit history suppliers may give you less favorable lending and payment terms, which might increase the amount of funds you will need during this period.

The figures in the chart and the explanatory notes are only estimates. Your actual costs may vary considerably, depending, for example, on factors such as: local economic conditions; the local market for the Location; timing of your Location opening; the prevailing wage rate; competition; the sales level achieved during the initial period of operation; and your management and training experience, skill, and business acumen.

You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

16. SECURITY DEPOSITS. The figure is the estimated cost of telephone and utility deposits.

17. AREA DEVELOPMENT AGREEMENT. Please refer to Table A, above, for the Estimated Initial Investment for expenses associated with opening a single PSM Location under a Franchise Agreement. As indicated in Item 5, for the 2nd and 3rd Franchise Agreements you enter into under the Area Development Agreement, the initial franchise fee is reduced to \$30,000.

18. TOTAL. We relied on our own experience and the experience of our affiliates and franchisees when preparing these figures. You should review these estimates on your own, preferably with a business advisor of your own choosing.

ITEM 8 **RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

General

To insure that the highest degree of quality and service is maintained, you must operate the Franchised Business in strict conformity with the methods, standards, and specifications as we may periodically prescribe in the Manual or otherwise in writing.

At all times during the term of the Franchise Agreement, you must:

- sell or offer for sale only those Products and services that we have approved in writing for you to offer and use at your Franchised Business;
- sell or offer for sale all those Products and employing the techniques that we specify in writing;
- not deviate from our standards and specifications, including manner of preparation of Products;
- stop using and offering for use any Products that we at any time disapprove in writing (recognizing that we have the right to do so at any time).

If you deviate (or propose to deviate) from our standards and specifications, whether or not we have approved, the deviation will become our exclusive property.

You must buy all Products only from suppliers that we have approved in writing (and whom we have not subsequently disapproved). Products include exhibit materials and play structures, custom furniture, cabinetry, fixtures, signage, party materials and branded items. In determining whether we will approve any particular supplier, we will consider various factors,

including: (a) whether the supplier can demonstrate, to our continuing reasonable satisfaction, the ability to meet our then current standards and specifications for such items; (b) whether the supplier has adequate quality controls and capacity to supply your needs promptly and reliably; (c) whether approval of the supplier would enable the System, in our sole opinion, to take advantage of marketplace efficiencies; and (d) whether the supplier will sign a confidentiality agreement and a license agreement in the form that we may require (which may include a royalty fee for the right to use our Proprietary Marks and any other proprietary rights, designs or plans).

If you want to buy any Products (except for Proprietary Items) from an unapproved supplier you agree to first submit a written request to us asking for our prior written approval. You may not buy from any such supplier unless and until we have given you our prior written consent to do so. We have the right to require that our representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered, either to us or to an independent laboratory that we have designated for testing. You (or the supplier) may be required to pay a charge, not to exceed the reasonable cost of the inspection, as well as the actual cost of the test. We also have the right to require that the supplier meet certain other requirements that we have the right to designate (including payment of reasonable continuing inspection fees and administrative costs and/or other payment to us by the supplier on account of their dealings with you or other franchisees, for use of our trademarks, and for services that we may render to the supplier). We also reserve the right, at our option, to periodically re inspect the facilities and products of any such approved supplier and to revoke our approval if the supplier does not continue to meet any of our then current criteria.

Our specifications and criteria for supplier approval are contained in the Manual and are updated and revised periodically. When approving suppliers, we consider whether the products meet our specifications, whether the supplier's facility meets our specifications, and other quality and safety factors. We will revoke our approval of a supplier if we determine that the supplier or its products or services no longer meet our standards. We will notify you in writing if we revoke our approval of a supplier or its products or services. If we notify you in writing that we have revoked our approval of a supplier, we may require you to stop selling the item(s) bought from that supplier and stop buying from the disapproved supplier. We must notify you in writing of our approval or disapproval of the proposed supplier. Although the Franchise Agreement does not require that we notify you of our approval or disapproval of a supplier within a specified time, we estimate that we will usually be able to notify you of approval or disapproval within ten business days after receipt of your written request. This is only an estimate and the actual approval time may be shorter or longer than 30 days.

We have the right to appoint only one supplier for any one or more items (including distributors), which may be us or one of our affiliates.

We estimate that your product purchases from approved suppliers and according to our specifications will represent approximately 20% of your total product purchases in establishing the Franchised Business, and approximately 70% in the continuing operation of the Franchised Business. We also estimate that your product purchases from designated suppliers will represent approximately 80% of your total product purchases in establishing the Franchised Business, and approximately 30% of your total product purchases in the continuing operation of the Franchised Business. This estimate does not account for service purchases, such as insurance, pest control, equipment maintenance, landscaping, and the like.

There are certain items (party supplies, food, beverage, accessories, curated crafts and toys) that we may specify for sale at the Franchised Business and that are manufactured in

accordance with our proprietary standards and specifications, and which are therefore, Proprietary Items of ours and/or our affiliates. In order to maintain the high standards of quality, taste, and uniformity associated with any Proprietary Items sold under the System, you agree to buy Proprietary Items only from us or from our designee(s), and not to offer or sell any items that are similar to (but not the same as) Proprietary Items at or from the Franchised Business. Our affiliate, Supply, is an approved supplier of Proprietary Items to our franchisees, and is currently the only supplier of party canvases, proprietary sensory kits, slime mix-ins, activity kits, certain retail products and miscellaneous craft items.

We or our affiliates will sell certain Proprietary Items and other products and equipment to you. In some cases, we will also help facilitate your purchase of Proprietary Items and other products and equipment from vendors because of our existing relationship with those vendors. During our last fiscal year ended June 30, 2023, we did not receive any revenues from franchisee purchases of products or services, but our affiliate, Supply, received \$155,585 from franchisee purchases of products or services during the fiscal year ended June 30, 2023, which represented 98.5% of Supply's total revenues of \$155,585

We have the right to collect and retain all manufacturing allowances, marketing allowances, rebates, credits, monies, payments and/or other benefits (collectively, "**Allowances**") that suppliers offer to us, our affiliates, and/or to you based upon your purchases of Products, Proprietary Items, and other goods and services. These Allowances include those based on System-wide purchases of Products. In our last fiscal year (FY2023), we received Allowances from suppliers that were approximately 6% of the cost of the products. We have all right, title and interest in and to any and all such Allowances and we (or our designee) may collect and retain any or all such Allowances without restriction.

We may establish strategic alliances and/or preferred vendor programs with one or more suppliers that are willing to supply some or all PSM Locations with some or all of the products and/or services that we require for use and/or sale in developing and operating PSM Locations. Accordingly, we have the right to limit the number of approved suppliers with whom you may deal, designate sources that you must use for some or all Products, Proprietary Items, and other products and services, and/or refuse any of your requests if we believe that this action is in the best interests of the System or the network of PSM Locations. We have the ongoing right to approve or disapprove of the suppliers who may be permitted to sell Products to you.

As noted in Item 11, we will have the right to review and approve all marketing plans and promotional materials that you propose to use. You may not implement any marketing plan or use any promotional material without our prior written consent.

We have negotiated purchase arrangements with suppliers of supplies, inventory and equipment for the benefit of our franchisees. These purchase arrangements currently provide for price discounts ranging from 5% to 25%.

We do not confer material benefits on our franchisees based on use of designated or approved suppliers. We have no franchisee purchasing or distribution cooperatives. Courtney Muccio, our CEO, and Mike Muccio, our Advisor, own an interest in our affiliate, Supply, which as described in Item 1 manufactures proprietary retail items that are sold wholesale to our franchisees for sale in their locations, provides marketing supplies to our franchisees, and sources retail items, furniture, play buildings, millwork, equipment, supplies, and other components utilized in the establishment of new PSM Locations. Otherwise, none of our officers owns an interest in any companies that are vendors or suppliers to our franchisees.

Computer System

You must buy (or lease) and maintain a computer system. More detailed information concerning the computer system can be found in Item 11 of this disclosure document under the heading "Computer System." In general terms, you will be required to install, maintain, and at all times operate the computer hardware and software, including peripheral devices and equipment, that we specify in the Manual or otherwise in writing as reasonably necessary for the efficient management and operation of the Location and the transmission of data to and from us.

Insurance

Under the Franchise Agreement, you must obtain and maintain the following insurance:

- commercial general liability insurance protecting against any and all claims for personal, bodily and/or property injury occurring in or about the Location and protecting against assumed or contractual liability under the Franchise Agreement with respect to the Location and your operations, with minimum limits of \$1,000,000 combined single limit per occurrence and \$2,000,000 general aggregate per location (at our election, such minimum limits may be increased);
- statutory workers' compensation insurance and employers' liability insurance for a minimum limit equal to at least \$500,000 per accident, per disease per employee, and disease policy limit, as well as such other disability benefits type insurance as may be required by statute or rule of the state in which the Location is situated;
- Commercial umbrella liability insurance with limits which bring the total of all primary underlying coverages (commercial general liability, comprehensive automobile liability, employers liability) to not less than \$1,000,000; and
- property insurance providing coverage for direct physical loss or damage to real and personal property for all-risk perils, including the perils of flood and earthquake. The policy or policies must value property (real and personal) on a new replacement cost basis without deduction for depreciation and the amount of insurance shall not be less than the full replacement value of the Location, its furniture, fixtures, equipment, and stock (real and personal property). Any deductibles contained in this policy are subject to our review and approval.

Each policy must be written by an insurance company or companies reasonably satisfactory to us, having a current Best's rating of at least "A+." All liability and property damage policies must name us as additional insureds and must provide that each policy cannot be cancelled unless we are given thirty days' prior written notice. We have the right to periodically make changes to minimum policy limits and endorsements. You must deliver to us (and in the future maintain on file with us) valid and current certificates of insurance showing that all required insurance is in full force and effect.

ITEM 9
FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	§§ 1 and 5 of Franchise Agreement; §§ 1, 10, and Exhibit A of Area Development Agreement	5, 6, 7, and 11
b. Pre-opening purchases/leases	§ 5 of Franchise Agreement	5, 7, and 8
c. Site development and other pre-opening requirements	§§ 3 and 5 of Franchise Agreement; § 10 of Area Development Agreement	8 and 11
d. Initial and ongoing training	§§ 3 and 5 of Franchise Agreement	11
e. Opening	§ 5 of Franchise Agreement	11
f. Fees	§§ 2, 4, 13 and 16 of Franchise Agreement; § 4 of Area Development Agreement	5 and 6
g. Compliance with standards and policies/Operating Manual	§§ 5, 7, 8 and 10 of Franchise Agreement	8, 11, and 14
h. Trademarks and proprietary information	§§ 9 and 11 of Franchise Agreement; § 9 of Area Development Agreement	13 and 14
i. Restrictions on products/services offered	§ 7 of Franchise Agreement	5, 8, and 16
j. Warranty and customer service requirements	§ 8 of Franchise Agreement	16
k. Territorial development and sales quotas	§ 1 of Franchise Agreement; § 2 and Exhibit A of Area Development Agreement	12
l. Ongoing product/service purchases	§ 8 of Franchise Agreement	8
m. Maintenance, appearance and remodeling requirements	§§ 2 and 5 of Franchise Agreement	8
n. Insurance	§ 15 of Franchise Agreement; § 11.1 of Area Development Agreement	7 and 8
o. Advertising	§ 13 of Franchise Agreement	6, 8, and 11

Obligation	Section in Agreement	Disclosure Document Item
p. Indemnification	§ 21 and Exhibit B of Franchise Agreement; §§ 11.7 and 15 of Area Development Agreement	6 and 13
q. Owner's/ participation/ management/ staffing	§§ 8 and 19 of Franchise Agreement	15
r. Records/reports	§ 12 of Franchise Agreement	6
s. Inspection/audits	§§ 3, 8, and 12 of Franchise Agreement	6 and 11
t. Transfer	§ 16 of Franchise Agreement; §§ 11.2 and 12 of Area Development Agreement	17
u. Renewal	§ 2 of Franchise Agreement	17
v. Post-termination obligations	§ 18 of Franchise Agreement; § 11.4 of Area Development Agreement	17
w. Non-competition covenants	§ 19 of Franchise Agreement; § 11.5 of Area Development Agreement	17
x. Dispute resolution	§ 27 of Franchise Agreement; §§ 11.11 and 13 of Area Development Agreement	17
y. Taxes/permits	§§ 5 and 20 of Franchise Agreement; § 11.6 of Area Development Agreement	1 and 7
z. Other: Personal Guarantee	Exhibit B of Franchise Agreement	15

ITEM 10
FINANCING

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

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

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

Pre-Opening Obligations

If you sign a Franchise Agreement, we will agree to:

- a. Provide an initial training program, at a location we designate, for you and your management employees. At least three of your management employees (which number we will determine) must complete the training to our satisfaction before you may open the Location. We will be responsible for the cost of instruction and materials, subject to the terms of the Franchise Agreement; you will pay all other costs (e.g., transportation) incurred to attend training (see Items 6 and 7 above). (Franchise Agreement, Sections 3.1 and 6.1)
- b. Provide prototype plans and example specifications for constructing the Location and for the exterior and interior design and layout, fixtures, furnishings, equipment, and signs. (Franchise Agreement, Section 3.2)
- c. Provide certain site selection and lease review assistance (Franchise Agreement, Section 5.2 and Site Selection Addendum).
- d. Provide a representative to be present at the Location's opening, if you have two or fewer PSM Locations operating under the System. We will provide additional on-site pre-opening and opening supervision and assistance to the extent we deem it advisable. (Franchise Agreement, Section 3.3)
- e. Lend you a copy of the Manual, for the duration of the Franchise Agreement. (Franchise Agreement, Section 3.4)
- f. Inspect the Location for opening before you open. You may not open the Location for business unless you have our prior written approval. (Franchise Agreement, Section 3.7)

Continuing Obligations

Under the Franchise Agreement, we will provide the following assistance and service to you:

- a. We will make available additional training programs, as we deem appropriate. (Franchise Agreement, Section 6.4)
- b. We will provide you periodic assistance in the marketing, management, and operation of the Franchised Business, and we will periodically offer you the services of certain of our representatives, such as an accounting manager, and these representatives will periodically visit your Franchised Business and offer advice regarding your operations. (Franchise Agreement, Section 3.8)

- c. We will administer the Brand Fund (as defined below) in the manner described in the Franchise Agreement. (Franchise Agreement, Section 3.6)

We do not provide any other assistance to you, including, among other things, assistance with conforming the premises to local ordinances or building codes, or with delivering or installing equipment, signs, fixtures, furnishings, opening inventory, and supplies.

Franchise Agreement Marketing

As described in Item 6 above, for each Week during the term of the Franchise Agreement, you will be required to make a Marketing Contribution. The Marketing Contribution will be 5% of the Gross Sales of your Licensed Location during the preceding Week.

The Marketing Contribution will be paid to the Brand Fund, any Regional Fund (defined below), or to be spent by you on local marketing and promotion in the proportions that we will periodically designate

Although this is likely to change, our current allocation of the Marketing Contribution is as follows:

This amount	Into this fund:
40% of the Marketing Contribution (that is, 2% of your Gross Sales)	Systemwide Marketing Fund
60% of the Marketing Contribution (that is, 3% of your Gross Sales)	Local Advertising and Promotion

Brand Fund

We have established a System-wide brand marketing fund (the "**Brand Fund**"). We will administer the Brand Fund as follows:

1. We or our designee will direct all marketing programs, including the concepts, materials, and media used in, and the placement and allocation of, the programs. The Brand Fund is intended to maximize general public recognition, acceptance, and use of the System; and we (or someone we designate) are not obligated, in administering the Brand Fund, to make expenditures for you that are equivalent or proportionate to your contribution or that are directed to your Protected Area, or to ensure that you benefit directly or pro rata from Brand Fund expenditures.

2. We will use the Brand Fund only for preparing and administering advertising, marketing, merchandising, public relations, and promotional programs and materials, and any other activities that we believe will directly or indirectly enhance the image of the System. Among other things, we may use the Brand Fund to pay the cost of preparing and conducting: marketing and advertising campaigns in any medium, whether digital, on-line, print, direct-mail or other; marketing surveys and other public relations activities; employing marketing personnel, the costs of retaining advertising and/or public relations agencies; purchasing promotional items, conducting and administering visual merchandising, point of sale, and other merchandising programs; conducting and administering visual merchandising, point of sale, and other merchandising programs; engaging individuals as spokespersons and celebrity endorsers; work

in connection with curriculum creation and development; purchasing creative content for local sales materials; website development and updates; reviewing locally-produced ads; preparing, purchasing and distributing door hangers, free-standing inserts, coupons, brochures, and trademarked apparel; market research; conducting sponsorships, sweepstakes and competitions; engaging mystery shoppers for Locations and their competitors; and providing promotional and other marketing materials and services to the Locations operated under the System. The Brand Fund may also be used to provide rebates or reimbursements to you for local expenditures on products, services, or improvements that we approve and that we believe will promote general public awareness and support of the System.

3. You must contribute to the Brand Fund by ACH at the same time as royalty fees or in such other manner as we may specify. We will maintain all sums paid to the Brand Fund in an account separate from our other monies. We will not use them for any of our expenses, except for reasonable costs and overhead, if any, that we incur in activities reasonably related to the direction and implementation of the Brand Fund and advertising programs for franchisees and the System. These costs may include costs of personnel responsible for creating and implementing advertising, promotional, and marketing programs. The Brand Fund and its earnings does not otherwise benefit us. Any unspent amounts remaining in the Brand Fund at the end of each fiscal year will remain in the Brand Fund to be used in the following year (or after that) for future Brand Fund initiatives. We, or someone we designate, will maintain separate bookkeeping accounts for the Brand Fund. (Franchise Agreement, Section 13.3.3).

4. Upon written request, we will provide you with an annual accounting of receipts and disbursements of the Brand Fund. The Brand Fund will not be audited.

During our fiscal year ended June 30, 2023, the expenditures of the Brand Fund were as follows:

- 41% on rotational curriculum program
- 32% on activity kit program
- 27% on brand development and advertising

You may not implement a promotional plan, nor may you use any advertising materials until you have received our written approval under the process described in the Franchise Agreement. (Franchise Agreement, Section 13.7). You must submit samples of all marketing and promotional plans and materials to us for our review and approval.

To the extent that we disseminate advertising, we typically do so through various social media channels and online sites, on a local, regional, and national basis. We use a local and a regional marketing consulting firm to prepare advertising for the Brand Fund. If we do not use all of the amounts in the Brand Fund in the year in which they accrue, we will use these amounts in the next fiscal year. We do not use any money from the Brand Fund for advertising that is principally a solicitation for the sale of franchises. Except as described above, neither we, nor any affiliate, receives any payment for providing goods or services to the Brand Fund. PSM Locations that we or our affiliate(s) operate contribute to the Brand Fund in the same manner as franchised PSM Locations. For more information on the Brand Fund, see Items 6 and 8.

Regional Fund

We may establish a regional marketing fund in the geographic area in which your Location is located (a "**Regional Fund**"). If a Regional Fund has been established in the

geographic area in which your Location is located when you begin operation, you must immediately become a member. If a Regional Fund is established during the term of your Franchise Agreement, you must become a member within thirty days after Regional Fund begins operation. You will not be required to become a member of more than one Regional Fund.

Regional Funds will be administered as follows:

1. Each Regional Fund will be organized and governed in a form and manner, and will begin operating on a date, that we approve. The activities carried on by each Regional Fund will be decided by a majority vote of its members (unless we specify otherwise in writing). Any PSM Locations that we operate in the region will have the same voting rights as PSM Locations owned by franchisees. The owner of each PSM Location is entitled to cast one vote for each PSM Location owned.

2. Each Regional Fund will be organized for the sole purpose of administering regional marketing programs and developing, subject to our approval, standardized promotional materials for use by the members in local store marketing.

3. No advertising, marketing, or promotional plans or materials may be used by a Regional Fund or given to its members without our prior written approval.

4. We will require you to contribute a specified amount to the Regional Fund together with other statements and reports that we may require.

5. Although once established, each Regional Fund is intended to be of perpetual duration, we maintain the right to terminate any Regional Fund. A Regional Fund will not be dissolved until all remaining amounts have been spent for marketing and/or promotional purposes.

6. A majority of the PSM Location owners in the Regional Fund who pay 1% or more of each Location's Gross Sales to the Regional Fund may vote to increase the amount of each Location owner's contribution to the Regional Fund by up to an additional 1% of each Location's Gross Sales (to a total of 2%). Voting will be on the basis of one vote per Location, and any Locations we operate in the region, if any, will have the same voting rights as those owned by our franchisees. You must contribute to the Regional Fund according to any voted changes.

Local Advertising and Promotion

If we allocate a portion of the Marketing Contribution to be spent by you on local advertising and promotion ("**Local Advertising and Promotion**"), you must spend a minimum of such amount on Local Advertising and Promotion. We may recommend, but do not require, that you spend additional amounts on Local Advertising and Promotion. You must provide us with such materials as we may request to evidence any required Local Advertising and Promotion expenditures.

Certain criteria will apply to any Local Advertising and Promotion that you conduct. All of your Local Advertising and Promotion must be dignified, must conform to our standards and requirements, and must be conducted in the media, type, and format that we approve. You may not use any advertising or promotional plans that we have not approved in writing. You must submit to us samples of all proposed plans and materials that we have not previously approved. We will ordinarily provide you with our response (whether approval or disapproval) to the

proposed plans or materials within 14 days; but if we do not give our approval within 14 days, the plans or materials are deemed disapproved. We have the right to require that you use a designated marketing supplier to conduct Local Advertising and Promotion for the portion of the Marketing Contribution that is allocated to, and that you are required to spend on, Local Advertising and Promotion.

All copyrights in and to advertising and promotional materials you develop (or that are developed for you) will become our sole property. You must sign the documents (and, if necessary, require your independent contractors to sign the documents) that we deem reasonably necessary to implement this provision.

In addition to and not instead of your other marketing contributions to the Brand Fund or Regional Fund, you must spend at least \$8,000 on local marketing conducted in conjunction with the Location's initial grand opening (the "**Market Introduction Program**"), according to a marketing plan that you will prepare and that will be subject to our approval. As part of the Market Introduction Program, you will be required to spend at least \$4,000 on social media marketing, and we have the right to designate a third party marketing agency to implement and conduct such social media marketing. You must complete the Market Introduction Program within three months after the Location first opens for business. The Market Introduction Program is considered Local Advertising and Promotion and is therefore subject to the restrictions described below.

We will periodically make available to you, for purchase, certain advertising plans and promotional materials for your use in Local Advertising and Promotion.

As used in this disclosure document, the term "**Local Advertising and Promotion**" refers to only the direct costs of purchasing and producing advertising materials (such as camera-ready advertising and point of sale materials), media (space or time), promotion, and your direct out-of-pocket expenses related to costs of advertising and sales promotion in your local market or area. Local advertising and promotion also includes associated advertising agency fees and expenses, postage, shipping, telephone, and photocopying costs. Local Advertising and Promotion does not, however, include any of the following:

- (a) Salaries and expenses of your employees, including salaries or expenses for attendance at marketing meetings or activities, or incentives provided or offered to such employees, including discount coupons;
- (b) Charitable, political, or other contributions or donations;
- (c) The value of discounts given to consumers; and
- (d) The cost of food, beverage and merchandise items.

Online Sites

Online Sites (as defined below) are considered as "advertising" under the Franchise Agreement, and are subject (among other things) to our review and prior approval before they may be used (as described above). As used in the Franchise Agreement, the term "**Online Site**" means one or more related documents, designs, pages, or other communications that can be accessed through electronic means, including, for example, the Internet, World Wide Web, webpages, microsites, social networking sites (e.g., Facebook, Twitter, LinkedIn, You Tube, Snapchat, Google Plus, Pinterest, Instagram, etc.), blogs, vlogs, applications to be installed on

mobile devices (e.g., iOS or Android apps), and other applications, etc., and that refers to the Location, Proprietary Marks, us, or the System. In connection with any Online Site, the Franchise Agreement provides that you may not establish an Online Site, nor may you offer, promote, or sell any products or services, or make any use of the Proprietary Marks, through the Internet without our prior written approval. As a condition to granting consent, we can implement requirements, including for example a requirement that your only presence on the Internet will be through one or more webpages that we establish on our website.

Computer Systems

At this time, we require our franchisees to lease an approved computer hardware and software point of sale (POS) system. The POS and computer system will be required to use our approved interface (high speed telecommunication connection) to communicate electronically with our own system. The cost of leasing computer hardware and software for the Location will vary for each Location depending upon the Location's size, style and format, but we currently estimate the cost of leasing the required POS system and computer hardware and software to be approximately \$100 per month for 36 months.

Some of the hardware and software that you will use is the proprietary property of third parties. We have not approved any hardware or software in place of these systems and programs, although we reserve the right to do so in the future. We have the right to specify the brands, types, makes, and models of your computer system. You will have to abide by our requirements concerning the computer system, including: (a) back office and point of sale systems, data, audio, video (including managed video security surveillance), telephone, voice messaging, retrieval, and transmission systems; (b) POS systems; (c) physical, electronic, and other security systems and measures; (d) printers and other peripheral devices; (e) archival back-up systems; (f) internet access mode (e.g., form of telecommunications connection) and speed; and (g) front-of-the-house WiFi and other internet service for customers and designated music subscription services (which we may designate and you must use).

We reserve the right to have independent access to your computer for the purpose of downloading sales and other data. There is no contractual limitation on our right to receive this information. All data that you provide, that we download from your system, and that we otherwise collect from you is owned exclusively by us, and we will have the right to use that data in any way that we deem appropriate without compensating you.

We reserve the right to require you to bring any computer hardware and software, related peripheral equipment, communications systems, as well as the cash register system, into conformity with our then-current standards for new Locations. Except as described above regarding the acquisition and maintenance of the POS system for the Location, we have no obligation to assist you in obtaining hardware, software or related services and there are no contractual limits on the frequency or cost of your obligations to obtain these upgrades. The cost you will incur to maintain, update and upgrade the cash registers and computer system will depend on the type of equipment that you select, but we estimate these costs to be about \$250 per year.

Manual

The table of contents from our Manual is appended to this disclosure document as Exhibit H. There are 184 pages in the Manual.

Site Selection

When you enter into the Franchise Agreement, if you do not have an Approved Site for the Franchised Business, you must sign the “**Site Selection Addendum**” attached to the Franchise Agreement as Exhibit H. You may have obtained an Approved Site and a lease for the Approved Site before entering into the Franchise Agreement; if not, then you must enter into the Site Selection Addendum. Under the terms of the Site Selection Addendum, you will have 120 days within which to lease, sublease or acquire a site for the Franchised Business, subject to our approval according to our site selection guidelines. You must submit to us at least one location for approval within the first 60 days of the Site Selection Addendum.

Under the Site Selection Addendum, we will grant you an area within which you may search for an Approved Site (the “**Site Selection Area**”). The Site Selection Area is granted only for the purpose of selecting an Approved Site for the Franchised Business. We will not establish, nor franchise another to establish, a PSM Location operating under the System within the Site Selection Area until we approve of an Approved Site for the Franchised Business, or until the search period in the Site Selection Addendum expires, whichever happens first. We will also furnish site selection guidelines to you, including our minimum standards for a location for the Franchised Business, and such site selection counseling and assistance as we may deem advisable.

You must submit to us, in the form we specify, a copy of the site plan and such other materials or information that we may require, together with an option contract, letter of intent, or other evidence satisfactory to us which confirms your favorable prospects for obtaining the site. We will have 45 days following receipt of this information and materials from you to approve or disapprove the proposed site for the Approved Site of the Franchised Business. If we do not approve a proposed site by written notice to you within this 45-day period, the site will be deemed disapproved.

If the site is for your first or second PSM Location with us, then we will provide you with one site visit, at the location noted in your site plan, at our expense. If you request additional site visits from us, or if the Franchised Business is to be your third or additional PSM Location, then we will provide such additional site visits at your expense, and you must pay all costs and expenses our representatives incur (including travel, lodging, meals and wages) in connection with conducting such site visits. We will not provide on-site evaluation for any proposed site before we have received from you a completed site approval form for the site as noted above.

When considering a site for a PSM Location Business, we consider factors such as general location and neighborhood; demographics; size and ease of access to the proposed site; location of the site in relation to other businesses; availability of utilities; the proposed lease or sublease; ingress and egress; utilities; and zoning issues. We will make our site-selection criteria available to you upon request. We do not typically own the premises for franchised PSM Locations and lease those out to franchisees.

If you fail to acquire or lease a site for the Franchised Business under the Site Selection Addendum within the time required, that will constitute a default under the Franchise Agreement and we will have the right to terminate the Franchise Agreement. But, if we elect to terminate the Franchise Agreement for this reason, we will refund to you 50% of the Initial Franchise Fee that you have paid to us.

Once authorized, the site for the Franchised Business will be the “Approved Site.” Within 30 days of our approval of the Approved Site, you must execute a lease which must be coterminous with the Franchise Agreement, or a binding agreement to purchase the site. Our approval of any lease is conditioned upon inclusion in the lease of the “Lease Rider,” attached to the Franchise Agreement as Exhibit F. We are not responsible for review of the lease for any terms other than those contained in the Lease Rider.

Opening the Franchised Business

We estimate that the time period between beginning to find a site for the Approved Site and the start of operations at the Franchised Business will be approximately four to six months. Factors which may affect this time period include your ability to locate a site, negotiate a lease, secure financing, obtain necessary permits and licenses, construct or build-out facilities for the Franchised Business, weather conditions, construction delays, and obtain furniture, fixtures, equipment and supplies. You must open the Location not later than 240 days after the date you sign the Franchise Agreement; and if you do not do so, we will have the right to terminate the Franchise Agreement immediately upon notice to you.

If you have signed an Area Development Agreement, we estimate that the time from execution of the Area Development Agreement to the opening of the first PSM Location under the Development Schedule (and under a separate Franchise Agreement) will be approximately four to six months. We will approve sites for additional PSM Locations under an Area Development Agreement using the then-current site criteria we use at the time(s) requested.

Training

Before you open your Location, if the Location is the first or second PSM Location you are opening, you (or, if you are an entity, your controlling principal who is also designated to serve as your general manager (the “**Operating Partner**”)) must attend and successfully complete, to our satisfaction, the basic training program we offer. You may send up to three individuals to our initial training program; and if you wish to send any additional individuals, you will be required to pay a fee for each such additional individual attending training. Failure by you or your Operating Partner to complete the initial training program constitutes grounds for termination, but if we terminate the Franchise Agreement for that reason, we will refund to you 50% of the Initial Franchise Fee that you pay to us, less our costs and expenses we incur in connection with providing initial services to you.

As part of the initial training program, we will train you or the Operating Partner to be certified to train other employees of the Licensed Location on their duties. You or the Operating Partner who has successfully completed the initial training program must at all times manage the operation of the Licensed Location. If the Operating Partner stops being actively employed at the Location, you must enroll a qualified replacement in our training program and the replacement must attend and complete the training program as soon as possible, but in no event more than thirty days after the previous Operating Partner ceased employment. We will conduct our initial training program as follows:

TRAINING PROGRAM

Subject	Number of Hours of Classroom Training	Number of Hours of On-the-Job Training*	Location
Software & Systems	2	36	One of our company-owned Locations, or at our corporate headquarters in Plano, Texas, or by remote conference or independent study
Guest Relations	2	20	"
Facility Maintenance	0	8	"
Operational Procedures	0	24	"
General Operations	2	24	"
Financials & Performance	4	8	"
General Administration	2	2	"
Sales & Marketing	4	6	"
Total	16	134	

* "On the job training" will consist of training both at a physical PSM Location as well as time spent on independent study or review outside of that Location.

We conduct our training program as often as necessary to accommodate our new franchisees. Our initial training program will be supervised by Courtney Muccio, our CEO, who has eight years of experience with us and our affiliates, and eight years of experience with the subjects taught in the initial training program.

Initial training may include web-based training that you can complete at home, three weeks of classroom and on-the-job training at our headquarters or another location we choose, and up to three days of support at the location of your Location, and instructional materials will include the Manual and other written materials and demonstrations. You and your Operating Partner must also attend additional refresher courses, seminars, and training programs that we periodically and reasonably may require. For all required initial and additional training courses for your first two PSM Locations only, we will provide, at no charge to you, instructors and training materials. You and the individuals who attend the initial training program will be responsible for all other expenses which you incur within the courses, including the cost of transportation, lodging, meals, and wages.

ITEM 12 **TERRITORY**

Franchise Agreement

Under the Franchise Agreement, you are authorized to operate a PSM Location from a specified location, which we must approve. During the term of the Franchise Agreement, we will not establish, nor license any other person to establish, another Location within the “Protected Territory.” The size of each Protected Territory will vary based on the location of the Franchised Business and the population density and demographics, but a Protected Territory will typically be an area with a minimum population of 10,000 children aged 0-9 (as determined by the most recent U.S. Census data).

We reserve all other rights, as noted below. As a result, you will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. You will not receive the right to acquire additional franchises in your area.

You may not operate your Location, provide services, sell products, deliver products, or otherwise conduct business at any location other than the Approved Site (except to the extent otherwise provided above with respect to Major Events (defined below)). This means that you may not conduct business from a vehicle or other mobile format, at remote locations such as a school, church and other houses of worship, private homes, etc.

You may not relocate the Location without our prior written consent. Any proposed relocation will be subject to our review of the new site under our then-current standards for site selection, except that we will also have the right to take into consideration any commitments we have given to other franchisees, licensees, landlords, and other parties relating to the proximity of a new Location to their establishment. In addition, and instead of a new franchise fee, you must reimburse us \$5,000 (or such greater amount as is necessary to reimburse us for our out-of-pocket costs incurred in connection with reviewing, approving, and documenting your proposed relocation, any related lease matters, and any necessary amendments to the Franchise Agreement, including our attorneys’ fees).

You will not have any options, rights of first refusal, or similar rights to acquire additional franchises or other rights under the Franchise Agreement. Continuation of your rights regarding the Protected Territory are not contingent upon your having met any particular sales volume, market penetration, or any other contingency, and we don't have any right to alter the Protected Territory provided under your Franchise Agreement. We or our affiliates do not operate or plan to operate or franchise businesses under a different trademark that will sell goods or services that are the same as or similar to those you will sell.

Area Development Agreement

If you are an Area Developer and you comply with your obligations under the Area Development Agreement, we will not establish or license anyone other than you to establish a PSM Location under the System in your Development Area, until the end of the period of time specified in the Development Schedule to your Area Development Agreement, except that we will reserve all of the rights described below. As a result, you will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other

channels of distribution or competitive brands that we control. You will not receive the right to acquire additional franchises in your area.

Except for the requirement that you be in compliance with your obligations under the Area Development Agreement (including for example the development schedule), continuation of your rights under the Area Development Agreement, as described above, is not subject to achieving any particular sales volume, market penetration, quota, or other benchmark. We may not modify your territorial rights. We will approve sites for PSM Locations under an Area Development Agreement using the then-current site criteria we use at the time(s) requested.

Our Reservation of Rights -- Area Development and Franchise Agreements

We retain all rights not specifically granted to you. These include, for example, the right to: (1) use, and to license others to use, the System and the Proprietary Marks for the operation of PSM Locations at any location outside the Protected Territory/Development Area; (2) sell, and to license others to sell, products and services that are also authorized for sale at PSM Locations through other channels of distribution (including digital sales (for example, via mobile apps), physical catalogs, mail order, telephone ordering, and other forms of electronic commerce now in use or later developed), at no compensation to you (but not from a PSM Location located in the Protected Territory/Development Area); (3) acquire and operate businesses of any kind and to grant or franchise the right to others to operate other businesses of any kind, no matter where located (but we will not change these to PSM Locations located in the Protected Territory/Development Area); and/or (4) use and license the use of the Proprietary Marks and other marks in connection with the operation of businesses, including mobile businesses using the Proprietary Marks, that may offer services that are the same as, similar to, or different from those offered at your Location (but not from a PSM Location located in the Protected Territory/Development Area).

In addition to the rights that we retain as noted above, we and our affiliates and designees retain the exclusive right to operate a PSM Location on a temporary basis at major events (including carnivals, fairs, conventions, professional championship games, and concerts) (“**Major Events**”), whether located within or outside of the Protected Territory/Development Area. If we determine that certain kinds of Major Events scheduled to take place within the Protected Territory/Development Area provide sufficient opportunity for sales, then we will discuss the opportunity with you and, if we agree on the details and arrangements (and subject to the requirements of the host of the Major Event), we will give you the first right to operate on a temporary basis at such Major Event. If you do not exercise your right to operate at a Major Event, on the terms such offer is extended to you (including signing such documents and doing such things as we may deem necessary in connection with operating at the Major Event), then we, our affiliates, and/or our designee may operate at the Major Event with no compensation to you even though it may take place within the Development Area.

E-Commerce and Delivery

PSM Locations are primarily in-person businesses, and we have the right to approve or disapprove any activity(ies) proposed to take place outside the Location, including, without limitation, e-commerce (which includes the sale of Products or services through an Online Site) and delivery. We will consider various factors in determining whether to permit you to provide e-commerce and/or delivery services from your Location, including, without limitation, the period of time you have been operating your Location, whether you have met certain quality standards and other benchmarks, and other standards that we may determine. In addition:

- You may not engage in e-commerce and/or delivery services, whether inside or outside of the Protected Territory, unless you have obtained our prior written consent to do so.
- Any e-commerce or delivery activities that you undertake must be conducted in accordance with the terms and conditions of the Franchise Agreement and the procedures that we specify in the Manual or otherwise in writing.
- All Products and services offered or sold in connection with e-commerce or delivery activities must conform to the terms of the Franchise Agreement.
- We may require that you execute delivery through Location staff and/or through approved third-party delivery vendors. We will have the right at all times to approve or disapprove of any such delivery services, including the arrangements that you propose to make with any third-party delivery vendor.
- All e-commerce and delivery sales will be considered as part of the Gross Sales of your Location.

* * *

In addition to the “Play Street Museum” marks, we may at some time operate (or are affiliated with other companies that operate) businesses under other brand names and also that we may acquire other brands (or be acquired by a company that operates under other brand names) (collectively, “**Other Brands**”). You understand and agree that neither the Franchise Agreement nor the Area Development Agreement grant you any rights with respect to such Other Brands.

ITEM 13 **TRADEMARKS**

The Franchise Agreement allows you to use our Proprietary Marks with the Franchised Business. The Proprietary Marks include the following trademarks registered with the U.S. Patent and Trademark Office (the “**USPTO**”) on its Principal Register:

Mark	Registration No.	Registration Date
PLAY STREET MUSEUM	4,869,574	December 15, 2015
PLAY STREET MUSEUM	5,180,702	April 11, 2017

As noted in Item 1, our affiliate, Holdings, is the owner of the Proprietary Marks. Holdings has timely filed an affidavit of use and an affidavit of incontestability, and a renewal application, when due, for the above registration.

We entered into a license agreement with Holdings on November 7, 2016 that licenses to us the use of the Proprietary Marks (the “**Trademark License Agreement**”). Under the Trademark License Agreement, Holdings granted us a non-exclusive right to use, and to license

others to use, the Proprietary Marks in the United States for the purpose of operating and franchising PSM Locations. The initial term of the Trademark License Agreement is 40 years, with one 40-year renewal term. If the Trademark License Agreement is terminated, Holdings has agreed to allow you to continue to use the Proprietary Marks under the same terms and conditions as in your Franchise Agreement.

There are no currently effective determinations of the USPTO, the Trademark Trial and Appeal Board, the Trademark Administrator of this state or any court. There is no pending infringement, opposition, or cancellation proceeding. There is no pending material litigation involving the trademarks which may be relevant to their use in this state or in any other state.

We do not know of any infringing uses that could materially affect your use of the Proprietary Marks in this state or elsewhere.

We reserve the right to substitute different Proprietary Marks for use in identifying the System and the businesses operating as part of the System if our currently owned Proprietary Marks no longer can be used, or if we determine, exercising our right to do so, that substitution of different Proprietary Marks will be beneficial to the System. In such cases, you must implement and use such different Proprietary Marks at your cost and in the manner we require.

You must promptly notify us of any unauthorized use of the Proprietary Marks, any challenge to the validity of the Proprietary Marks, or any challenge to our ownership of, right to use and to license others to use, or your right to use, the Proprietary Marks. We have the right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement. We have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks. We will defend you against any third-party claim, suit, or demand arising out of your use of the Proprietary Marks. If we determine that you have used the Proprietary Marks according to the Franchise Agreement, we will bear the cost of defense, including the cost of any judgment or settlement. If we determine that you have not used the Proprietary Marks according to the Franchise Agreement, you must bear the cost of defense, including the cost of any judgment or settlement. If there is any litigation due to your use of the Proprietary Marks, you must execute all documents and do all things as may be necessary to carry out a defense or prosecution, including becoming a nominal party to any legal action. Unless litigation results from your use of the Proprietary Marks in a manner inconsistent with the terms of the Franchise Agreement, we will reimburse you for your out-of-pocket costs, except that you will bear the salary costs of your employees.

There are no agreements currently in effect which limit our rights to use or license the use of any Proprietary Mark. We reserve the right to substitute different proprietary marks for use in identifying the System and the businesses operating under it if we, in our sole discretion, determine that substitution of different marks as Proprietary Marks will be beneficial to the System. You must promptly implement any substitution of new Proprietary Marks.

ITEM 14
PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

Patents and Copyrights

There are no patents or patent applications that are material to the franchise.

We will provide you with copyrighted prototype architectural plans for construction of a PSM Location. We may designate, and if we do so you must use, a third party architect we select to design the Location according to our standards and specifications. If we do not designate an architect, you must employ a licensed architect or engineer who is acceptable to us to prepare plans and specifications for constructing the Location based on our prototype plans and subject to our approval. You will be entitled to use the copyrighted architectural plans only to construct a single PSM Location at the Approved Location.

There are no currently effective determinations of the USPTO, Copyright Office, or any court regarding design patent or copyright. There are no currently effective agreements pursuant to which we derive our rights in the design patent or copyright which could limit your use of them. We are not obligated under the Franchise Agreement to protect any of the rights that you have to use any design patent or copyright, and we do not have any other obligation under the Franchise Agreement regarding the design patents and copyrights. We are not aware of any infringements that could materially affect your use of any design patent or copyright in any state.

Confidential Operating Manual

We will lend you a copy of the Manual for the term of the Franchise Agreement (see table of contents at Exhibit H). You must treat the Manual, any other manuals created for or approved for use in the operation of the Franchised Business, and the information contained in them, as confidential, and must use reasonable efforts to maintain this information as secret and confidential. You must not reproduce these materials or otherwise make them available to any unauthorized person. The Manual will remain our sole property. You must keep any physical copies of the Manual in a secure place.

We may revise the contents of the Manual, and you must comply with each new or changed standard. You must ensure that the Manual is kept current at all times. If there is a dispute as to the contents of the Manual, the terms of the master copy which we maintain at our headquarters will control.

Confidential Information

You must not, during or after the term of the Franchise Agreement, divulge or use for the benefit of anyone else any confidential information concerning the System and the methods of operation of the Franchised Business. You may divulge confidential information only to those employees who must have access to it in order to operate the Franchised Business. Any and all information, knowledge, and other data which we designate as confidential will be deemed confidential for purposes of the Franchise Agreement.

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

The Franchise Agreement does not require you to participate personally in the direct operation of the Location, although we encourage and recommend active participation by you. We do, however, require that you or your Operating Partner devote full time, energy, and best efforts to the management of the Location. If you are a corporation, partnership, or other entity, we require all of your owners to sign a personal guarantee (in the form attached to the Franchise Agreement as Exhibit B) of the performance of your obligations under the Franchise Agreement.

If you are a corporation or a partnership, an Operating Partner must supervise the operation of the Location and must be approved by us. Our approval will be based on whether the proposed Operating Partner has a good business reputation in the industry and whether they can successfully complete our training program. An Operating Partner must be able to speak the English language and attend and complete our training course. All persons that subsequently serve in the position of Operating Partner must be approved by us and must attend and successfully complete our training program which is described in Item 11 of this disclosure document. The Operating Partner is not required to have an equity ownership interest in you.

We require your principals (including the Operating Partner), supervisors and other managers to sign a non-disclosure and non-competition agreement, the form of which is attached to the Franchise Agreement as Exhibit F. We do not impose any other restrictions on your managers.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may use the Location premises only to operate the Franchised Business. You must keep the Location open and in normal operation for the minimum hours and days we specify in the Manual or otherwise in writing. You must not use the premises for any other purpose or activity without first obtaining our written consent. You must operate the Location in strict conformity with the specifications contained in the Manual or otherwise in writing. You must not deviate from our specifications, menus, or procedures without first obtaining our written consent (see Item 8 for additional details).

You must sell only those items, products, and services that we have expressly approved in writing and which meet our current standards as established in the Manual or otherwise in writing. You must not sell any other kind of service or product without first obtaining our written consent. You must discontinue selling or offering for sale any items, services or products which we, in our sole discretion, disapprove in writing at any time (see Item 8 for additional details). You must sell all items, products, or services which we direct.

You will have sole discretion as to the prices to be charged to customers, except that we may determine the maximum and minimum retail prices. If we have set a maximum price on a particular product or service, you may charge any price for that product or service up to and including the maximum price. If we have set a minimum price for a particular product or service, then (subject to applicable law) you may charge any price for that product or service that is equal to or above the minimum price we have set.

You must comply with all reasonable requirements if we supplement, improve, or modify the System, including offering and selling new or different services and products that we specify. We have the right to change the types of authorized goods and services, and there are no limits on our right to make changes.

ITEM 17
RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

These tables list important provisions of the Franchise Agreement and Area Development Agreement. You should read these provisions in the agreements attached to this Disclosure Document.

Franchise Agreement		
Provision	Section in Franchise Agreement	Summary
a. Term of the franchise	§ 2 of Franchise Agreement	Ten years in Franchise Agreement
b. Renewal or extension of the term	§ 2	One additional term of ten years.
c. Requirements for you to renew or extend	§ 2	<p>Notice, improvements to Franchised Business, satisfaction of monetary obligations throughout term of the Franchise Agreement, compliance with Franchise Agreement, release, execute new Franchise Agreement, pay a renewal fee (see Item 6 for details), training, and others.</p> <p>If you seek to renew your franchise at the expiration of the initial term, you will be asked to sign a new franchise agreement that may contain terms and conditions materially different from those in your previous franchise agreement, such as different fee requirements.</p>
d. Termination by you	Not Applicable	
e. Termination by us without cause	Not Applicable	
f. Termination by us with cause	§ 17	Default under the Franchise Agreement, bankruptcy, abandonment, and other grounds; see § 17 of the Franchise Agreement. (Under the U.S. Bankruptcy Code, we may be unable to terminate the agreement merely because you make a bankruptcy filing.)

Franchise Agreement		
Provision	Section in Franchise Agreement	Summary
g. "Cause" defined - defaults which can be cured	§ 17	All other defaults not specified in §§ 17.1 and 17.2 of the Franchise Agreement
h. "Cause" defined - defaults which cannot be cured	§ 17	Bankruptcy, abandonment, conviction of felony, and others; see § 17.2 of the Franchise Agreement. (Under the U.S. Bankruptcy Code, we may be unable to terminate the agreement merely because you make a bankruptcy filing.)
i. Your obligations on termination/nonrenewal	§ 18	Stop operating the Location, pay amounts due, pay lost future royalties, and others; see §§ 18.1 - 18.11 of the Franchise Agreement.
j. Assignment of contract by us	§ 16	There are no limits on our right to assign the Franchise Agreement.
k. "Transfer" by you - definition	§ 16 of Franchise Agreement	Includes transfer of any interest in the Franchised Business.
l. Our approval of transfer by you	§ 16	We have the right to approve transfers.
m. Conditions for our approval of transfer	§ 16	Your compliance with the existing franchise agreement, a release, the buyer's signature of a new Franchise Agreement, the payment of transfer fee, and others; see §§ 16.5.1 - 16.5.10 of the Franchise Agreement.
n. Our right of first refusal to acquire your business	§ 16	We can match any offer, or the cash equivalent.
o. Our option to purchase your business	§ 17	We can acquire your lease or sublease for the premises, and purchase your equipment, material, and inventory at cost or fair market value after termination or expiration.
p. Your death or disability	§ 16	Interest in Franchised Business must be transferred to a third-party we have approved within six months.
q. Non-competition covenants during the term of the franchise	§ 19	Includes prohibition on engaging in any business which: (a) is a play or party facility focused on children's education and entertainment activities, events or classes; or (b) manufactures, distributes, offers, or sells any products, services, exhibits, play structures or other items that are the same as or similar to those used, offered or sold in connection with a PSM Location.

Franchise Agreement		
Provision	Section in Franchise Agreement	Summary
r. Non-competition covenants after the franchise is terminated or expires	§ 19	Includes a two-year prohibition similar to "q" above within a 10-mile radius of the Location and any other PSM Location under the System.
s. Modification of the agreement	§ 25	Must be in writing executed by both parties.
t. Integration/merger clause	§ 25 of Franchise Agreement	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law.) Any representations or promises outside of the disclosure document and Franchise Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	§ 27	Before bringing an action in court, the parties must first submit the dispute to non-binding mediation (except for injunctive relief) at the JAMS location nearest our headquarters (subject to applicable state law).
v. Choice of forum	§ 27	We may, and you must, sue only in the state and judicial district in which we have our principal place of business (subject to applicable state law).
w. Choice of law	§ 27	Texas law will apply (subject to applicable state law).

Area Development Agreement		
Provision	Section in Area Development Agreement	Summary
a. Term of the franchise	§ 2	The term of the Development Schedule will be discussed and agreed upon by the parties before entering into the Area Development Agreement
b. Renewal or extension of the term	Not Applicable	
c. Requirements for you to renew or extend	Not Applicable	
d. Termination by you	Not Applicable	You may terminate under any grounds permitted by law.
e. Termination by us without cause	Not Applicable	

Area Development Agreement		
Provision	Section in Area Development Agreement	Summary
f. Termination by us with cause	§§ 11 and 13	Failure to meet the Development Schedule, default or termination under the Franchise Agreement, bankruptcy, abandonment, and other grounds; see § 17 of the Franchise Agreement. (Under the U.S. Bankruptcy Code, we may be unable to terminate the agreement merely because you make a bankruptcy filing.) Termination of the Area Development Agreement does not constitute a default under any of your Franchise Agreements.
g. "Cause" defined - defaults which can be cured	§ 11	All other defaults not specified in § 13 of the Area Development Agreement and §§ 17.1 and 17.2 of the Franchise Agreement
h. "Cause" defined - defaults which cannot be cured	§ 11	Bankruptcy, abandonment, conviction of felony, termination of a Franchise Agreement, and others; see § 13 of the Area Development Agreement and § 17.2 of the Franchise Agreement. (Under the U.S. Bankruptcy Code, we may be unable to terminate the agreement merely because you make a bankruptcy filing.)
i. Your obligations on termination/nonrenewal	§ 11	Stop developing Locations, pay amounts due, pay lost future royalties, and others; see §§ 18.1 - 18.11 of the Franchise Agreement.
j. Assignment of contract by us	§§ 11 and 12	There are no limits on our right to assign the Franchise Agreement.
k. "Transfer" by you - definition	§ 11	Includes transfer of any interest in you or the Area Development Agreement.
l. Our approval of transfer by you	§ 11	We have the right to approve transfers.
m. Conditions for our approval of transfer	§§ 11 and 12	Your compliance with the agreement, a release, the buyer's signature of a new Franchise Agreement, the payment of transfer fee, and others; see §§ 16.5.1 - 16.5.10 of the Franchise Agreement. We may also withhold our consent to a transfer of some, but not all, of the Franchise Agreements separate from one another, and in any case, separate from the rights set forth under the Area Development Agreement
n. Our right of first refusal to acquire your business	§ 11	We can match any offer, or the cash equivalent.

Area Development Agreement		
Provision	Section in Area Development Agreement	Summary
o. Our option to purchase your business	§ 11	We can acquire your lease or sublease for the premises, and purchase your equipment, material, and inventory at cost or fair market value after termination or expiration.
p. Your death or disability	§ 11	Interest in Area Development Agreement must be transferred to a third-party we have approved within six months.
q. Non-competition covenants during the term of the franchise	§ 11	Includes prohibition on engaging in any business which: (a) is a play or party facility focused on children's education and entertainment activities, events or classes; or (b) manufactures, distributes, offers, or sells any products, services, exhibits, play structures or other items that are the same as or similar to those used, offered or sold in connection with a PSM Location.
r. Non-competition covenants after the franchise is terminated or expires	§ 11	Includes a two-year prohibition similar to "q" above within a 10-mile radius of your Locations and any other PSM Location under the System.
s. Modification of the agreement	§ 14	Must be in writing executed by both parties.
t. Integration/merger clause	§ 14	Only the terms of the Area Development Agreement and other related written agreements are binding (subject to applicable state law.) Any representations or promises outside of the disclosure document and Area Development Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	§ 11	Before bringing an action in court, the parties must first submit the dispute to non-binding mediation (except for injunctive relief) at the JAMS location nearest our headquarters (subject to applicable state law).
v. Choice of forum	§ 11	We may, and you must, sue only in the state and judicial district in which we have our principal place of business (subject to applicable state law).
w. Choice of law	§ 11	Texas law will apply (subject to applicable state law).

ITEM 18
PUBLIC FIGURES

We do not use any public figures to promote our Play Street Museum franchise.

ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to disclose 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 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 performance at a particular location or under particular circumstances.

Some franchisees have earned this amount. Your individual results may differ. There is no assurance you will earn as much.

Presented below are historical financial operating results for 12 franchised PSM Locations that operated for the entire 52-week period from June 27, 2022 to June 26, 2023. Also included below are certain categories of Gross Sales for the 12 franchised PSM Locations, and annual gross sales increases for those locations, that were open for the same 52-week period from 2022 to 2023. Please read carefully all of the information in this Item 19 (including the table below as well as the notes that follow this table) for explanation of how these results are determined.

	Table 1 - Annual Gross Sales		
	12 franchised PSM Locations that were open for the entire 52 week period between June 27, 2022 and June 26, 2023		
	ANNUAL REVENUE OF TOP 50% OF LOCATIONS	ANNUAL REVENUE OF ALL LOCATIONS	ANNUAL REVENUE OF BOTTOM 50% OF LOCATIONS
Average	\$440,740	\$374,759	\$308,778
Median	\$444,789	\$382,803	\$315,641
High	\$476,933	\$476,933	\$359,867
Low	\$245,500	\$245,500	\$245,500
# that met or exceeded the average	4	6	4

Table 2 - Gross Sales by Category	
12 PSM Locations During FY 2023 (52 week period from June 27, 2022 to June 26, 2023)	
CATEGORY OF GROSS SALES	PSM LOCATION AVERAGE
Admission & Special Events	48%
Birthday Parties	42%
Retail & Other	10%

Table 3 - Annual Gross Sales Increases			
12 franchised PSM Locations that were open for the entire 52 week period between June 27, 2022 and June 26, 2023			
	PERCENTAGE INCREASE IN ANNUAL YEAR OVER YEAR REVENUE OF TOP 50% OF LOCATIONS	PERCENTAGE INCREASE IN ANNUAL YEAR OVER YEAR REVENUE OF ALL LOCATIONS	PERCENTAGE INCREASE IN ANNUAL YEAR OVER YEAR REVENUE OF BOTTOM 50% OF LOCATIONS
Average	+21%	+22%	+23%
Median	+22%	+18%	+17%
High	+41%	+52%	+52%
Low	-1%	-1%	+7%
# that met or exceeded the average	3	5	2

Notes:

1. The information in Table 1 and Table 2 reflect information from 12 franchised PSM Locations open for the entire 52-week period from June 27, 2022 to June 26, 2023. Two franchised PSM Locations were open for only part of this 52-week period, and are excluded from the results in the tables above but are discussed in Note 5 below.
2. Gross Sales at each PSM Location, including at your Franchised Business, will depend upon the prices charged for admission, parties and other services and products. As defined in Item 6 above, "Gross Sales" means all revenue from the sale of services and products and all other income related to the business, except sales taxes.
3. The information in Table 2 above represents the average percentage of Gross Sales at the PSM Locations earned by the category from which those Gross Sales are obtained during the 52-week period from June 27, 2022 to June 26, 2023. The categories of Gross Sales noted in Table 2 are as follows:
 - a. "Admission & Special Events" refers to Gross Sales received at the PSM Locations due to the admission customers pay to enter the Locations as well as

due to reservation required events such as our classes, events and PSM sponsored parties.

- b. "Birthday Parties" refers to Gross Sales received at the PSM Locations due to scheduled birthday parties at the location and include services not included in the other categories.
 - c. "Retail & Other" refers to Gross Sales received at the PSM Locations for the purchase of retail items, such as toys and other merchandise, and certain food items, such as snacks and drinks, as well as pottery and slime activities sold that were not part of a themed event or private party.
4. The information in Table 3 reflects percentage increases in annual Gross Sales for the 12 franchised PSM Locations open for the entire 52-week period from June 27, 2022 to June 26, 2023 as compared to the entire 52-week period from June 26, 2021 to June 27, 2022.
 5. Two locations were opened during our last fiscal year that were not open for the entire period but were open for at least a single fiscal quarter. The first of these Locations opened July 16, 2022 and was open for three full fiscal quarters (fiscal Q2, Q3, and Q4) during our prior fiscal year, and during this 39 week period this Location generated \$252,680 in Gross Sales (or \$28,075 per month), The second location opened April 1, 2023 and was open for our full Q4 fiscal quarter, and during this 13 week period this Location generated \$159,317 in Gross Sales (or \$53,106 per month).
 6. The tables also do not include any information relating to costs or expenses that franchisees or company-owned PSM Locations incurred or may incur. Some of the costs that you will incur in the operation of your Franchised Business include, among others, rent and occupancy costs, mortgage or other debt/financing costs, labor and employment costs, equipment, furniture and décor purchases and maintenance, inventory and supply expenses, royalty fees (5%), marketing contributions (2%), local marketing expenses, computer upgrades, renovations, improvements, and major repair/maintenance expenses, legal and professional fees, income and other non-real estate taxes, and various other expenses. You will incur these and other costs in connection with the operation of your Location, and you and should conduct an independent investigation of the costs and expenses you will or may incur in operating your franchised Location.
 7. Preparation. These tables were prepared from data compiled from information that was sent to us by our franchised PSM Locations, through information that we either access, or that is provided to us, from their computer systems. The results are unaudited.
 8. Substantiation - We will make written substantiation of the data used in preparing the information presented above available to you upon reasonable request.

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting Mr. Mike Muccio at 1900 Preston Road, Suite

267-291, Plano, Texas 75093 (469/440-0650), the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table 1:
Systemwide PSM Location Summary For Years 2021 to 2023 (Note 1)

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2021	14	13	-1
	2022	13	12	-1
	2023	12	13	+1
Company Owned (Note 2)	2021	2	2	0
	2022	2	2	0
	2023	2	2	0
Total Outlets	2021	16	15	-1
	2022	15	14	-1
	2023	14	15	+1

Notes

- (1) All numbers for each year are as of our fiscal year end of June 30.
- (2) As noted in Item 1, our affiliate, Ventures, owns through its subsidiaries and operates our company-owned PSM Locations.

Table 2:
Transfers of PSM Locations from Franchisees to New Owners (other than Franchisor)
For Years 2021-2023

State	Year	Number of Transfers
Texas	2021	0
	2022	2
	2023	0
Total	2021	0
	2022	2
	2023	0

Notes

- (1) All numbers for each year are as of our fiscal year end of June 30.

- (2) States not listed had no activity during the relevant time frame.

**Table 3:
Status of Franchised PSM Location Outlets for Years 2021-2023**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Re-acquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
CO	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
MO	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
OR	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Texas	2021	11	1	0	0	0	3	9
	2022	9	0	0	0	0	1	8
	2023	8	0	0	0	0	0	8
Totals	2021	14	2	0	0	0	3	13
	2022	13	0	0	0	0	1	12
	2023	12	1	0	0	0	0	13

Notes

- (1) All numbers for each year are as of our fiscal year end of June 30.
- (2) States not listed had no activity during the relevant time frame.

**Table 4:
Status of Affiliate Owned PSM Location Outlets for Years 2021-2023**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
Texas	2021	2	0	0	0	0	2
	2022	2	0	0	0	0	2
	2023	2	0	0	0	0	2
Totals	2021	2	0	0	0	0	2
	2022	2	0	0	0	0	2

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
	2023	2	0	0	0	0	2

Notes:

- (1) Our Affiliate-Owned Outlets are identified in Exhibit D.
- (2) All numbers for each year are as of our fiscal year end of June 30.
- (3) States not listed had no activity during the relevant time frame.

Table 5 :
Projected PSM Location Openings as of June 30, 2023, for Fiscal Year 2023-2024

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company – Owned Outlets In the Next Fiscal Year
Arkansas	0	0	1
Georgia	1	0	0
Illinois	1	0	0
Maryland	2	0	0
Missouri	0	0	1
Oregon	1	0	0
Texas	4	3	0
Washington	1	0	0
Total	10	3	2

States not listed had no activity during the relevant period of time.

The names, addresses, and telephone numbers of our franchisees and developers as of June 30, 2023 are listed in Exhibit C to this disclosure document. The name and last known home address and telephone number of every franchisee and developer who has had an agreement terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during our last fiscal year, or who has not communicated with us within ten weeks of the date of this disclosure document, are listed in Exhibit E. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

No franchisees have signed a confidentiality clause in a franchise agreement, settlement or other contract within the last three years that would restrict their ability to speak openly about their experience with us.

As of the date of this franchise disclosure document, there are no Play Street Museum franchisee associations in existence regardless of whether they use our trademark or not.

ITEM 21
FINANCIAL STATEMENTS

Attached as Exhibit I are our audited financial statements for the fiscal years ended June 30, 2023, June 30, 2022 and June 30, 2021. Also attached as Exhibit I are our unaudited financial statements for the period ended September 30, 2023.

Our fiscal year end is June 30.

ITEM 22
CONTRACTS

The following contracts are attached to the disclosure document in the following order:

1. Franchise Agreement (Exhibit A)
2. Our current General Release language (Exhibit M)
3. Franchisee Compliance Certification (Exhibit J)

ITEM 23
RECEIPT

The last two pages of this disclosure document (following the exhibits and attachments) are a document acknowledging receipt of this disclosure document by you. One copy of the document is for you and one (the last page) is to be signed and dated, and provided to us.

EXHIBIT A
FRANCHISE AGREEMENT

play street museum

**PSM Worldwide, LLC
Franchise Agreement**

**PSM Worldwide, LLC
Franchise Agreement**

TABLE OF CONTENTS

Section	Title	Page #
	Recitals	2
1	Grant.....	2
2	Term and Renewal.....	4
3	Our Duties.....	5
4	Royalty Fees; Sales Reporting	7
5	Licensed Location: Construction and Renovation	9
6	Training and Personnel.....	13
7	Product and Supply.....	15
8	Your Duties	17
9	Proprietary Marks.....	21
10	Confidential Operating Manuals.....	24
11	Confidential Information	25
12	Accounting, Financial and Other Records, and Inspections.....	26
13	Marketing	29
14	Technology	33
15	Insurance	38
16	Transfer of Interest.....	40
17	Default and Termination.....	45
18	Obligations upon Termination or Expiration	48
19	Covenants.....	50
20	Taxes, Permits, and Indebtedness.....	52
21	Independent Contractor and Indemnification	53
22	Force Majeure.....	54
23	Approvals and Waivers	54
24	Notices.....	55
25	Entire Agreement and Amendment.....	55
26	Severability and Construction	55
27	Applicable Law and Dispute Resolution.....	56
28	Acknowledgments.....	58

Exhibits

A	Data Addendum	E	ADA Certification
B	Guarantee, Indemnification, and Acknowledgement	F	Lease Rider
C	List of Principals	G	Sample Form of Non-Disclosure and Non-Competition Agreement
D	ACH - Authorization Agreement for Prearranged Payments (Direct Debits)	H	Site Selection Addendum

**PSM Worldwide, LLC
Franchise Agreement**

THIS FRANCHISE AGREEMENT (the “**Agreement**”) is made and entered into as of the date that we have indicated on the signature page of this Agreement (the “**Effective Date**”) by and between:

- PSM Worldwide, LLC, a Texas limited liability company, with its principal place of business at 1900 Preston Road #267-PMB 291, Plano, Texas 75093 (“**we**,” “**us**,” or “**our**”); and
- _____ a [resident of] [corporation organized in] [limited liability company organized in] and having offices at (“**you**” or the “**Franchisee**”).

Introduction

*We own a format and system relating to the establishment and operation of “Play Street Museum” Locations, which are businesses operating under our Proprietary Marks in permanent buildings that bear our interior and/or exterior trade dress (each one of which is referred to as a “**Location**”). Locations are a clean, upscale, and educationally focused children’s museums, targeted primarily to children eight years of age and under, to provide entertainment in a stimulating learning environment of creative and dramatic play. “Play Street Museum” Locations are “edutainment” concepts providing superior quality play and educational experiences to young children and their families in an upscale, thematic, and interactive environment.*

*Among the distinguishing characteristics of a Location are that it operates under our “Play Street Museum” System. Our System includes (among other things): confidential and proprietary information and trade secrets (including curriculum and related plans); distinctive images, designs, business formats, methods, procedures, and specifications; distinctive exterior and interior design, decor, color scheme, and furnishings; uniform standards, specifications, and procedures for operations; quality and uniformity of Products and services offered; procedures for management and inventory control; training and assistance; and advertising and promotional programs (together, the “**System**”).*

*Locations will offer services and certain educational toys and merchandise, as well as certain snack and drink items (“**Products**”). We may introduce private labeled Products (referred to as “**Proprietary Items**”);*

*We identify the System by means of our Proprietary Marks. Our proprietary marks include certain trade names (for example, the mark “PLAY STREET MUSEUM”), service marks, trademarks, logos, emblems, and indicia of origin, as well as other trade names, service marks, and trademarks that we may periodically specify in writing for use in connection with the System (all of these are referred to as our “**Proprietary Marks**”). We continue to develop, use, and control the use of our Proprietary Marks in order to identify for the public the source of services and products marketed under those marks and under the System, and to represent the System’s high standards of quality, appearance, and service.*

You have asked to enter into the business of operating a Location under our System and wish to obtain a franchise from us for that purpose, as well as to receive the training and other assistance we provide as described in this Agreement. You also understand and acknowledge the importance of our high standards of quality, cleanliness, appearance, and service and the necessity of operating the business franchised hereunder in conformity with our standards and specifications.

In recognition of all of the details noted above, the parties have decided to enter into this Agreement, taking into account all of the promises and commitments that they are each making to one another in this contract, and they agree as follows:

1 GRANT

1.1 *Rights and Obligations.* We grant you the right, and you accept the obligation, all under the terms (and subject to the conditions) of this Agreement:

1.1.1 To operate one Location under the System (the "**Licensed Location**");

1.1.2 To use the Proprietary Marks and the System, but only in connection with the Licensed Location (recognizing that we may periodically change or improve the Proprietary Marks and the System); and

1.1.3 To do all of these things only at the Approved Site (as defined in Section 1.2 below).

1.2 *Approved Site.* The street address of the location for the Licensed Location approved under this Agreement is specified in Exhibit A to this Agreement, and is referred to as the "**Approved Site**." We have the right to grant or withhold our approval of the Approved Site.

1.2.1 When this Agreement is signed, if you have not yet obtained (and we have not yet approved in writing) a location for the Licensed Location, then you agree to enter into the site selection addendum (the "**Site Selection Addendum**," attached as Exhibit H to this Agreement) at the same time as when you sign this Agreement. You will then find a site and, after we have given you our written approval for that site, you will obtain the right to occupy the premises (by lease, sublease, or acquisition of the property), also subject to our prior written approval, and all in accordance with the Site Selection Addendum.

1.2.2 We have the right to grant or withhold approval of the Approved Site under this Section 1.2. You understand, acknowledge, and agree that our review and approval of your proposed location, under this Section 1.2 or pursuant to the Site Selection Addendum, does not constitute our assurance, representation, or warranty of any kind that your Licensed Location at the Approved Site will be profitable or successful (as further described in Section 5 of the Site Selection Addendum).

1.3 *Protected Territory and Exclusions.* During the term of this Agreement, and except as otherwise provided in this Agreement, we agree not to establish, nor license any other person to establish, another Location within the "Protected Territory." The "**Protected Territory**" is specified in Exhibit A, subject to all of the following:

1.3.1 We retain the exclusive right, among others, on any terms and conditions that we deem advisable, without granting you any rights in the matters, and despite the proximity of these business activities to the Approved Site to do any or all of the following:

1.3.1.1 The right to use, and to license others to use, the System and the Proprietary Marks for the operation of Locations at any location outside the Protected Territory;

- 1.3.1.2 The right to sell, and to license others to sell, products and services that are also authorized for sale at Locations through other channels of distribution (including digital sales (for example, via mobile apps), physical catalogs, mail order, telephone ordering, and other forms of electronic commerce now in use or later developed) (but not from a “Play Street Museum” Location located in the Protected Territory);
 - 1.3.1.3 The right to acquire and operate businesses of any kind and to grant or franchise the right to others to operate other businesses of any kind, no matter where located (but we will not change these to “Play Street Museum” Locations located in the Protected Territory); and
 - 1.3.1.4 The right to use and license the use of the Proprietary Marks and other marks in connection with the operation of businesses, including mobile businesses using the Proprietary Marks, that may offer services that are the same as, similar to, or different from those offered at your Location (but not from a “Play Street Museum” Location located in the Protected Territory).
- 1.3.2 In addition:
- 1.3.2.1 We retain the exclusive right to operate a Location on a temporary basis at major events (including carnivals, fairs, conventions, professional championship games, and concerts) (“**Major Events**”), whether located within or outside of the Protected Territory. If we determine that certain kinds of Major Events scheduled to take place within the Protected Territory provide sufficient opportunity for sales, then we will discuss the opportunity with you and, if we agree on the details and arrangements (and subject to the requirements of the host of the Major Event), we will give you the first right to operate on a temporary basis at such Major Event. If you do not exercise your right to operate at a Major Event, on the terms such offer is extended to you (including signing such documents and doing such things as we may deem necessary in connection with operating at the Major Event), then we, our affiliates, and/or our designee may operate at the Major Event even though it may take place within the Protected Territory.
 - 1.3.2.2 You agree that you will not operate your Location, provide services, sell products, deliver products, or otherwise conduct business at any location other than the Approved Site (except to the extent otherwise provided above with respect to Major Events). For the sake of understanding, the parties acknowledge that this clause means that you will not conduct business from a vehicle or other mobile format, at remote locations such as a school, church and other houses of worship, private homes, etc.
- 1.3.3 You agree not to engage in any of the activities that we have reserved under Section 1.3.1 and/or 1.3.2 above.
- 1.3.4 In addition to the “Play Street Museum” marks, you understand that we may at some time operate (or are affiliated with other companies that operate) businesses under other brand names and also that we may acquire other brands (or be acquired by a company that operates under other brand names) (collectively, “**Other Brands**”). You understand and agree that this Agreement grants you no rights with respect to any such Other Brands

- 1.4 *E-Commerce and Delivery.* You acknowledge and agree that Locations are primarily in-person businesses, and that we have the right to approve or disapprove any activity(ies) proposed to take place outside the Location, including, without limitation, e-commerce (which includes the sale of Products or services through an Online Site (defined below)) and delivery. We will consider various factors in determining whether to permit you to provide e-commerce and/or delivery services from your Location, including, without limitation, the period of time you have been operating your Location, whether you have met certain quality standards and other benchmarks, and other standards that we may determine. In addition:
- 1.4.1 You agree not to engage in e-commerce and/or delivery services, whether inside or outside of the Protected Territory, unless you have obtained our prior written consent to do so.
 - 1.4.2 Any e-commerce or delivery activities that you undertake must be conducted in accordance with the terms and conditions of this Agreement and the procedures that we specify in the Manual or otherwise in writing. By granting approval to any one or more proposals to conduct e-commerce or delivery activity, we will not be deemed to have given our approval, or waived our right to disapprove, any ongoing or additional e-commerce or delivery activities.
 - 1.4.3 All Products and services offered or sold in connection with e-commerce or delivery activities must conform to the terms of this Agreement, including (but not limited to) the terms of Section 8.7 below.
 - 1.4.4 We have the right to require that you execute delivery through Location staff and/or through approved third-party delivery vendors. We will have the right at all times to approve or disapprove of any such delivery services, including the arrangements that you propose to make with any third-party delivery vendor.
 - 1.4.5 All e-commerce and delivery sales will be considered as part of the Gross Sales (see Section 4.2.3 below) of your Location.

2 TERM AND RENEWAL

- 2.1 *Term.* The term of this Agreement shall start on the Effective Date and, unless this Agreement is earlier terminated in accordance with its provisions, shall expire ten (10) years from the earlier of: (a) the date when the Location first opens for business; or (b) two hundred and ten (210) days from the Effective Date.
- 2.2 *Renewal.* You will have the right to renew this Agreement for one (1) additional term of ten (10) years under the then-current form of franchise agreement that we are offering at the time of your renewal; provided that you agree to meet all of the following conditions before renewal:
- 2.2.1 You agree to give us written notice of your choice to renew at least nine (9) months before the end of the term of this Agreement (but not more than one (1) year before the term expires).
 - 2.2.2 You agree to remodel and refurbish the Licensed Location to comply with our then-current standards in effect for new Locations (as well as the provisions of Sections 5.4.4 and 8.5 below).

- 2.2.3 At the time of renewal, you must be in material compliance with the provisions of this Agreement (including any amendment to this Agreement), any successor to this Agreement, and/or any other contract between you (and your affiliates) and us (and our affiliates), and in our reasonable judgment, you must have been in material compliance during the term of this Agreement, even if we did not issue a notice of default or exercise our right to terminate this Agreement if you did not meet your obligations.
- 2.2.4 You must have timely met all of your financial obligations to us, our affiliates, the Brand Fund, and/or the Regional Fund, as well as your vendors, throughout the term of this Agreement (even if we did not issue a notice of default or exercise our right to terminate this Agreement if you did not meet your obligations).
- 2.2.5 You agree to sign our then-current form of franchise agreement, which will supersede this Agreement in all respects (except with respect to the renewal provisions of the new franchise agreement, which shall not supersede this Section 2), and which you acknowledge and agree may contain terms, conditions, obligations, rights, and other provisions that are substantially and materially different from those spelled out in this Agreement (including, for example, a higher percentage royalty fee and marketing contribution). If you are an entity then your direct and indirect owners must sign and deliver to us a personal guarantee of your obligations under the renewal form of franchise agreement. (The term “**entity**” is agreed to mean a corporation, a limited liability company, a partnership, and/or a limited liability partnership.)
- 2.2.6 Instead of a new initial franchise fee, you agree to pay to us a renewal fee in an amount equal to twenty-five percent (25%) of our then-current initial franchise fee (but not less than \$9,375).
- 2.2.7 You agree to sign and deliver to us a release, in a form that we will provide (which will be a mutual release from us, with limited exclusions), which will release all claims against us and our affiliates, and our respective officers, directors, agents, and employees. If you are an entity, then your affiliates and your direct and indirect owners (and any other parties that we reasonably request) must also sign and deliver that release to us.
- 2.2.8 You and your personnel must meet our then-current qualification and training requirements.
- 2.2.9 You agree to present to us satisfactory evidence that you have the right to remain in possession of the Approved Site for the duration of the renewal term of this Agreement.
- 2.2.10 You must be current with respect to your financial and other obligations to your lessor, suppliers, and all other parties with whom you do business.

3 OUR DUTIES

- 3.1 *Training.* We will provide you with the training specified in Section 6 below.
- 3.2 *Standard Layout.* We will make available, at no charge to you, a standard layout plan for the construction of a Location and for the exterior and interior design and layout, fixtures,

furnishings, equipment, and signs. We will also provide the site selection and lease review assistance called for under Section 5.2 below.

- 3.3 *Opening and Additional Assistance.* If you have two (2) or fewer Locations operating under the System, we will provide a representative to be present at the opening of the Licensed Location. We will provide such additional on-site pre-opening and opening supervision and assistance that we think is advisable, and as may be described in the Manual (defined below).
- 3.4 *Manual.* We will provide to you, on loan, one (1) copy of the confidential standards manuals and other written instructions relating to the operation of a Location (the "**Manual**"), in the manner and as described in Section 10 below.
- 3.5 *Marketing Materials.* We have the right to approve or disapprove all marketing and promotional materials that you propose to use, pursuant to Section 13 below.
- 3.6 *Marketing Funds.* We will administer the Brand Fund (as defined in Section 13 below) in the manner set forth in Section 13 below.
- 3.7 *Inspection Before Opening.* We will evaluate the Licensed Location before it first opens for business. You agree to not open the Licensed Location or otherwise start operations until you have received our prior written approval.
- 3.8 *Periodic Assistance.* We will provide you periodic assistance in the marketing, management, and operation of the Licensed Location at the times and in the manner that we determine. We will periodically offer you the services of certain of our representatives, such as an accounting manager, and these representatives will periodically visit your Licensed Location and offer advice regarding your operations.
- 3.9 *Services Performed.* You acknowledge and agree that any of our designees, employees, agents, or independent contractors (such as an "area developer") may perform any duty or obligation imposed on us by the Agreement, as we may direct (if so, we will, nonetheless, remain responsible to you for the performance of these obligations).
- 3.10 *Our Decision-Making.* In fulfilling our obligations under this Agreement, and in conducting any activities or exercising our rights pursuant to this Agreement, we (and our affiliates) will always have the right: **(a)** to take into account, as we see fit, the effect on, and the interests of, other Licensed Locations and systems in which we have an interest and on our activities (and those of our affiliates'); **(b)** to share market and product research, and other proprietary and non-proprietary business information, with other Licensed Locations and systems in which we (or our affiliates) have an interest, and/or with our affiliates; **(c)** to introduce Proprietary Items and non-proprietary items or operational equipment used by the System into other franchised systems in which we have an interest; and/or **(d)** to allocate resources and new developments between and among systems, and/or our affiliates, as we see fit. You understand and agree that all of our obligations under this Agreement are subject to this Section 3.10, and that nothing in this Section 3.10 in any way affects your obligations under this Agreement.
- 3.11 *Confirmation of Performance.* After we have performed our pre-opening obligations to you under this Agreement, we may ask that you execute and deliver to us a confirmation (the "**Confirmation of Performance**"), in a form we reasonably request, confirming that we have performed those obligations. If we ask you to provide us with such a certificate, you agree to execute and deliver the Confirmation of Performance to us within three (3) business days

after our request. However, if you do not reasonably believe that we have performed all of our pre-opening obligations, you must, within that same three (3) day period, provide us with written notice specifically describing the obligations that we have not performed. Not later than three (3) business days after we complete all the obligations that you specified in that notice, you agree to execute and deliver the Confirmation of Performance to us. You agree to do so even if we performed such obligations after the time performance was due under this Agreement. The term “pre-opening obligations” means the obligations we have to you under this Agreement that must be performed before the date when your Licensed Location starts its operations.

4 ROYALTY FEES; SALES REPORTING

4.1 *Initial Franchise Fee.* You agree to pay us an initial franchise fee of Thirty Five Thousand Dollars (\$35,000) (the “**Initial Franchise Fee**”). The Initial Franchise Fee is due and payable to us on the day that you sign this Agreement. The Initial Franchise Fee is payable in consideration of administrative, legal and other expenses that we incur in granting this franchise and for our lost or deferred opportunity to grant a franchise to other parties and, except as provided in Section 6.1 below and in the Site Selection Addendum, is non-refundable.

4.2 *Weekly Fees and Sales Reports.*

4.2.1 For each Week during the term of this Agreement, you agree to pay us a continuing royalty fee in an amount equal to five percent (5%) of the Gross Sales of the Licensed Location (“**Royalty Fees**”). As used in this Agreement:

4.2.2 You also agree to make the advertising and marketing payments and expenditures that are specified in Section 13 below.

4.2.3 Definitions:

4.2.3.1 The term “**Week**” means a seven-day period that we designate, starting 12:00:01 am (local time at your Location) on Monday and ending at 11:59:59 pm on the following Sunday. The first and last Weeks during which your Location operates shall be partial Weeks.

4.2.3.2 The term “**Gross Sales**” means all revenue from the sale of all services, products, and other items, and all other income of every kind and nature related to, derived from, or originating from the Licensed Location whether such sales are for cash, check, or credit, and regardless of collection in the case of check or credit. Gross Sales also includes the proceeds of any business interruption insurance policies. However, Gross Sales excludes customer refunds and ordinary discounts, as well as sales taxes and/or other taxes that you directly collect from customers and actually transmit to the appropriate taxing authorities.

4.3 *Due Date.* All payments required by Section 4.2 above and Section 13 below must be paid and submitted so that they are received by us, in our offices, by Tuesday of each Week, based on the Gross Sales of the previous Week. In addition, you agree to all of the following:

- 4.3.1 You agree to deliver to us all of the reports, statements, and/or other information that is required under Section 12.3 below, at the time and in the format that we reasonably request.
- 4.3.2 You agree to establish an arrangement for electronic funds transfer to us, or electronic deposit to us of any payments required under Sections 4 or 13 of this Agreement. Among other things, to implement this point, you agree to sign and return to us our current form of "ACH - Authorization Agreement for Prearranged Payments (Direct Debits)," a copy of which is attached to this Agreement as Exhibit D (and any replacements for that form that we deem to be periodically needed to implement this Section 4.4.2), and you agree to comply with the payment and reporting procedures that we may specify in the Manual or otherwise in writing.
- 4.3.3 You acknowledge and agree that your obligation to make full and timely payment of Royalty Fees and Marketing Contributions (and all other sums due to us) is absolute, unconditional, fully-earned (by us), and due when you have generated and received Gross Sales. Accordingly: (a) you agree to maintain a proper and sufficient balance in the account from which your ACH deductions are made to pay all of the fees that are due under this Agreement; and (b) if you do not do so, then you agree to reimburse us for the bank fees (if any) that we incur as well as a reasonable additional administrative fee that we will have the right to impose.
- 4.3.4 You agree that you will not, for any reason, delay or withhold the payment of any amount due to us under this Agreement; put into escrow any payment due to us; set-off payments due to us against any claims or alleged claims that you may allege against us, the Brand Fund, the Regional Fund or others.
- 4.3.5 You agree that if you do not provide us, as requested, with access to your Computer System to obtain sales information or, if we require under Section 12.1.4 below or otherwise, printed and signed sales reports, then we will have the right to impute your sales for any period using (among other things) your sales figures from any Month(s) that we choose (which may be those with your highest grossing sales), and that you agree to pay the royalties on that amount (whether by check or by our deduction of that amount from your direct debit account).
- 4.3.6 You agree that you will not, whether on grounds of alleged non-performance by us or others, withhold payment of any fee, including, without limitation, Royalty Fees or Marketing Contributions, nor withhold or delay submission of any reports due under this Agreement.
- 4.4 *No Subordination.* You agree not to subordinate to any other obligation your obligation to pay us the royalty fee and/or any other amount payable to us, whether under this Agreement or otherwise, and that any such subordination commitment that you may give without our prior written consent shall be null and void.
- 4.5 *Late Payment.* If we do not receive any payment due under this Agreement (and if the appropriate marketing fund does not receive payment due) on or before the due date, then that amount shall be deemed overdue. If any payment is overdue, then you agree to pay us, in addition to the overdue amount, interest on the overdue amount from the date it was due until paid, at the rate of one and one-half percent (1.5%) per month (but not to exceed any applicable maximum rate imposed under law). Our right to collect interest will be in addition to any other remedies we may have. Any report that we do not receive on or before the due date shall also be deemed overdue. If at any time a payment to us is rejected by your bank

for insufficient funds or otherwise, you must reimburse us for any fees the bank charges to us, plus Twenty Five Dollars (\$25) for each such instance.

- 4.6 *Other Funds Due.* You agree to pay us, within ten (10) days of our written request (which must be accompanied by reasonable substantiating material), any funds that we have paid, or that we have become obligated to pay, on your behalf, by our consent or otherwise.
- 4.7 *Technology Fee.* We have the right to charge you a monthly “**Technology Fee**” that will be used to pay for certain technology services that we currently contract from third parties, but provide to you, in connection with the email addresses and webpage you use in connection with the Franchised Business, as well as for the use of our required franchise relationship management software. We have the right to increase or decrease the Technology Fee based on changes in our vendor’s pricing and our technology needs, impose additional fees, as changes are made to the System’s technology platforms, including computer hardware, software and other computer requirements or as required by the third-party service provider(s) or by any regulatory agency, or otherwise require you to pay the Technology Fee to a third-party vendor.
- 4.8 *Index.* We have the right to adjust, for inflation, all fixed-dollar amounts under this Agreement (except for the Initial Franchise Fee) once a year to reflect changes in the Index from the year when you signed this Agreement. The term “**Index**” means the Consumer Price Index (1982-84=100; all items; CPI-U; all urban consumers) that is published by the U.S. Bureau of Labor Statistics (“**BLS**”). If the BLS no longer publishes the Index, then we will have the right to designate a reasonable alternative measure of inflation.

5 LICENSED LOCATION, CONSTRUCTION AND RENOVATION

- 5.1 *Opening the Licensed Location.* You are solely responsible for purchasing, leasing, or subleasing a suitable site for the Licensed Location. You agree to establish the Licensed Location and have it open and in operation within two hundred and forty (240) days after the Effective Date of this Agreement. **Time is of the essence.**
- 5.1.1 You acknowledge and agree that any site selection assistance or approval that we provide shall neither be construed nor interpreted as a guarantee of success for the Approved Site (or any other site), nor shall any location recommendation or approval we make be deemed a representation that any particular location is available or suitable for use as a Licensed Location.
- 5.1.2 In addition, you agree, at your sole expense, to do or cause to be done the following within one hundred twenty (120) days after the execution of the lease, sublease or purchase contract for the Location:
- 5.1.2.1 secure all financing required to develop the Location fully;
- 5.1.2.2 construct all required improvements to the Approved Site and decorate the Location in compliance with plans and specifications we have approved;
- 5.1.2.3 purchase or lease and install all required fixtures, equipment, furnishings and signs required for the Location; and

- 5.1.2.4 purchase an opening inventory of authorized and approved products and other materials and supplies.
- 5.2 *Review of Lease, Sublease, or Purchase Agreement.* You must provide us with a copy of the proposed lease, sublease, or purchase agreement for the Approved Site, and you must obtain our prior written approval before you enter into that lease, sublease, and/or purchase agreement. We will have the right to require, as a condition to our approval of the lease, sublease, or purchase agreement, the inclusion in the lease, sublease, or purchase agreement of terms acceptable to us, which are consistent with our rights and your responsibilities under this Agreement (in the form of the lease rider attached as Exhibit F to this Agreement). You agree to provide us with a complete copy of signed purchase agreement, lease, sublease, and/or lease rider within five (5) business days after those documents are signed by all of the parties.
- 5.3 *Review.* Any review that we conduct under this Section 5 are for our benefit only. In addition:
- 5.3.1 You acknowledge and agree that our review and approval of a site, lease, sublease, design plans or renovation plans for the Location do not constitute a recommendation, endorsement, or guarantee of the suitability of that location or the terms of the lease, or sublease, or purchase agreement. You agree that you will take all steps necessary to determine for yourself whether a particular location and the terms of any lease, sublease, or purchase agreement for the site are beneficial and acceptable to you.
- 5.3.2 You also acknowledge and agree that no matter to what extent (if any) that we participate in lease negotiations, discussions with the landlord, and/or otherwise in connection with reviewing the lease, you have to make the final decision as to whether or not the lease is sensible for your business, and the final decision as to whether or not to sign the lease is yours, and you agree not hold us responsible with respect to the terms and conditions of your lease.
- 5.3.3 Additionally, with respect to any review of your design plans and construction or renovation plans, or other federal, state, or local health regulations, we will not review whether you are in compliance with federal, state, or local laws and regulations, including the ADA (defined below), and you acknowledge and agree that: **(a)** you are solely responsible for compliance with all such laws and regulations; and **(b)** our approval is not, and will not be deemed to be, an assessment as to whether or not you have complied with those laws and regulations.
- 5.4 *Preparing the Site.* You agree that, promptly after obtaining possession of the approved site for the Licensed Location, you will do all of the following:
- 5.4.1 cause to be prepared and submit for our approval a description of any modifications to our specifications for a Licensed Location (including requirements for dimensions, exterior design, materials, interior design and layout, equipment, fixtures, furniture, signs and decorating materials) required for the development of a Licensed Location at the site leased or purchased for that purpose, provided that you may modify our specifications only to the extent required to comply with all applicable ordinances, building codes and permit requirements (with prior notification to and written approval from us);
- 5.4.2 obtain all required zoning permits, liquor licenses, all required building, utility, health, sign permits and licenses, and any other required permits and licenses;

- 5.4.3 purchase or lease equipment (including interior play houses, exhibits, and equipment), fixtures, furniture and signs as required under this Agreement (including the specifications we have provided in writing, whether in the Manual or otherwise);
 - 5.4.4 complete the construction and/or remodeling, equipment, fixture, furniture and sign installation and decorating of the Licensed Location in full and strict compliance with plans and specifications for the Licensed Location that we have approved in writing, as well as all applicable Operating Codes and permit requirements;
 - 5.4.5 obtain all customary contractors' sworn statements and partial and final waivers of lien for construction, remodeling, decorating and installation services; and
 - 5.4.6 otherwise complete development of and have the Licensed Location ready to open and commence the conduct of its business in accordance with Section 5.1 above.
- 5.5 *Use of the Premises.* You may use the Approved Site only for the purpose of operating the Licensed Location and for no other purpose. You agree not to co-brand or permit any other business to operate at the Approved Site without our prior written approval.
- 5.6 *Relocation.* You agree not to relocate the Licensed Location without our prior written consent. We will have the right to grant or to withhold our approval of any proposed location or relocation and, if our approval is granted, you understand that our approval will not be deemed to be our guarantee, representation, or assurance that your Licensed Location shall be profitable or successful at that location or elsewhere. Any proposed relocation will be subject to our review of the new site under our then-current standards for site selection, except that we will also have the right to take into consideration any commitments we have given to other franchisees, licensees, landlords, and other parties relating to the proximity of a new Location to their establishment. In addition, and instead of a new franchise fee, you agree to reimburse us Five Thousand Dollars (\$5,000) (or such greater amount as is necessary to reimburse us for our out-of-pocket costs incurred in connection with reviewing, approving, and documenting your proposed relocation, any related lease matters, and any necessary amendments to this Agreement, including our attorneys' fees).
- 5.7 *Construction or Renovation.* In connection with any construction or renovation of the Licensed Location (and before you start any such construction or renovation) you agree to comply, at your expense, with all of the following requirements, which you agree to satisfy to our reasonable satisfaction:
- 5.7.1 We reserve the right to designate, and if we do so you must use, a third party architect we select to design the Licensed Location according to our standards and specifications. If we do not designate the architect for the Licensed Location, you agree to employ a qualified, licensed architect or engineer who is reasonably acceptable to us to prepare, for our approval, preliminary plans and specifications for site improvement and construction of the Licensed Location based upon prototype design and image specifications we will furnish in the Manual (depending on whether your Licensed Location will be operated in a stand-alone facility, and end-cap, or as a retro-fit of an existing building). Our approval shall be limited to conformance with our standard image specifications and layout, and shall not relate to your obligations to comply with any applicable Operating Codes.
 - 5.7.2 You shall have the sole responsibility to comply with any Operating Codes. The term "**Operating Codes**" means applicable federal, state, and local laws, codes,

ordinances, and/or regulations (including the Americans with Disabilities Act, "**ADA**") that apply to the construction, design, and operation of the Licensed Location.

- 5.7.3 If you receive any complaint, claim, or other notice alleging a failure to comply with any Operating Code, you agree to provide us with a copy of that notice within five (5) days after you have received the notice.
- 5.7.4 In connection with any standard layout and equipment plans that we provide to you, you acknowledge that such specifications do not meet and are not meant to address the requirements of any Operating Codes (including without limitation those concerning the ADA and/or similar rules governing public accommodations or commercial facilities for persons with disabilities), nor shall such plans contain the requirements of, or be used for, construction drawings or other documentation necessary to obtain permits or authorization to build a specific Licensed Location, compliance with all of which shall be your responsibility and at your expense. In addition:
- 5.7.4.1 You agree to adapt, at your expense, the standard specifications to the Licensed Location, subject to our approval, as provided in above in Section 5.7.1, which we will not unreasonably withhold, provided that such plans and specifications conform to our general criteria.
- 5.7.4.2 We will collaborate with you to understand your preferences and desires for the design of your Licensed Location, but in order to maintain consistent standards across all "Play Street Museum" Locations as well as to maintain the consistency of the brand, System, and goodwill of the Proprietary Marks, you must strictly comply with the Location design standards set out in the Manual or that we otherwise provide to you in writing. We retain full control and approval rights for all design aspects of the Licensed Location.
- 5.7.4.3 You understand and acknowledge that we have the right to modify the prototype architectural plans and specifications as we deem appropriate periodically (however, we will not modify the prototype architectural plans and specifications for the Licensed Location developed pursuant to this Agreement once those prototype architectural plans and specifications have been given to you).
- 5.7.5 You are solely responsible for obtaining all zoning classifications and clearances which may be required by state or local laws, ordinances, or regulations (or that may be necessary or advisable due to any restrictive covenants relating to your location). After having obtained such approvals and clearances, you agree to submit to us, for our prior written approval, final plans for construction based upon the preliminary plans and specifications.
- 5.7.5.1 Our review and approval of plans shall be limited to review of such plans to assess compliance with our design standards for Locations, including such items as trade dress, presentation of Proprietary Marks, and the provision to the potential customer of certain products and services that are central to the purpose, atmosphere, and functioning of "Play Street Museum" Locations.
- 5.7.5.2 We will not review your compliance with (nor shall our approval be deemed to confirm that you have met) any of the Operating Codes.

- 5.7.5.3 Once we have approved those final plans, you cannot later change or modify the plans without our prior written consent. Any such change made without our prior written permission shall constitute a material default under this Agreement and we may withhold our authorization to open the Licensed Location (or if the Licensed Location is already open and operational we may require you to close the Licensed Location) for business until the unauthorized change is rectified (or reversed) to our reasonable satisfaction.
- 5.7.6 You agree to obtain (and maintain) all permits and certifications required for the lawful construction and operation of the Licensed Location and certify in writing to us that all such permits and certifications have been obtained.
- 5.7.7 You agree to employ a qualified licensed general contractor who is reasonably acceptable to us to construct the Licensed Location and to complete all improvements.
- 5.7.8 You agree to obtain (and maintain) during the entire period of construction the insurance required under Section 15 below; and you agree to deliver to us such proof of such insurance as we may reasonably require.
- 5.7.9 You acknowledge and agree that any site selection assistance or approval that we provide is not to be construed or interpreted as our guarantee of success for said location, nor shall any location that we recommend, or approval that we give, be deemed as our representation that the location is available or suitable for your use as a Licensed Location.
- 5.8 *Pre-Opening.* Before opening for business, you agree to meet all of the pre-opening requirements specified in this Agreement, the Manual, and/or that we may otherwise specify in writing. Within ninety (90) days after the Licensed Location first opens for business, you agree to give us a full written breakdown of all costs associated with the development and construction of the Licensed Location, in the form that we may reasonably find acceptable or that we may otherwise require. Additionally, before opening the Licensed Location, and after any renovation, you agree to execute and deliver to us an ADA Certification in the form attached to this Agreement as Exhibit E, to certify that the Licensed Location and any proposed renovations comply with the ADA.
- 5.9 *Opening Promotion.* You agree to conduct, at your expense, the market introduction promotional and advertising activities that we may require.

6 TRAINING AND PERSONNEL

- 6.1 *Your Training and Personnel Obligations.* Before opening the Location, if the Location is the first (1st) or second (2nd) Location you are opening, you (or, if you are an entity, your controlling principal who is also designated to serve as your general manager (the "**Operating Partner**")) shall attend and successfully complete, to our satisfaction, the basic training program we offer. You may send up to three (3) individuals to our initial training program; and if you wish to send any additional individuals, you will be required to pay a fee for each such additional individual attending training. Failure to complete the initial training program constitutes grounds for termination, as provided in Section 17 of this Agreement; however, if we terminate this Agreement because you or your Operating Partner have failed to complete the initial training program, we will refund to you fifty percent (50%) of the Initial

Franchise Fee that you have paid to us, less our costs and expenses we have incurred in connection with providing initial services to you. In addition:

- 6.1.1 You or the Operating Partner who has successfully completed the initial training program must at all times manage the operation of the Location throughout the term of this Agreement.
 - 6.1.2 As part of the initial training program, we will train you or your Operating Partner to be certified to train other employees of the Licensed Location on their duties.
 - 6.1.3 If the Operating Partner ceases active employment at the Location, you shall enroll a qualified replacement in our training program within thirty (30) days. You must pay a fee of Five Thousand Dollars (\$5,000) for each individual to attend such replacement training. The replacement Operating Partner shall attend and successfully complete the basic management training program as soon as is practicable, but in no event more than 30 days after a previous Operating Partner ceases employment.
 - 6.1.4 The cost of the training (instruction and required materials) shall be borne by us for the initial training program for your first two (2) Locations. All other expenses during the training period, including costs of accommodations, wages, and travel, shall be borne by you.
- 6.2 *Training Expenses.* For all training courses, seminars, and programs, we shall provide instructors and training materials without cost to you, and you shall be responsible for any and all other expenses incurred by your employees in connection with any such courses, seminars, and programs, including, but not limited to, the costs of transportation, lodging, meals, wages, and worker's compensation insurance.
- 6.3 *Operating Partner.* The Licensed Location must be under the active full-time management of either you or the Operating Partner who has successfully completed (to our satisfaction) our initial training program. For the purpose of this Section 6.3, the Operating Partner must be a person who has an ownership interest in Franchisee, and who has executed the Guarantee, Indemnification, and Acknowledgement attached to this Agreement as Exhibit B.
- 6.4 *Additional Training.* You and your Operating Partner may also be required to attend such refresher courses, seminars, and other training programs as we may reasonably specify periodically. You may ask us to provide on-site training in addition to that which we will provide to you in connection with the initial training program and/or the opening of the Licensed Location, and if we are able to do so, then you agree to pay us our then-current per diem training charges as well as our out-of-pocket expenses.
- 6.5 *Individual Covenants.* We will have the right to require that your trainees execute and deliver to us a personal covenant of confidentiality in substantially the form appended to this Agreement as Exhibit G (without the non-competition covenant).
- 6.6 *Personnel.* You and your staff must, at all times, cooperate with us and with our representatives, and maintain any professional certifications and licenses that we may reasonably require.

7 PRODUCT AND SUPPLY

7.1 *Supplies.* You agree to buy all Products only from suppliers that we have approved in writing (and whom we have not subsequently disapproved). In determining whether we will approve any particular supplier, we will consider various factors, including: **(a)** whether the supplier can demonstrate, to our continuing reasonable satisfaction, the ability to meet our then-current standards and specifications for such items; **(b)** whether the supplier has adequate quality controls and capacity to supply your needs promptly and reliably; **(c)** whether approval of the supplier would enable the System, in our sole opinion, to take advantage of marketplace efficiencies; and **(d)** whether the supplier will sign a confidentiality agreement and a license agreement in the form that we may require (which may include a royalty fee for the right to use our Proprietary Marks and any other proprietary rights, designs, and/or plans).

7.1.1 As used in this Agreement:

7.1.1.1 The term “**Products**” includes all equipment, supplies, materials, and other items used or offered for sale at the Licensed Location.

7.1.1.2 The term “**supplier**” includes manufacturers, distributors, resellers, and other vendors.

7.1.2 You acknowledge and agree that we have the right to appoint only one supplier for any one or more items (including distributors), which may be us or one of our affiliates. You further acknowledge that we may require you to purchase equipment, play houses and exhibits, lighting, cabinets, and flooring for the Location only from suppliers we designate. You may not offer, sell, gift, barter or otherwise provide play houses or exhibits to any party that does not intend to use such play houses or exhibits in connection with a Location operated under the System

7.1.3 We may require you to purchase and maintain an inventory of Products and display these items in your Licensed Location according to our standardized planogram, display, or shelf layout.

7.1.4 Notwithstanding anything to the contrary in this Agreement, you agree to buy all Proprietary Items (if there are any) only from us or from our designee(s), as provided in Section 7.2 below (and possibly through one or more distributors that we designate in writing). We have the right, but not the obligation, to periodically introduce Proprietary Items.

7.1.5 If you want to buy any Products (except for Proprietary Items) from an unapproved supplier, you agree to first submit a written request to us asking for our prior written approval. You agree not to buy from any such supplier unless and until we have given you our prior written consent to do so. We have the right to require that our representatives be permitted to inspect the supplier’s facilities, and that samples from the supplier be delivered, either to us or to an independent laboratory that we have designated for testing. You (or the supplier) may be required to pay a charge, not to exceed the reasonable cost of the inspection, as well as the actual cost of the test. We also have the right to require that the supplier meet certain other requirements that we have the right to designate (including payment of reasonable continuing inspection fees and administrative costs and/or other payment to us by the supplier on account of their dealings with you or other franchisees, for use of our trademarks,

and for services that we may render to the supplier). We also reserve the right, at our option, to periodically re-inspect the facilities and products of any such approved supplier and to revoke our approval if the supplier does not continue to meet any of our then-current criteria.

- 7.1.6 Nothing in this Agreement requires us to approve any particular supplier, nor to require that we make available to prospective suppliers our standards and specifications, which we have the right to deem confidential.
- 7.1.7 We have the right to establish strategic alliances and/or preferred vendor programs with one or more suppliers that are willing to supply some or all Locations with some or all of the products and/or services that we require for use and/or sale in developing and operating Locations. Accordingly, we have the right to limit the number of approved suppliers with whom you may deal, designate sources that you must use for some or all Products, Proprietary Items, and other products and services, and/or refuse any of your requests if we believe that this action is in the best interests of the System or the network of Locations. We have the ongoing right to approve or disapprove of the suppliers who may be permitted to sell Products to you.
- 7.1.8 You acknowledge and agree that we have the right to collect and retain all manufacturing allowances, marketing allowances, rebates, credits, monies, payments and/or other benefits (collectively, "**Allowances**") that suppliers offer to us, our affiliates, and/or to you based upon your purchases of Products, Proprietary Items, and other goods and services. These Allowances include those based on System-wide purchases of Products. You assign to us or our designee all of your right, title and interest in and to any and all such Allowances and authorize us (or our designee) to collect and retain any or all such Allowances without restriction.
- 7.2 *Proprietary Items.* You acknowledge and agree that there are certain items (including signature buildings, furniture, accessories, curated crafts and toys) that we may specify for sale or use at the Licensed Location and that are manufactured in accordance with our proprietary standards and specifications, and which are therefore, Proprietary Items of ours and/or our affiliates. In order to maintain the high standards of quality and uniformity associated with any Proprietary Items sold under or used in connection with the System, you agree to buy Proprietary Items only from us or from our designee(s), and not to offer, sell or use any items that are similar to (but not the same as) Proprietary Items at or from the Licensed Location. In connection with the handling, storage, transport and delivery of any Proprietary Items that you buy from us, our affiliates or designee(s), you agree that any action (or inaction) by a third party (e.g., an independent carrier) in connection with the handling, storage, transport and delivery of the Proprietary Items shall not be attributable to us, nor constitute negligence on our part. You acknowledge and agree not to offer or sell Proprietary Items to any customer or party that we do not approve.
- 7.3 *Employee Attire and Personal Appearance.* Your employees must comply with such dress code and/or standards that we may require, which may include use of branded (or other "**uniform**") apparel, and otherwise identify themselves with the Proprietary Marks at all times in the manner we specify (whether in the Manual or otherwise in writing) while on a job for the Licensed Location. We may also require that you and your employees comply with personal appearance standards (including dress code, shoes, hair color, body art, piercing, sanitation and personal hygiene, foundation garments, personal displays at work stations, etc.).

- 7.4 *Professionalism.* You agree that professionalism and courtesy are critical elements of operating a Location due to the nature of the Locations and the families that they serve. Therefore, you agree that you and your employees will meet, on an ongoing basis, the highest standards as to professionalism, as well as certain professional qualifications that we may require for persons who serve in certain capacities.

8 YOUR DUTIES

In addition to all of the other duties specified in this Agreement, you agree to all of the following:

- 8.1 *Importance of Following Standards.* You acknowledge and agree that every detail of the Licensed Location is important to you, to us, and to other “Play Street Museum” franchisees and licensees in order to develop and maintain high operating standards, to increase the demand for the Products, Proprietary Items, and services sold by all franchisees, and to protect our reputation and goodwill.
- 8.2 *Opening.* In connection with the opening of the Licensed Location you agree to do all of the following:
- 8.2.1 You agree to conduct, at your expense, the promotional and marketing activities that we may require.
- 8.2.2 You agree to open the Licensed Location by the date specified in Section 5.1 above. You agree to give us written notice at least fourteen (14) days before the date on which you propose to first open the Licensed Location for business. We reserve the right to have our representative(s) present at the opening of the Licensed Location, and if we so require, you shall not open the Licensed Location without the on-site presence of the representative(s) we select; however, we agree not to unreasonably delay the opening of the Licensed Location.
- 8.2.3 You will not open the Licensed Location until we have determined that all construction has been substantially completed, and that such construction conforms to our standards (including, but not limited, to materials, quality of work, signage, decor, paint, and equipment), and we have given you our prior written approval to open, which we will not unreasonably withhold.
- 8.2.4 You agree not to open the Licensed Location until you or your Operating Partner has successfully completed all training that we require, and not until you have hired and trained to our standards a sufficient number of employees to service the anticipated level of the Licensed Location’s customers.
- 8.2.5 In addition, you agree not to open the Licensed Location until the Initial Franchise Fee and any other amounts due to us (and our affiliates) under this Agreement or any other agreements have been paid.
- 8.3 *Health Standards.* You agree to meet and maintain the highest health standards and ratings applicable to the operation of the Licensed Location. If any government agency inspects your Location, then you agree to send us, within five (5) days of your receipt, a copy of all inspection reports, warnings, citations, certificates, and/or ratings that are provided to you.

8.4 *Use of the Premises.*

- 8.4.1 You may use the Licensed Location premises only to operate the Location that is the subject of this Agreement; and you agree not to use or permit the Licensed Location premises to be used for any other purpose or activity at any time. As used in this Agreement, the term “premises” include the grounds surrounding the Approved Site for the Licensed Location that are part of your leasehold.
- 8.4.2 You agree to keep the Licensed Location open and in normal operation for the hours and days that we may periodically specify in the Manual or as we may otherwise approve in writing.

8.5 *Licensed Location.*

8.5.1 Ongoing Maintenance. You agree that at all times, you will maintain the Licensed Location in a high degree of sanitation, repair, and condition. In addition, you agree to make the repairs and replacements to the Franchised Premises as may be required for that purpose (but no others without our prior written consent), including the periodic repainting or replacement of obsolete floor coverings, front-of-the-house and back-of-the-house equipment, toys, furnishings, signs, and decor that we may reasonably require. You also agree to obtain maintenance services from qualified vendors for all major items of equipment used in the Licensed Location and maintain those service agreements at all times.

8.5.2 Remodeling. In addition to the ongoing maintenance of the Licensed Location:

- 8.5.2.1 You agree to remodel the Licensed Location to conform to our then-current building design, exterior facade, trade dress, signage, furnishings, decor, color schemes, and presentation of the Proprietary Marks in a manner consistent with the then-current image for new Locations, including remodeling, redecoration, and modifications to existing improvements, all of which we may require in writing (collectively, “**Remodeling**”). In this regard, the parties agree that:
- 8.5.2.2 You will not have to conduct a Remodeling more than once every ten (10) years during the term of this Agreement (and not in an economically unreasonable amount); provided, however, that we may require Remodeling more often if Remodeling is required as a pre-condition to renewal (as described in Section 2.2.2 above); and
- 8.5.2.3 You will have six (6) months after you receive our written notice within which to complete Remodeling.

8.6 *Staffing.* You agree to maintain a competent, conscientious, trained staff in numbers sufficient to promptly service customers, including at least one (1) manager on duty at all times, and to take such steps as are necessary to ensure that your employees preserve good customer relations, professionalism, and comply with such dress code as we may prescribe.

8.7 To insure that the highest degree of quality and service is maintained, you agree to operate your Licensed Location in strict conformity with such methods, standards, and specifications that we may periodically require in the Manual or otherwise in writing. In this regard, you agree to do all of the following:

- 8.7.1 You agree to maintain in sufficient supply, and to use and/or sell at all times only the Products, materials, supplies, and paper goods that meet our written standards and specifications, and you also agree not to deviate from our standards and specifications by using or offering any non-conforming items without our specific prior written consent.
- 8.7.2 You agree: **(a)** to sell or offer for sale only those Products and services that we have approved in writing for you to sell at your Licensed Location; **(b)** to sell or offer for sale all those Products, utilizing the materials and employing the preparation and presentation standards and techniques that we specify in writing; **(c)** not to deviate from our standards and specifications, including manner of preparation and presentation of Products; **(d)** to stop selling and offering for sale any Products or services that we at any time disapprove in writing (recognizing that we have the right to do so at any time); and **(e)** that if you propose to deviate (or if you do deviate) from our standards and specifications, whether or not we have approved the deviation, that deviation shall become our property.
- 8.7.3 You agree to permit us, or our agents, at any reasonable time, to remove samples of Products, without payment, in amounts reasonably necessary for testing by us or an independent laboratory to determine whether those samples meet our then-current standards and specifications. In addition to any other remedies we may have under this Agreement, we may require you to bear the cost of such testing if we had not previously approved the supplier of the item or if the sample fails to conform to our specifications.
- 8.7.4 You agree to buy and install, at your expense, all fixtures, furnishings, equipment, decor, and signs as we may specify.
- 8.7.5 You agree not to install or permit to be installed on or about the premises of the Licensed Location, without our prior written consent, any fixtures, furnishings, equipment, decor, signs, or other items that we have not previously in writing approved as meeting our standards and specifications.
- 8.7.6 You agree not to install or permit anyone else to install any vending machine, game or coin-operated (or electronic counterpart) device without our prior written consent to do so.
- 8.7.7 You agree to refrain from selling, offering to sell, or permitting any other party to sell or offer to sell beer, wine, or any form of liquor, without our advance written authorization, which authorization we shall have the right to grant or deny.
- 8.7.8 You agree not to offer services away from the premises of the Licensed Location without our prior written consent.
- 8.7.9 You agree to fully and faithfully comply with all laws and regulations applicable to your Licensed Location.
- 8.7.10 You agree to immediately suspend operation of (and close) the Licensed Location if: **(a)** any Products sold at the Licensed Location appear to have been adulterated or otherwise deviate from our standards for Products; **(b)** any Products sold at the Licensed Location fail to comply with applicable laws or regulations; and/or **(c)** you fail to maintain the Products, Licensed Location premises, equipment, personnel, or operation of the Licensed Location in accordance with any applicable law or

regulations. In the event of such closing, you agree to immediately notify us, in writing, and also destroy all contaminated or adulterated products, eliminate the source of those products, and remedy any unsanitary, unsafe, or other condition or other violation of the applicable law or regulation. You agree not to reopen the Licensed Location until after we have inspected the Licensed Location premises, and we have determined that you have corrected the condition and that all Products sold at the Licensed Location comply with our standards.

- 8.8 *Use of the Marks.* You will require all marketing and promotional materials, signs, decorations, merchandise, paper and plastic (for example, disposable) goods, any and all replacement trade dress products, and other items that we may designate to bear our then-current Proprietary Marks and logos in the form, color, location, and manner that we have then-prescribed.
- 8.9 *If You Are an Entity:*
- 8.9.1 *Corporate Franchisee.* If you are a corporation, then you agree to: **(a)** confine your activities, and your governing documents shall at all times provide that your activities are confined, exclusively to operating the Licensed Location; **(b)** maintain stop transfer instructions on your records against the transfer of any equity securities and shall only issue securities upon the face of which a legend, in a form satisfactory to us, appears which references the transfer restrictions imposed by this Agreement; **(c)** not issue any voting securities or securities convertible into voting securities; and **(d)** maintain a current list of all owners of record and all beneficial owners of any class of voting stock of your company and furnish the list to us upon request.
- 8.9.2 *Partnership/LLP Franchisee.* If you are a partnership or a limited liability partnership (LLP), then you agree to: **(a)** confine your activities, and your governing documents shall at all times provide that your activities are confined, exclusively to operating the Licensed Location; **(b)** furnish us with a copy of your partnership agreement as well as such other documents as we may reasonably request, and any amendments thereto; **(c)** prepare and furnish to us, upon request, a current list of all of your general and limited partners; and **(d)** consistent with the transfer restrictions set out in this Agreement, maintain instructions against the transfer of any partnership interests without our prior written approval.
- 8.9.3 *LLC Franchisee.* If you are a limited liability company (LLC), then you agree to: **(a)** confine your activities, and your governing documents shall at all times provide that your activities are confined, exclusively to operating the Licensed Location; **(b)** furnish us with a copy of your articles of organization and operating agreement, as well as such other documents as we may reasonably request, and any amendments thereto; **(c)** prepare and furnish to us, upon request, a current list of all members and managers in your LLC; and **(d)** maintain stop transfer instructions on your records against the transfer of equity securities and shall only issue securities upon the face of which bear a legend, in a form satisfactory to us, which references the transfer restrictions imposed by this Agreement.
- 8.9.4 *Guarantees.* You agree to obtain, and deliver to us, a guarantee of your performance under this Agreement and covenant concerning confidentiality and competition, in the form attached as Exhibit B, from each current and future direct and indirect: **(a)** shareholder of a corporate Franchisee; **(b)** member of a limited liability company Franchisee; **(c)** partner of a partnership Franchisee; and/or **(d)** partner of a limited liability partnership Franchisee.

- 8.10 *Quality-Control and Guest Survey Programs.* We may periodically designate an independent evaluation service to conduct a “mystery shopper,” “guest survey,” and/or similar quality-control and evaluation programs with respect to “Play Street Museum” Locations. You agree to participate in such programs as we require, and promptly pay the then-current charges of the evaluation service. If you receive an unsatisfactory or failing report in connection with any such program, then you agree to: **(a)** immediately implement any remedial actions we require; and **(b)** reimburse us for the expenses we incur as a result thereof (including the cost of having the evaluation service re-evaluate the Licensed Location, our inspections of the Licensed Location, and other costs or incidental expenses).
- 8.11 *Prices.* You will have the right to set the prices that you will charge to your customers; but (subject to applicable law): **(a)** if we have set a maximum price for a particular Product or service, then you may charge any price for that item up to and including the maximum price we have set; and **(b)** if we have set a minimum price for a particular Product or service, then you may charge any price for that item that is equal to or above the minimum price we have set.
- 8.12 *Environmental Matters.* We are committed to working to attain optimal performance of Locations with respect to environmental, sustainability, and energy performance. We each recognize and agree that there are changing standards in this area in terms of applicable law, competitors’ actions, consumer expectations, obtaining a market advantage, available and affordable solutions, and other relevant considerations. In view of those and other considerations, as well as the long-term nature of this Agreement, you agree that we have the right to periodically set reasonable standards with respect to environmental, sustainability, and energy for the System through the Manual, and you agree to abide by those standards.
- 8.13 *Innovations.* You agree to disclose to us all ideas, concepts, methods, techniques and products conceived or developed by you, your affiliates, owners and/or employees during the term of this Agreement relating to the development and/or operation of the Locations. All such products, services, concepts, methods, techniques, and new information will be deemed to be our sole and exclusive property and works made-for-hire for us. You grant to us (and agree to obtain from your affiliates, owners, employees, and/or contractors, and deliver to us), a perpetual, non-exclusive, and worldwide right to use any such ideas, concepts, methods, techniques and products in all businesses that we and/or our affiliates, franchisees and designees operate. We will have the right to use those ideas, concepts, methods, techniques, and/or products without making payment to you. You agree not to use or allow any other person or entity to use any such concept, method, technique or product without obtaining our prior written approval.

9 PROPRIETARY MARKS

- 9.1 *Our Representations.* We represent to you that we own (or have an appropriate license to) all right, title, and interest in and to the Proprietary Marks, and that we have taken (and will take) all reasonably necessary actions to preserve and protect the ownership and validity in, and of, the Proprietary Marks.
- 9.2 *Your Agreement.* With respect to your use of the Proprietary Marks, you agree that:
- 9.2.1 You will use only the Proprietary Marks that we have designated in writing, and you will use them only in the manner we have authorized and permitted in writing; and all items bearing the Proprietary Marks must bear the then-current logo.

- 9.2.2 You will use the Proprietary Marks only for the operation of the business franchised under this Agreement and only at the location authorized under this Agreement, or in franchisor-approved marketing for the business conducted at or from that location (subject to the other provisions of this Agreement).
- 9.2.3 Unless we otherwise direct you in writing to do so, you agree to operate and advertise the Licensed Location only under the name "Play Street Museum" without prefix or suffix.
- 9.2.4 During the term of this Agreement and any renewal of this Agreement, you will identify yourself (in a manner reasonably acceptable to us) as the owner of the Licensed Location in conjunction with any use of the Proprietary Marks, including, but not limited to, uses on invoices, order forms, receipts, and contracts, as well as the display of a notice in such content and form and at such conspicuous locations on the premises of the Licensed Location as we may designate in writing.
- 9.2.5 Your right to use the Proprietary Marks is limited to such uses as are authorized under this Agreement, and any unauthorized use thereof shall constitute an infringement of our rights.
- 9.2.6 You agree not to use the Proprietary Marks to incur any obligation or indebtedness on our behalf.
- 9.2.7 You agree that you will not use the Proprietary Marks: **(a)** as part of your corporate or other legal name; **(b)** as part of your identification in any e-mail address, domain name, or other electronic medium; and/or **(c)** in connection with any employment or H.R. documents (including employment applications, paychecks, pay stubs, and employment agreements).
- 9.2.8 You agree to execute any documents that we (or our affiliates) deem necessary to obtain protection for the Proprietary Marks or to maintain their continued validity and enforceability.
- 9.2.9 With respect to litigation involving the Proprietary Marks, the parties agree that:
- 9.2.9.1 You agree to promptly notify us of any suspected infringement of the Proprietary Marks, any known challenge to the validity of the Proprietary Marks, or any known challenge to our ownership of (or your right to use) the Proprietary Marks licensed under this Agreement.
- 9.2.9.2 You acknowledge and agree that we will have the sole right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement of any such matter. We will also have the sole right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks.
- 9.2.9.3 Costs:
- (a) If you have used the Proprietary Marks in accordance with this Agreement and our instructions, then: (i) we will defend you, at our expense, against any third party claim, suit, or demand involving the Proprietary Marks arising out of your use thereof; (ii) we will reimburse you for your out-of-pocket litigation costs in doing such

acts and things (except that you will bear the salary and related employment costs of your own employees); and (iii) we will bear the costs of any judgment or settlement.

- (b) However, if you used the Proprietary Marks in a manner that does not comply with this Agreement and/or our instructions, then: (i) we will still defend you, but at your expense, against such third party claims, suits, or demands; (ii) you agree to reimburse us (upon our request, which may be periodic and/or upon the conclusion of the proceedings) for the cost of such litigation and/or upon our written request, pay our legal fees directly (your obligation under this Section includes but is not limited to reasonable attorneys' fees, court costs, discovery costs, and all other related expenses; and (iii) you agree to bear the cost of any judgment or settlement.

9.2.9.4 If we assume the defense or prosecution of any litigation or other similar proceeding relating to the Proprietary Marks, you agree to sign any and all documents, and do those acts and things that may, in our counsel's opinion, be needed to carry out the defense or prosecution of that matter (including becoming a nominal party to any legal action).

9.2.10 You are not permitted to use (or to permit any other parties to use) the Proprietary Marks in connection with marketing your Licensed Location for sale or in connection with any offers to transfer or sell your Licensed Location.

9.3 *Your Acknowledgements.* You expressly understand and acknowledge that:

9.3.1 We own all right, title, and interest in and to the Proprietary Marks and the goodwill associated with and symbolized by them.

9.3.2 The Proprietary Marks are valid and serve to identify the System and those who are authorized to operate under the System.

9.3.3 Neither you nor any of your owners, principals, or other persons acting on your behalf will directly or indirectly contest the validity or our ownership of the Proprietary Marks, nor will you, directly or indirectly, seek to register the Proprietary Marks with any government agency (unless we have given you our express prior written consent to do so).

9.3.4 Your use of the Proprietary Marks does not give you any ownership interest or other interest in or to the Proprietary Marks, except the license granted by this Agreement.

9.3.5 Any and all goodwill arising from your use of the Proprietary Marks shall inure solely and exclusively to our benefit, and upon expiration or termination of this Agreement and the license granted as part of this Agreement, there will be no monetary amount assigned as attributable to any goodwill associated with your use of our System or of our Proprietary Marks.

9.3.6 The right and license of the Proprietary Marks that we have granted to you under this Agreement is non-exclusive, and we therefore have the right, among other things:

9.3.6.1 To use the Proprietary Marks ourselves in connection with selling Products and services;

9.3.6.2 To grant other licenses for the Proprietary Marks, in addition to licenses we may have already granted to existing franchisees; and

9.3.6.3 To develop and establish other systems using the same or similar Proprietary Marks, or any other proprietary marks, and to grant licenses or franchises for those other marks without giving you any rights to those other marks.

9.4 *Change to Marks.* We reserve the right to substitute different Proprietary Marks for use in identifying the System and the businesses operating as part of the System if our currently owned Proprietary Marks no longer can be used, or if we determine, exercising our right to do so, that substitution of different Proprietary Marks will be beneficial to the System. In such circumstances, your right to use the substituted proprietary marks shall be governed by (and pursuant to) the terms of this Agreement.

10 CONFIDENTIAL OPERATING MANUALS

10.1 *You Agree to Abide by the Manual.* In order to protect our reputation and goodwill and to maintain high standards of operation under our Proprietary Marks, you agree to conduct your business in accordance with the written instructions that we provide, including the Manual. We will lend to you (or permit you to have access to) one (1) copy of our Manual, only for the term of this Agreement, and only for your use in connection with operating the Licensed Location during the term of this Agreement.

10.2 *Format of the Manual.* We will have the right to provide the Manual in any format we determine is appropriate (including paper format and/or by making some or all of the Manual available to you in electronic form, such as through an internet website or an extranet). If at any time we choose to provide the Manual electronically, you agree to immediately return to us any and all physical copies of the Manual that we have previously provided to you.

10.3 *We Own the Manual.* The Manual shall at all times remain our sole property and you agree to promptly return the Manual when this Agreement expires or if it is terminated.

10.4 *Confidentiality and Use of the Manual.* The Manual contains our proprietary information and you agree to keep the Manual confidential both during the term of this Agreement and after this Agreement expires and/or is terminated. You agree that, at all times, you will insure that your copy of the Manual will be available at the Licensed Location premises in a current and up-to-date manner. You agree not to make any unauthorized use, disclosure or duplication of any portion of the Manual. Whenever the Manual is not in use by authorized personnel, you agree to maintain the Manual in a locked receptacle at the premises of the Licensed Location, and you agree to grant only authorized personnel (as defined in the Manual) access to the key or lock combination of that receptacle.

10.5 *You Agree to Treat Manual as Confidential.* You agree that at all times, you will treat the Manual, any other manuals that we create (or approve) for use in the operation of the Licensed Location, and the information contained in those materials, as confidential, and you also agree to use your best efforts to maintain such information as secret and confidential. You agree that you will never copy, duplicate, record, or otherwise reproduce those materials, in whole or in part, nor will you otherwise make those materials available to any unauthorized person.

- 10.6 *Which Copy of the Manual Controls.* You agree to keep your copy of the Manual only at the Licensed Location (and as provided in Section 10.4 above) and also to insure that the Manual are kept current and up to date. You also agree that if there is any dispute as to the contents of the Manual, the terms of the master copy of the Manual that we maintain in our home office will be controlling. Access to any electronic version of the Manual shall also be subject to our reasonable requirements with respect to security and other matters, as described in Section 14 below.
- 10.7 *Revisions to the Manual.* We have the right to revise the contents of the Manual whenever we deem it appropriate to do so, and you agree to make corresponding revisions to your copy of the Manual and to comply with each new or changed standard.
- 10.8 *Modifications to the System.* You recognize and agree that we may periodically change or modify the System and you agree to accept and use for the purpose of this Agreement any such change in the System (which may include, among other things, new or modified trade names, service marks, trademarks or copyrighted materials, new products, new equipment or new techniques, as if they were part of this Agreement at the time when you and we signed this Agreement; provided the financial burden placed upon you is not substantial). You agree to make such expenditures and such changes or modifications as we may reasonably require pursuant to this Section and otherwise in this Agreement.

11 CONFIDENTIAL INFORMATION

11.1 Confidentiality.

- 11.1.1 You agree that you will not, during the term of this Agreement or at any time thereafter, communicate, divulge, or use for the benefit of any other person, persons, partnership, entity, association, or corporation any Confidential Information that may be communicated to you or of which you may be apprised by virtue of your operation under the terms of this Agreement. You may divulge our Confidential Information only to those of your employees as must have access to it in order to operate the Licensed Location.
- 11.1.2 Any and all information, knowledge, know-how, and techniques that we designate as confidential shall be deemed Confidential Information for purposes of this Agreement, except information that you can demonstrate came to your attention before disclosure of that information by us; or which, at or after the time of our disclosure to you, had become or later becomes a part of the public domain, through publication or communication by another party that has the right to publish or communicate that information.
- 11.1.3 Any employee who may have access to any Confidential Information regarding the Licensed Location shall execute a covenant that s/he will maintain the confidentiality of information they receive in connection with their association with you. Such covenants shall be on a form that we provide, which form shall, among other things, designate us as a third party beneficiary of such covenants with the independent right to enforce them.
- 11.1.4 As used in this Agreement, the term "**Confidential Information**" includes, without limitation, our business concepts and plans, recipes, methods, equipment, operating techniques, marketing plans, marketing and advertising materials, play building and exhibit vendors and designs, processes, formulae, manufacturing and vendor

information, results of operations and quality control information, financial information, demographic and trade area information, prospective site locations, market penetration techniques, plans, or schedules, the Manuals, customer profiles, preferences, or statistics, itemized costs, franchisee composition, territories, and development plans, and all related trade secrets or other confidential or proprietary information treated as such by us, whether by course of conduct, by letter or report, or by the use of any appropriate proprietary stamp or legend designating such information or item to be confidential or proprietary, by any communication to such effect made prior to or at the time any Confidential Information is disclosed to you.

- 11.2 *Consequences of Breach.* You acknowledge and agree that any failure to comply with the requirements of this Section 11 will cause us irreparable injury, and you agree to pay all costs (including, without limitation, reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur in obtaining specific performance of, or an injunction against violation of, the requirements of this Section 11.

12 ACCOUNTING, FINANCIAL AND OTHER RECORDS, AND INSPECTIONS

12.1 *Accounting Records and Sales Reports.*

- 12.1.1 With respect to the operation and financial condition of the Licensed Location, we will have the right to designate, and you agree to adopt, the fiscal year and interim fiscal periods that we decide are appropriate for the System. We also have the right to designate (and require that you use) a designated third party accounting provider for monthly bookkeeping services, and to pay this provider directly for their services.
- 12.1.2 With respect to the Licensed Location, you agree to maintain for at least seven (7) years during (as well as after) the term of this Agreement (and also after any termination and/or transfer), full, complete, and accurate books, records, and accounts prepared in accordance with generally accepted accounting principles and in the form and manner we have prescribed periodically in the Manual or otherwise in writing, including: **(a)** daily cash reports; **(b)** cash receipts journal and general ledger; **(c)** cash disbursements and weekly payroll journal and schedule; **(d)** monthly bank statements, daily deposit slips and cancelled checks; **(e)** all tax returns; **(f)** supplier's invoices (paid and unpaid); **(g)** dated daily and weekly cash register journals and POS reports in accordance with our standards; **(h)** semi-annual fiscal period balance sheets and fiscal period profit and loss statements; **(i)** operational schedules and weekly inventory records; **(j)** records of promotion and coupon redemption; and **(k)** such other records that we may periodically and reasonably request.
- 12.1.3 We have the right to specify a common chart of accounts, and, if we do so, you agree to use that chart of accounts (and require your bookkeeper and accountant to do so) in preparing and submitting your financial statements to us. We may suggest a third party bookkeeper, which you will have the right to use or not use; but if you do not use our recommended bookkeeper, your bookkeeping and accounting methods must at all times meet our standards without assistance and guidance from us.
- 12.1.4 You agree to submit weekly sales reports to us at the same time as your royalty payments are due under Section 4 above, in the form and format that we may reasonably require for that purpose. You agree to submit the report to us by the method that we designate (which may be electronically). You agree that if do not

submit those reports to us in a timely manner, we will have the right to charge you for the costs that we incur in auditing your records.

12.2 *Financial Statements.*

12.2.1 You agree to provide us, at your expense, and in a format that we reasonably specify, a complete annual financial statement prepared on a review basis by an independent certified public accountant (as to whom we do not have a reasonable objection) within ninety (90) days after the end of each fiscal year of the Licensed Location during the term of this Agreement. Your financial statement must be prepared according to generally accepted accounting principles, include a fiscal year-end balance sheet, an income statement of the Licensed Location for that fiscal year reflecting all year-end adjustments, and a statement of changes in your cash flow reflecting the results of operations of the Licensed Location during the most recently completed fiscal year.

12.2.2 In addition, no later than the twentieth (20th) day after each month (or, if we elect, other periodic time period) during the term of this Agreement after the opening of the Licensed Location, you will submit to us, in a format acceptable to us (or, at our election, in a form that we have specified): **(a)** a fiscal period and fiscal year-to-date profit and loss statement and a quarterly balance sheet (which may be unaudited) for the Licensed Location; **(b)** reports of those income and expense items of the Licensed Location that we periodically specify for use in any revenue, earnings, and/or cost summary we choose to furnish to prospective franchisees (provided that we will not identify to prospective franchisees the specific financial results of the Licensed Location); and **(c)** copies of all state sales tax returns for the Licensed Location. You agree to certify as correct and true all reports and information that you submit to us pursuant to this Section 12.2.

12.3 *Additional Information.* You also agree to submit to us (in addition to the sales reports required pursuant to Section 12.1.4 above), for review or auditing, such other forms, reports, records, information, and data as and when we may reasonably designate, in the form and format, and at the times and places as we may reasonably require, upon request and as specified periodically in the Manual or otherwise in writing, including: **(a)** information in electronic format; **(b)** restated in accordance with our financial reporting periods; **(c)** consistent with our then-current financial reporting periods and accounting practices and standards; and/or **(d)** as necessary so that we can comply with reporting obligations imposed upon us by tax authorities with jurisdiction over the Licensed Location and/or our company. The reporting requirements of this Section 12.3 shall be in addition to, and not in lieu of, the electronic reporting required under Section 14 below.

12.4 *PCI Compliance and Credit Cards.* With respect to your acceptance and processing of customer payments by credit and debit cards, you agree to do all of the following:

12.4.1 You agree to maintain, at all times, credit-card relationships with the credit- and debit-card issuers or sponsors, check or credit verification services, financial-center services, merchant service providers, and electronic-fund-transfer systems (together, "**Credit Card Vendors**") that we may periodically designate as mandatory. The term "**Credit Card Vendors**" includes, among other things, companies that provide services for electronic payment, such as near field communication vendors (for example, "Apple Pay" and "Google Wallet").

- 12.4.2 You agree not to use any Credit Card Vendor for which we have not given you our prior written approval or as to which we have revoked our earlier approval.
- 12.4.3 We have the right to modify our requirements and designate additional approved or required methods of payment and vendors for processing such payments, and to revoke our approval of any service provider.
- 12.4.4 You agree to comply with all of our policies regarding acceptance of payment by credit and/or debit cards, including for example minimum purchase requirements for a customer's use of a credit card (we may set these requirements in the Manual).
- 12.4.5 You agree to comply with our requirements concerning data collection and protection, as specified in Section 14.3 below.
- 12.4.6 You agree to comply with the then-current Payment Card Industry Data Security Standards as those standards may be revised and modified by the PCI Security Standards Council, LLC (see www.pcisecuritystandards.org), or any successor organization or standards that we may reasonably specify. Among other things, you agree to implement the enhancements, security requirements, and other standards that the PCI Security Standards Council (or its successor) requires of a merchant that accepts payment by credit and/or debit cards.
- 12.5 *Gift Cards and Incentive Programs.* You agree to offer for sale, and to honor for purchases by customers, all gift cards and other incentive or convenience programs that we may periodically institute (including loyalty programs that we or a third party vendor operate, as well as mobile payment and/or customer affinity applications); and you agree to do all of those things in compliance with our standards and procedures for such programs (which may be set out in the Manual or otherwise in writing). You agree to abide by the written standards that we establish and disseminate (in the Manual or otherwise) with respect to gift card residual value. For this purpose, you must purchase the software, hardware, and other items needed to sell and process gift cards, and to contact with the supplier of gift cards and gift card processing services, as we may specify in writing in the Manual or otherwise. You must also pay such transaction fees as may be required by the vendors of the gift card or loyalty program system. You agree not to sell, issue, or redeem coupons, gift certificates and gift cards other than gift cards that we have approved in writing.
- 12.6 *Our Right to Inspect Your Books and Records.* We have the right at all reasonable times to examine, copy, and/or personally review or audit (at our expense) all of your books, records, and sales and income tax returns in person or through electronic access (at our option). We will also have the right, at any time, to have an independent audit made of your books and records. If an inspection should reveal that you have understated any payments in any report to us, then this shall constitute a default under this Agreement, and you agree to immediately pay us the amount understated upon demand, in addition to interest from the date such amount was due until paid, at the rate of one and one-half percent (1.5%) per month (but not more than the maximum rate permitted by law, if any). If we conduct an inspection because you did not timely provide sales reports to us, or if an inspection discloses that you understated your sales by two percent (2%) or more, then you agree (in addition to paying us the overdue amount and interest) to reimburse us for any and all costs and expenses we incur in connected with the inspection (including travel, lodging and wages expenses, and reasonable accounting and legal costs). These remedies shall be in addition to any other remedies we may have. We may exercise our rights under this Section 12 directly or by engaging outside professional advisors (for example, a CPA) to represent us.

12.7 *Inspections.* In addition to the provisions of Section 12.6 above, you also grant to us and our agents the right to the Licensed Location's premises at any reasonable time for the purpose of conducting inspections, to preserve the validity of the Proprietary Marks, and to verify your compliance with this Agreement and our policies and procedures. You agree to cooperate with our representatives in such inspections by rendering such assistance as they may reasonably request; and, upon notice from us or from our agents (and without limiting our other rights under this Agreement), you agree to take such steps as may be necessary to correct immediately any deficiencies detected during any such inspection.

13 **MARKETING**

13.1 *Marketing Contribution.* For each Week during the term of this Agreement, you agree to contribute an amount equal to five percent (5.0%) of your Licensed Location's Gross Sales during the preceding Month (the "**Marketing Contribution**"). You agree to pay the Marketing Contribution in the manner and at the times required under Section 4.3 above (and as otherwise provided in this Section 13). You also agree to conduct and complete the Market Introduction Program as set out in Section 13.9 below.

13.2 *Allocation and Collection.*

13.2.1 We have the right to allocate your Marketing Contribution in the proportion that we designate among our System-wide brand marketing fund (the "**Brand Fund**"), any Regional Fund (defined below) established for your area, as provided in Section 13.4 below (but we are not required to establish a Regional Fund for your area), or for you to retain for expenditures on local advertising and promotion.

13.2.2 Subject to Section 13.2.3 below, our current allocation of the Marketing Contribution is as follows:

This amount	Allocation:
Forty percent (40%) of the Marketing Contribution (that is, 2% of your Gross Sales)	Brand Fund
Sixty percent (60%) of the Marketing Contribution (that is, 3% of your Gross Sales)	Local advertising and promotion

13.2.3 We have the right to periodically make changes to the amount of the Marketing Contribution as well as the allocation of the Marketing Contribution, as specified in Section 13.2.1 among the Brand Fund, a Regional Fund, and/or for local advertising and promotion, by giving you written notice of the change, and those changes will take effect at the end of that Month.

13.2.4 No part of the Marketing Contribution (whether deposited in Brand Fund or a Regional Fund) shall be subject to refund or repayment under any circumstances.

13.3 *Brand Fund.* We (or our designee) will maintain and administer the Brand Fund as follows:

13.3.1 We or our designee shall have the right to direct all marketing programs, as well as all aspects thereof, including, without limitation, the concepts, materials, and media used in such programs and the placement and allocation thereof. You acknowledge and agree that the Brand Fund is intended to maximize general public recognition, acceptance, and use of the System; and that we and our designee are not obligated,

in administering the Brand Fund, to make expenditures for you that are equivalent or proportionate to your contribution, or to ensure that any particular franchisee benefits directly or pro rata from expenditures by the Brand Fund.

- 13.3.2 The Brand Fund, all contributions to that fund, and any of that fund's earnings, shall be used exclusively (except as otherwise provided in this Section 13.3) to meet any and all costs of maintaining, administering, directing, conducting, creating and/or otherwise preparing advertising, marketing, public relations and/or promotional programs and materials, and any other activities that we believe will enhance the image of the System (including the costs of preparing and conducting: marketing and advertising campaigns in any medium, whether digital, print, direct-mail or other; marketing surveys and other public relations activities; employing marketing personnel, the costs of retaining advertising and/or public relations agencies; purchasing promotional items, conducting and administering visual merchandising, point of sale, and other merchandising programs; conducting and administering visual merchandising, point of sale, and other merchandising programs; engaging individuals as spokespersons and celebrity endorsers; work in connection with curriculum creation and development; purchasing creative content for local sales materials; website development and updates; reviewing locally-produced ads; preparing, purchasing and distributing door hangers, free-standing inserts, coupons, brochures, and trademarked apparel; market research; conducting sponsorships, sweepstakes and competitions; engaging mystery shoppers for Locations and their competitors; and providing promotional and other marketing materials and services to the Locations operated under the System). The Brand Fund may also be used to provide rebates or reimbursements to franchisees for local expenditures on products, services, or improvements, so long as we have given our prior written approval, which products, services, or improvements; and we will have the right to determine what methods to use in order to promote general public awareness of, and favorable support for, the System.
- 13.3.3 You agree to make your Marketing Contribution to the Brand Fund in the manner specified in Section 4.4 above. We will maintain all sums in the Brand Fund in an account separate from our other monies. We will have the right to charge the Brand Fund for the reasonable administrative costs and overhead that we incur in activities reasonably related to the direction and implementation of the Brand Fund and marketing programs for franchisees and the System (including costs of personnel for creating and implementing, advertising, merchandising, promotional and marketing programs). The Brand Fund and its earnings shall not otherwise inure to our benefit. Any unspent amounts remaining in the Brand Fund at the end of each fiscal year will remain in the Brand Fund to be used in the following year (or after that) for future Brand Fund initiatives. We or our designee will maintain separate bookkeeping accounts for the Brand Fund.
- 13.3.4 No part of your Marketing Contribution shall be deemed an asset of ours, nor a trust, and we do not assume any fiduciary obligation to you for maintaining, directing or administering said funds or for any other reason. We will prepare a statement of the operations of the Marketing Fund and any Regional Funds as shown on our books, annually, and make that report available to you upon your request.
- 13.3.5 Although the Brand Fund is intended to be of perpetual duration, we maintain the right to terminate the Brand Fund. The Brand Fund shall not be terminated, however, until all monies in the Brand Fund have been expended for marketing and/or promotional purposes.

- 13.4 *Regional Fund.* We will have the right to designate any geographical area for purposes of establishing a regional cooperative marketing fund ("**Regional Fund**"). If a Regional Fund for the geographic area in which the Licensed Location is located has been established at the time you start to operate under this Agreement, you will immediately become a member of such Regional Fund. If a Regional Fund for the geographic area in which the Licensed Location is located is established during the term of this Agreement, you will become a member of that Regional Fund within thirty (30) days after the date on which the Regional Fund commences operation. (However, you will not be required to be a member of more than one Regional Fund.) The following provisions shall apply to each Regional Fund:
- 13.4.1 Each Regional Fund shall be organized (including bylaws and other organic documents) and governed in a form and manner, and shall commence operations on a date, which we must have approved in advance in writing. The activities carried on by each Regional Fund shall be decided by a majority vote of its members (unless we specify otherwise in writing). Any Locations that we operate in the region shall have the same voting rights as Locations owned by franchisees. The owner of each Licensed Location shall be entitled to cast one (1) vote for each Licensed Location owned.
- 13.4.2 Each Regional Fund shall be organized for the sole purpose of administering regional marketing programs and developing, subject to our approval, standardized promotional materials for use by the members in local store marketing.
- 13.4.3 No advertising, marketing, or promotional plans or materials may be used by a Regional Fund or given to its members without our prior written approval as specified in Section 13.7 below.
- 13.4.4 You agree to make your required contribution to a Regional Fund pursuant to the allocation that we specify, as described in Section 13.2 above.
- 13.4.5 Although once established, each Regional Fund is intended to be of perpetual duration, we maintain the right to terminate any Regional Fund. A Regional Fund shall not be terminated, however, until all monies in that Regional Fund have been expended for marketing and/or promotional purposes.
- 13.4.6 A majority of the Location owners in the Regional Fund who pay one percent (1%) or more of each Location's Gross Sales to the Regional Fund may vote to increase the amount of each Location owner's contribution to the Regional Fund by up to an additional one percent (1%) of each Location's Gross Sales (to a total of two percent (2%)). Voting will be on the basis of one (1) vote per Location, and any Locations we operate in the region, if any, will have the same voting rights as those owned by our franchisees. You agree to contribute to the Regional Fund in accordance with any such vote by the Regional Fund to increase each Location's contribution to two percent (2%) of the Gross Sales of your Location.
- 13.5 *Standards.* All of your local store marketing must: **(a)** be in the media, and of the type and format, that we may approve; **(b)** be conducted in a dignified manner; and **(c)** conform to the standards and requirements that we may specify. You agree not to use any advertising, marketing materials, and/or promotional plans unless and until you have received our prior written approval, as specified in Section 13.7 below.
- 13.6 *Materials Available for Purchase.* We will make available to you periodically, at your expense, marketing plans and promotional materials, including newspaper mats, coupons,

merchandising materials, sales aids, point-of-purchase materials, special promotions, direct mail materials, community relations programs, and similar marketing and promotional materials for use in local store marketing.

- 13.7 *Our Review and Right to Approve All Proposed Marketing.* For all proposed advertising, marketing, and promotional plans, you (or the Regional Fund, where applicable) shall submit to us samples of such plans and materials (by means described in Section 24 below), for our review and prior written approval. If you (or the Regional Fund) have not received our written approval within fourteen (14) days after we have received those proposed samples or materials, then we will be deemed to have disapproved them. You acknowledge and agree that any and all copyright in and to advertising, marketing materials, and promotional plans developed by or on behalf of you will be our sole property, and you agree to sign such documents (and, if necessary, require your employees and independent contractors to sign such documents) that we deem reasonably necessary to give effect to this provision.
- 13.8 *Additional Marketing Expenditure Encouraged.* You understand and acknowledge that the required contributions and expenditures are minimum requirements only, and that you may (and we encourage you to) spend additional funds for local advertising and promotion, which will focus on disseminating marketing directly related to your Licensed Location.
- 13.9 *Market Introduction Program.* In addition to and not instead of your other marketing contributions to the Brand Fund or Regional Fund, you agree to spend at least Eight Thousand Dollars (\$8,000) on local marketing conducted in conjunction with the Location's initial grand opening (the "**Market Introduction Program**"), in accordance with a marketing plan that you will prepare and that will be subject to approval under Section 13.7 above. You acknowledge and agree that, as part of the Market Introduction Program, you will be required to spend at least Four Thousand Dollars (\$4,000) on social media marketing, and that we have the right to designate a third party marketing agency to implement and conduct such social media marketing. You must complete the Market Introduction Program within three months after the Licensed Location first opens for business. The Market Introduction Program will be considered local marketing and promotion, and subject to Section 13.10 below.
- 13.10 *Local Advertising and Promotion.* If we allocate a portion of the Marketing Contribution to be spent by you on local advertising and promotion you must spend a minimum of such amount on local advertising and promotion. We may recommend, but do not require, that you spend additional amounts on local advertising and promotion. You must provide us with such materials as we may request to evidence any required local advertising and promotion expenditures. We have the right to require that you use a designated marketing supplier to conduct local advertising and promotion for the portion of the Marketing Contribution that is allocated to, and that you are required to spend on, local advertising and promotion. As used in this Agreement, the term "**local advertising and promotion**" shall consist only of the direct costs of purchasing and producing marketing materials (including, but not limited to, camera-ready advertising and point of sale materials), media (space or time), and those direct out-of-pocket expenses related to costs of marketing and sales promotion that you spend in your local market or area, advertising agency fees and expenses, postage, shipping, telephone, and photocopying; however, the parties expressly agree that local store marketing shall not include costs or expenses that you incur or that are spent on your behalf in connection with any of the following:

13.10.1 Salaries and expenses of your employees, including salaries or expenses for attendance at marketing meetings or activities, or incentives provided or offered to such employees, including discount coupons;

13.10.2 Charitable, political, or other contributions or donations;

13.10.3 The value of discounts provided to consumers; and/or

13.10.4 The cost of food, beverage, and merchandise items.

13.11 *Rebates.* You acknowledge and agree that periodic rebates, giveaways and other promotions and programs will, if and when we adopt them, be an integral part of the System. Accordingly, you agree to honor and participate (at your expense) in reasonable rebates, giveaways, marketing programs, and other promotions that we establish and/or that other franchisees sponsor, so long as they do not violate regulations and laws of appropriate governmental authorities.

13.12 *Considerations as to Charitable Efforts.* You acknowledge and agree that certain associations between you and/or the Licensed Location and/or the Proprietary Marks and/or the System, on the one hand, and certain political, religious, cultural or other types of groups, organizations, causes, or activities, on the other, however well-intentioned and/or legal, may create an unwelcome, unfair, or unpopular association with, and/or an adverse effect on, our reputation and/or the good will associated with the Proprietary Marks. Accordingly, you agree that you will not, without our prior written consent, take any actions that are, or which may be perceived by the public to be, taken in the name of, in connection or association with you, the Proprietary Marks, the Licensed Location, us, and/or the System involving the donation of any money, products, services, goods, or other items to, any charitable, political or religious organization, group, or activity.

14 TECHNOLOGY

14.1 *Computer Systems and Required Software.* With respect to computer systems and required software:

14.1.1 We have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, and hardware to be used by, between, or among Locations, and in accordance with our standards, including without limitation: **(a)** back office and point of sale systems, data, audio, video (including managed video security surveillance), telephone, voice messaging, retrieval, and transmission systems for use at Locations, between or among Locations, and between and among the Licensed Location, and you, and us; **(b)** POS Systems (defined in Section 14.7 below); **(c)** physical, electronic, and other security systems and measures; **(d)** printers and other peripheral devices; **(e)** archival back-up systems; **(f)** internet access mode (e.g., form of telecommunications connection) and speed; and **(g)** front-of-the-house WiFi and other internet service for customers and designated music subscription services (which we may designate and you must use) (collectively, all of the above are referred to as the “**Computer System**”).

14.1.2 We will have the right, but not the obligation, to develop or have developed for us, or to designate: **(a)** computer software programs and accounting system software that you must use in connection with the Computer System (“**Required Software**”), which you agree to install; **(b)** updates, supplements, modifications, or enhancements to the Required Software, which you agree to install; **(c)** the media upon which you must record data; and **(d)** the database file structure of your Computer System. If we require you to use any or all of the above items, then you agree to do so.

- 14.1.3 You agree to install and use the Computer System and Required Software at your expense. You agree to pay us or third party vendors, as the case may be, initial and ongoing fees in order to install, maintain, and continue to use the Required Software, hardware, and other elements of the Computer System.
- 14.1.4 You agree to implement and periodically make upgrades and other changes at your expense to the Computer System and Required Software as we may reasonably request in writing (collectively, "**Computer Upgrades**").
- 14.1.5 You agree to comply with all specifications that we issue with respect to the Computer System and the Required Software, and with respect to Computer Upgrades, at your expense. You agree to afford us unimpeded access to your Computer System and Required Software, including all information and data maintained thereon, in the manner, form, and at the times that we request.
- 14.1.6 You also agree that you will not implement other technology solutions (including beacons and other tracking methodologies) without our prior written approval.
- 14.2 *Data.*
- 14.2.1 You agree that all data that you collect, create, provide, or otherwise develop on your Computer System (whether or not uploaded to our system from your system and/or downloaded from your system to our system) is and will be owned exclusively by us, and that we will have the right to access, download, and use that data in any manner that we deem appropriate (including, without limitation, to compile statistics made available to other franchisees, lenders, and other third parties, but without specifically identifying your Licensed Location) without compensation to you.
- 14.2.2 You agree that all other data that you create or collect in connection with the System, and in connection with your operation of the Licensed Location (including customer and transaction data), is and will be owned exclusively by us during the term of, and after termination or expiration of, this Agreement.
- 14.2.3 In order to operate your Licensed Location under this Agreement, we license use of such data back to you, at no additional cost, solely for the term of this Agreement and for your use in connection with operating the Licensed Location. You acknowledge and agree that except for the right to use the data under this clause, you will not develop or have any ownership rights in or to the data.
- 14.2.4 You agree to transfer to us all data (in the digital machine-readable format that we specify, and/or printed copies, and/or originals) promptly upon our request when made, whether periodically during the term of this Agreement, upon termination and/or expiration of this Agreement, any transfer of an interest in you, and/or a transfer of the Licensed Location.
- 14.3 *Data Requirements and Usage.* We may periodically specify in the Manual or otherwise in writing the information that you agree to collect and maintain on the Computer System installed at the Licensed Location, and you agree to provide to us such reports as we may reasonably request from the data so collected and maintained. All data pertaining to or derived from the Licensed Location (including, without limitation, data pertaining to or otherwise about Licensed Location customers) is and shall be our exclusive property, and we grant a royalty-free non-exclusive license to you to use such data during the term of this Agreement.

- 14.3.1 You agree to abide by all applicable laws pertaining to the privacy of consumer, employee, and transactional information ("**Privacy Laws**").
- 14.3.2 You agree to comply with our standards and policies pertaining to the privacy of consumer, employee, and transactional information. If there is a conflict between our standards and policies and Privacy Laws, you agree to: **(a)** comply with the requirements of Privacy Laws; **(b)** immediately give us written notice of such conflict; and **(c)** promptly and fully cooperate with us and our counsel in determining the most effective way, if any, to meet our standards and policies pertaining to privacy within the bounds of Privacy Laws.
- 14.3.3 You agree to not publish, disseminate, implement, revise, or rescind a data privacy policy without our prior written consent as to such policy.
- 14.4 *Extranet.* You agree to comply with our requirements (as set forth in the Manual or otherwise in writing) with respect to establishing and maintaining telecommunications connections between your Computer System and our Extranet and/or such other computer systems as we may reasonably require. The term "**Extranet**" means a private network based upon Internet protocols that will allow users inside and outside of our headquarters to access certain parts of our computer network via the Internet. We may establish an Extranet (but are not required to do so or to maintain an Extranet). If we establish an Extranet, then you agree to comply with our requirements (as set forth in the Manual or otherwise in writing) with respect to connecting to the Extranet, and utilizing the Extranet in connection with the operation of your Licensed Location. The Extranet may include, without limitation, the Manual, training and other assistance materials, and management reporting solutions (both upstream and downstream, as we may direct). You agree to purchase and maintain such computer software and hardware (including telecommunications capacity) as may be required to connect to and utilize the Extranet. You agree to execute and deliver to us such documents as we may deem reasonably necessary to permit you to access the Extranet.
- 14.5 *Online Reservation System.* If we implement an electronic reservation system, then you agree to participate in that system on the terms and conditions that we may specify in writing, and to pay the reasonable fees for that system that we and/or our vendor specify.
- 14.6 *No Separate Online Sites.* Unless we have otherwise approved in writing, you agree to neither establish nor permit any other party to establish an Online Site relating in any manner whatsoever to the Licensed Location or referring to the Proprietary Marks. We will have the right, but not the obligation, to provide one or more references or webpage(s), as we may periodically designate, within our Online Site. The term "**Online Site**" means one or more related documents, designs, pages, or other communications that can be accessed through electronic means, including, but not limited to, the Internet, World Wide Web, webpages, microsites, social networking sites (e.g., Facebook, Twitter, LinkedIn, You Tube, Snapchat Pinterest, Instagram, etc.), blogs, vlogs, applications to be used on mobile devices (e.g., iOS or Droid apps), and other applications, etc. (whether they are now in existence or developed at some point in the future). However, if we give you our prior written consent to have some form of a separate Online Site (which we are not obligated to approve), then each of the following provisions shall apply:
- 14.6.1 You agree that you will not establish or use any Online Site without our prior written approval.

- 14.6.2 Any Online site owned or maintained by or for your benefit will be deemed “marketing” under this Agreement, and will be subject to (among other things) our approval under Section 13.7 above.
- 14.6.3 Before establishing any Online Site, you agree to submit to us, for our prior written approval, a sample of the proposed Online Site domain name, format, visible content (including, without limitation, proposed screen shots, links, and other content), and non-visible content (including, without limitation, meta tags, cookies, and other electronic tags) in the form and manner we may reasonably require.
- 14.6.4 You may not use or modify such Online Site without our prior written approval as to such proposed use or modification.
- 14.6.5 In addition to any other applicable requirements, you agree to comply with the standards and specifications for Online Sites that we may periodically prescribe in the Manual or otherwise in writing (including, but not limited to, requirements pertaining to designating us as the sole administrator or co-administrator of the Online Site).
- 14.6.6 If we require, you agree to establish such hyperlinks to our Online Site and others as we may request in writing.
- 14.6.7 If we require you to do so, you agree to make weekly or other periodic updates to our Online Site to reflect information regarding specials and other promotions at your Licensed Location.
- 14.6.8 We may require you to make us the sole administrator (or co-administrator) of any social networking pages that you maintain or that are maintained on your behalf, and we will have the right (but not the obligation) to exercise all of the rights and privileges that an administrator may exercise.
- 14.7 *POS Systems.* You agree to record all sales on computer-based point of sale systems we approve or on such other types of cash registers as we may designate in the Manual or otherwise in writing (“**POS Systems**”), which shall be deemed part of your Computer System. You agree to utilize POS Systems that are fully compatible with any program, software program, and/or system which we, in our discretion, may employ (including mobile or remote device, application and payment systems), and you agree to record all Gross Revenues and all sales information on such equipment. We may designate one or more third party suppliers or servicers to provide installation, maintenance, and/or support for the POS System, and you agree to enter into and maintain such agreements (including making such payments) as we or the third party suppliers and/or servicers require in connection with the installation, maintenance, and/or support for the POS System. The POS System is part of the Computer System. You agree to at all times maintain a continuous high-speed cabled (not wireless) connection to the Internet to send and receive POS data to us.
- 14.8 *Electronic Identifiers; E-Mail.*
- 14.8.1 You agree not to use the Proprietary Marks or any abbreviation or other name associated with us and/or the System as part of any e-mail address, domain name, social network or social media name or address, and/or any other identification of you and/or your business in any electronic medium.

- 14.8.2 You agree not to transmit or cause any other party to transmit advertisements or solicitations by e-mail, text message, and/or other electronic media without obtaining our prior written consent as to: **(a)** the content of such electronic advertisements or solicitations; and **(b)** your plan for transmitting such advertisements. In addition to any other provision of this Agreement, you will be solely responsible for compliance with any laws pertaining to sending electronic communication including, the Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (known as the “CAN-SPAM Act of 2003”) and the Federal Telephone Consumer Protection Act. (As used in this Agreement, the term “**electronic communication**” includes all methods for sending communication electronically, whether or not currently invented or used, including without limitation e-mails, text messages, internet-based communication, and faxes.)
- 14.9 *Outsourcing.* You agree not to hire third party or outside vendors to perform any services or obligations in connection with the Computer System, Required Software, and/or any other of your obligations, without our prior written approval. Our consideration of any proposed outsourcing vendors may be conditioned upon, among other things, such third party or outside vendor’s entry into a confidentiality agreement with us and you in a form that we may reasonably provide and the third party or outside vendor’s agreement to pay for all initial and ongoing costs related to interfaces with our computer systems. The provisions of this section are in addition to and not instead of any other provision of this Agreement. You agree not to install (and/or remove) any software or firmware from the Computer System without our prior written consent.
- 14.10 *Telephone Service.* You agree to use the telephone service for the Location that we may require, which may be one or more centralized vendors that we designate for that purpose. You agree that we may designate, and own, the telephone numbers for your Licensed Location.
- 14.11 *Changes.* You acknowledge and agree that changes to technology are dynamic and not predictable within the term of this Agreement. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, you agree that we will have the right to establish, in writing, reasonable new components and elements of the Computer System, and new standards for the implementation of technology in the System; and you agree to abide by those reasonable new standards we establish as this Section 14 were periodically revised by us for that purpose.
- 14.12 *Electronic Communication – Including E-Mail, Fax, and Texts.* You acknowledge and agree that exchanging information with us by electronic communication methods is an important way to enable quick, effective, and efficient communication, and that we are entitled to rely upon your use of electronic communications as part of the economic bargain underlying this Agreement. To facilitate the use of electronic communication to exchange information, you authorize the transmission of those electronic communications by us and our employees, vendors, and affiliates (on matters pertaining to the business contemplated hereunder) (together, “**Official Senders**”) to you during the term of this Agreement.
- 14.12.1 In order to implement the terms of this Section 14.12, you agree that: **(a)** Official Senders are authorized to send electronic communications to those of your employees as you may occasionally designate for the purpose of communicating with us and others; **(b)** you will cause your officers, directors, members, managers, and employees (as a condition of their employment or position with you) to give their consent (in an electronic communication or in a pen-and-paper writing, as we may reasonably require) to Official Senders’ transmission of electronic communication to

those persons, and that such persons shall not opt-out, or otherwise ask to no longer receive electronic communication, from Official Senders during the time that such person works for or is affiliated with you; and (c) you will not opt-out, or otherwise ask to no longer receive electronic communications, from Official Senders during the term of this Agreement.

14.12.2 The consent given in this Section 14.12 shall not apply to the provision of notices by either party under this Agreement using e-mail unless the parties otherwise agree in a pen-and-paper writing signed by both parties.

14.12.3 We may permit or require you to use a specific e-mail address (or address using another communicator medium) (e.g., one that will contain a Top Level Domain Name that we designate, such as jane.smith@playstreetmuseum.com or "john.jones@psmfranchisee.com) (the "**Business E-mail Address**") in connection with the operation of the Licensed Location, under the standards that we set for use of that Business E-mail Address. You will be required to sign the form E-Mail authorization letter that we may specify for this purpose. If we assign you a Business E-mail Address, then you agree that you (and your employees) will use only that e-mail account for all business associated with your Licensed Location.

15 INSURANCE

15.1 *Required Insurance Coverage.* Before starting any activities or operations under this Agreement, you agree to procure and maintain in full force and effect during the term of this Agreement (and for such period thereafter as is necessary to provide the coverages required under this Agreement for events having occurred during the Term of this Agreement), at your expense, at least the following insurance policy or policies in connection with the Licensed Location or other facilities on premises, or by reason of the construction, operation, or occupancy of the Licensed Location or other facilities on premises. Such policy or policies shall be written by an insurance company or companies we have approved, having at all times a rating of at least "A+" in the most recent Key Rating Guide published by the A.M. Best Company (or another rating that we reasonably designate if A.M. Best Company no longer publishes the Key Rating Guide) and licensed and admitted to do business in the state in which the Licensed Location is located, and shall include, at a minimum (except that we may reasonably specify additional coverages and higher policy limits for all franchisees periodically in the Manual or otherwise in writing to reflect inflation, identification of new risks, changes in the law or standards of liability, higher damage awards and other relevant changes in circumstances), the following:

15.1.1 Commercial general liability insurance, including us, and any entity in which we have an interest and any entity affiliated with us and each of our members, managers, shareholders, directors, officers, partners, employees, servants and agents as additional insureds protecting against any and all claims for personal, bodily and/or property injury occurring in or about the Location and protecting against assumed or contractual liability under this Agreement with respect to the Location and your operations, with such policy to be placed with minimum limits of One Million Dollars (\$1,000,000) combined single limit per occurrence and Two Million Dollars (\$2,000,000) general aggregate per location; provided, however, that at our election, those minimum limits may be periodically increased.

15.1.2 Statutory workers' compensation insurance and employer's liability insurance for a minimum limit equal to at least the greater of Five Hundred Thousand Dollars

(\$500,000) per accident, per disease per employee, and disease policy limit, as well as such other disability benefits type insurance as may be required by statute or rule of the state in which the Location is located.

- 15.1.3 Commercial umbrella liability insurance with limits which bring the total of all primary underlying coverages (commercial general liability, comprehensive automobile liability, and employers liability) to not less than One Million Dollars (\$1,000,000) total limit of liability. Such umbrella liability shall provide at a minimum those coverages and endorsements required in the underlying policies.
- 15.1.4 Property insurance providing coverage for direct physical loss or damage to real and personal property for all risk perils, including the perils of flood and earthquake. Appropriate coverage shall also be provided for boiler and machinery exposures and business interruption/extra expense exposures, written on an actual loss sustained basis. The policy or policies shall value property (real and personal) on a new replacement cost basis without deduction for depreciation and the amount of insurance shall not be less than the full replacement value of the Location, its furniture, fixtures, equipment, and stock (real and personal property). Any deductibles contained in such policy shall be subject to our review and approval.
- 15.1.5 Any other insurance coverage that is required by federal, state, or municipal law.
- 15.2 *Endorsements.* All policies listed in Section 15.1 above (unless otherwise noted below) shall contain such endorsements as shall, periodically, be provided in the Manual. All policies shall waive subrogation as between us (and our insurance carriers) and you (and your insurance carriers).
- 15.3 *Notices to us.* In the event of cancellation, material change, or non-renewal of any policy, sixty (60) days' advance written notice must be provided to us in the manner provided in Section 24 below.
- 15.4 *Construction Coverages.* In connection with all significant construction, reconstruction, or remodeling of the Licensed Location during the term of this Agreement, you agree to require the general contractor, its subcontractors, and any other contractor, to effect and maintain at general contractor's and all other contractor's own expense, such insurance policies and bonds with such endorsements as are set forth in the Manual, all written by insurance or bonding companies that we have approved, having a rating as set forth in Section 15.1 above.
- 15.5 *Other Insurance Does Not Impact your Obligation.* Your obligation to obtain and maintain the foregoing policy or policies in the amounts specified shall not be limited in any way by reason of any insurance that we may maintain, nor shall your performance of that obligation relieve you of liability under the indemnity provisions set forth in Section 21.4 below. Additionally, the requirements of this Section 15 shall not be reduced, diminished, eroded, or otherwise affected by insurance that you carry (and/or claims made under that insurance) for other businesses, including, but not limited to, other Locations operated by you (and/or your affiliates) under the System.
- 15.6 *Additional Named Insured.* All public liability and property damage policies shall list us as an additional named insured, and shall also contain a provision that we, although named as an insured, shall nevertheless be entitled to recover under said policies on any loss occasioned to us or our servants, agents, or employees by reason of the negligence of you or your servants, agents, or employees.

- 15.7 *Certificates of Insurance.* At least thirty (30) days before the time you are first required to carry any insurance under this Agreement, and from then on, at least thirty (30) days before the expiration of any such policy, you agree to deliver to us certificates of insurance evidencing the proper coverage with limits not less than those required under this Agreement. All certificates shall expressly provide that we will receive at least thirty (30) days' prior written notice if there is a material alteration to, cancellation, or non-renewal of the coverages evidenced by such certificates. Additional certificates evidencing the insurance required by Section 15.1 above must name us, and each of our affiliates, directors, agents, and employees, as additional insured parties, and shall expressly provide that any interest of same therein shall not be affected by any breach by you of any policy provisions for which such certificates evidence coverage.
- 15.8 *Proof of Coverage.* In addition to your obligations under Section 15.7 above, on the first anniversary of the Effective Date, and on each subsequent anniversary of the Effective Date, you agree to provide us with proof of insurance evidencing the proper coverage with limits not less than those required under this Agreement, in such form as we may reasonably require.
- 15.9 *Coverages are Minimums.* You acknowledge and agree that the specifications and coverage requirements in this Section 15 are minimums, and that we recommend that you review these with your own insurance advisors to determine whether additional coverage is warranted in the operation of your Licensed Location.
- 15.10 *Changes.* We will have the right, periodically, to make such changes in minimum policy limits and endorsements (even those noted above in this Section 15) as we may determine are necessary or appropriate; and you agree to abide by those changes upon reasonable written notice from us.

16 TRANSFER OF INTEREST

- 16.1 *By Us.* We will have the right to transfer or assign this Agreement and all or any part of our rights or obligations under this Agreement to any person or legal entity, and any assignee of us, which assignee will become solely responsible for all of our obligations under this Agreement from the date of assignment.
- 16.2 *Your Principals.* If you are an entity, then each party that directly or indirectly holds any interest whatsoever in you (each, a "**Principal**"), and the interest that each Principal directly or indirectly holds in you, is identified in Exhibit C to this Agreement. You represent and warrant to us, and agree, that your owners are accurately set forth on Exhibit C to this Agreement, and you also agree not to permit the identity of those owners, or their respective interests in you, to change without complying with this Agreement.
- 16.3 *Principals.* We will have a continuing right to designate any person or entity that owns a direct or indirect interest in you as a Principal, and Exhibit C shall be so amended automatically upon written notice to you.
- 16.4 *By You.* You understand and acknowledge that the rights and duties set forth in this Agreement are personal to you, and that we have granted this franchise in reliance on your (or your Principals') business skill, financial capacity, and personal character. Accordingly:
- 16.4.1 You agree not to make a transfer (and not to permit any other party to make a transfer) without our prior written consent.

- 16.4.1.1 As used in this Agreement, the term “**transfer**” is agreed to mean any sale, assignment, conveyance, pledge, encumbrance, merger, creation of a security interest in, and/or giving away of any direct or indirect interest in: **(a)** this Agreement; **(b)** you; **(c)** any or all of your rights and/or obligations under this Agreement; and/or **(d)** all or substantially all of the assets of the Licensed Location.
- 16.4.1.2 Any purported assignment or transfer not having our prior written consent as required by this Section 16 shall be null and void and shall also constitute a material breach of this Agreement, for which we may immediately terminate this Agreement without opportunity to cure, pursuant to Section 17.2.5 below.
- 16.4.2 If you are an entity (other than a partnership or a limited liability partnership), then you agree that: **(a)** without our prior written approval, you will not issue any voting securities or interests, or securities or interests convertible into voting securities; and **(b)** the recipient of any such securities shall become a Principal under this Agreement, if we designate them as such.
- 16.4.3 If you are a partnership or limited liability partnership, then the partners of that partnership shall not, without our prior written consent, admit additional general partners, remove a general partner, or otherwise materially alter the powers of any general partner. Each general partner in such a partnership shall automatically be deemed to be a Principal.
- 16.4.4 Principals shall not, without our prior written consent, transfer, pledge or otherwise encumber their interest in you.
- 16.5 *Transfer Conditions.* We will not unreasonably withhold any consent required by Section 16.4 above; provided, that if you propose to transfer your obligations under this Agreement or any material asset, or if any party proposes to transfer any direct or indirect interest in you, then we will have the right to require that you satisfy any or all of the following conditions before we grant our approval to the proposed transfer:
- 16.5.1 The transferor must have executed a general release, in a form satisfactory to us, of any and all claims against us and our affiliates, successors, and assigns, and their respective directors, officers, shareholders, partners, agents, representatives, servants, and employees in their corporate and individual capacities including, without limitation, claims arising under this Agreement, any other agreement between you and us, and/or our respective affiliates, and federal, state, and local laws and rules.
- 16.5.2 The transferee of a Principal shall be designated as a Principal and each transferee who is designated a Principal shall enter into a written agreement, in a form satisfactory to us, agreeing to be bound as a Principal under the terms of this Agreement as long as such person or entity owns any interest in you; and, if your obligations were guaranteed by the transferor, the Principal shall guarantee the performance of all such obligations in writing in a form satisfactory to us
- 16.5.3 The proposed new Principals (after the transfer) must meet our educational, managerial, and business standards; each shall possess a good moral character, business reputation, and credit rating; have the aptitude and ability to operate the Licensed Location, as may be evidenced by prior related business experience or

otherwise; and have adequate financial resources and capital to operate the Licensed Location.

- 16.5.4 We will have the right to require that you execute, for a term ending on the expiration date of this Agreement, the form of franchise agreement that we are then offering to new System franchisees, and such other ancillary agreements that we may require for the business franchised under this Agreement, and those agreements shall supersede this Agreement and its ancillary documents in all respects, and the terms of which may differ from the terms of this Agreement including, without limitation, a higher royalty and marketing fee.
- 16.5.5 If we request, then you must conduct Remodeling to conform to the then-current standards and specifications of new Locations then-being established in the System, and you agree to complete the upgrading and other requirements specified above in Section 8.5.2 within the time period that we specify.
- 16.5.6 You agree to pay in full all of your monetary obligations to us and our affiliates, and to all vendors (whether arising under this Agreement or otherwise), and you must not be otherwise in default of any of your obligations under this Agreement (including your reporting obligations).
- 16.5.7 The transferor shall remain liable for all of the obligations to us in connection with the Licensed Location that arose before the effective date of the transfer, and any covenants that survive the termination or expiration of this Agreement, and shall execute any and all instruments that we reasonably request to evidence such liability.
- 16.5.8 A Principal of the transferee whom we designate to be a new Operating Partner, and those of the transferee's personnel as we may require, shall successfully complete (to our satisfaction) all training programs that we require upon such terms and conditions as we may reasonably require (and while we will not charge a fee for attendance at such training programs, the transferee shall be responsible for the salary and all expenses of the person(s) that attend training).
- 16.5.9 You agree to pay us a transfer fee to compensate us for our legal, accounting, training, and other expenses incurred in connection with the transfer in an amount equal to: (a) twenty-five percent (25%) of our then-current initial franchise fee (but not less than \$9,375); plus (b) Five Thousand Dollars (\$5,000) for initial training of the buyer and its personnel; plus (c) any applicable broker or commission fees. (However, if the buyer is a Seasoned Party, then we will not require payment of a transfer fee; provided, that instead, you agree to reimburse us for the out-of-pocket costs that we incur in connection with reviewing, approving, and documenting your proposed transaction, including our attorneys' fees, and you must also pay any applicable broker or commission fees. For this purpose, a "**Seasoned Party**" is a party that has been a "Play Street Museum" franchisee, in good standing, for at least five years; or has properly managed a company-owned or franchised "Play Street Museum" Location for at least five years.) You understand and acknowledge that the obligation to pay us the transfer fee in this Section 16.5.9 is your obligation alone under this Agreement (and not the obligation of the buyer or anyone else; although you are free to negotiate such payment with the buyer or others).
- 16.5.10 The transferor must acknowledge and agree that the transferor shall remain bound by the covenants contained in Sections 19.3 – 19.5 below.

- 16.6 *Right of First Refusal.* If you or any of your Principals wish to accept any *bona fide* offer from a third party to purchase you, any of your material assets, or any direct or indirect interest in you, then all of the following shall apply:
- 16.6.1 You (or the Principal who proposes to sell his/her interest) shall promptly notify us in writing of the offer and provide to us the information and documentation relating to the offer that we may require. We will have the right and option, exercisable within thirty (30) days after we have received all such information that we have requested, to send written notice to the seller that we intend to purchase the seller's interest on the same economic terms and conditions offered by the third party. After exercising our right, we will also have the right to conduct additional reasonable due diligence and to require the seller to enter into a purchase agreement in a form mutually acceptable to us and to the seller. If we elect to purchase the seller's interest, then the closing on such purchase shall occur within thirty (30) days from the date of notice to the seller of the election to purchase by us.
- 16.6.2 Any material change in the terms of the offer before closing shall constitute a new offer subject to our same rights of first refusal (as set forth in this Section 16.6) as in the case of the third party's initial offer. If we do not exercise the option afforded by this Section 16.6, that shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Section 16, with respect to a proposed transfer.
- 16.6.3 If the consideration, terms, and/or conditions offered by a third party are such that we may not reasonably be required to furnish the same consideration, terms, and/or conditions, then we may purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the reasonable equivalent in cash of the consideration, terms, and/or conditions offered by the third party, they must attempt to appoint a mutually-acceptable independent appraiser to make a binding determination. If the parties are unable to agree upon one independent appraiser, then we shall promptly designate an independent appraiser and you shall promptly designate another independent appraiser and those two appraisers shall, in turn, promptly designate a third appraiser; and all three appraisers shall promptly confer and reach a single determination, which determination shall be binding upon both you and us. The cost of any such appraisal shall be shared equally by both parties.
- 16.6.4 If we exercise our rights under this Section 16.6, then we will have the right to set off all amounts due from you, including one-half ($\frac{1}{2}$) of the cost of the appraisal, if any, specified above in Section 16.6.3 against any payment to you.
- 16.7 *Death or Incapacity.* If you or any Principal dies, becomes incapacitated, or enters bankruptcy proceedings, that person's executor, administrator, personal representative, or trustee must promptly notify us of the circumstances, and apply to us in writing within three (3) months after the event (death, declaration of incapacity, or filing of a bankruptcy petition) for consent to transfer the person's interest. The transfer will be subject to the provisions of this Section 16, as applicable; however, we will not impose a transfer fee for such a transfer if you reimburse us for the out-of-pocket costs that we incur in connection with reviewing, approving, and documenting your proposed transaction, including our attorneys' fees.
- 16.7.1 In addition, if the deceased or incapacitated person is the Operating Partner, we will have the right (but not the obligation) to take over operation of the Licensed Location

until the transfer is completed and to charge a reasonable management fee for our services.

- 16.7.2 For purposes of this section, “**incapacity**” means any physical or mental infirmity that will prevent the person from performing his or her obligations under this Agreement: **(a)** for a period of thirty (30) or more consecutive days; or **(b)** for sixty (60) or more total days during a calendar year. In the case of transfer by bequest or by intestate succession, if the heirs or beneficiaries are unable to meet the conditions of Section 16.3, the executor may transfer the decedent’s interest to another successor that we have approved, subject to all of the terms and conditions for transfers contained in this Agreement.
- 16.7.3 If an interest is not disposed of under this section within six (6) months after the date of death or appointment of a personal representative or trustee, then we may terminate this Agreement under Section 17.2 below.
- 16.8 *Consent to Transfer.* Our consent to a transfer that is the subject of this Section 16 shall not constitute a waiver of any claims that we may have against the transferring party, nor shall it be deemed a waiver of our right to demand exact compliance with any of the terms of this Agreement by the transferor or transferee.
- 16.9 *No Transfers to a Non-Franchisee Party to Operate a Similar Business.* You agree that neither you nor any Principal of yours will transfer or attempt to transfer any or all of your Licensed Location to a third party who will operate a similar business at the Approved Site but not under the System and the Proprietary Marks, and not under a franchise agreement with us.
- 16.10 *Bankruptcy Issues.* If you or any person holding any interest (direct or indirect) in you become a debtor in a proceeding under the U.S. Bankruptcy Code or any similar law in the U.S. or elsewhere, it is the parties’ understanding and agreement that any transfer of you, your obligations, and/or rights under this Agreement, any material assets of yours, and/or any indirect or direct interest in you will be subject to all of the terms of this Section 16, including without limitation the terms of Sections 16.4, 16.5, and 16.6 above.
- 16.11 *Securities Offers.* All materials for an offering of stock, ownership, and/or partnership interests in you or any of your affiliates that are required by federal or state law must be submitted to us for review as described below before such materials are filed with any government agency. Any materials to be used in any exempt offering must be submitted to us for such review before their use.
- 16.11.1 You agree that: **(a)** no offering by you or any of your affiliates may imply (by use of the Proprietary Marks or otherwise) that we are participating in an underwriting, issuance, or offering of your securities or your affiliates; **(b)** our review of any offering will be limited solely to the relationship between you and us (and, if applicable, any of your affiliates and us); and **(c)** we will have the right, but not obligation, to require that the offering materials contain a written statement that we require concerning the limitations stated above.
- 16.11.2 You (and the offeror if you are not the offering party), your Principals, and all other participants in the offering must fully indemnify us and all of the PSM Parties (as defined in Section 21.5.2 below) in connection with the offering.

16.11.3 For each proposed offering, you agree to pay us a non-refundable fee of Ten Thousand Dollars (\$10,000) or such greater amount as is necessary to reimburse us for our reasonable costs and expenses (including legal and accounting fees) for reviewing the proposed offering.

16.11.4 You agree to give us written notice at least thirty (30) days before the date that any offering or other transaction described in this Section 16.11 commences. Any such offering will be subject to all of the other provisions of this Section 16, including without limitation the terms set forth in Sections 16.4, 16.5, 16.6; and further, without limiting the foregoing, it is agreed that any such offering will be subject to our approval as to the structure and voting control of the offeror (and you, if you are not the offeror) after the financing is completed.

16.11.5 You must also, for the remainder of the term of the Agreement, submit to us for our review and prior written approval all additional securities documents you are required to prepare and file (or use) in connection with any offering of stock, ownership, and/or partnership interests. You must reimburse us for our reasonable costs and expenses we incur in connection with our review of those materials.

17 DEFAULT AND TERMINATION

17.1 *Automatic.* If any one or more of the following events take place, then you will be deemed to be in default under this Agreement, and all rights granted in this Agreement shall automatically terminate without notice to you: **(a)** if you will become insolvent or makes a general assignment for the benefit of creditors; **(b)** if you file a petition in bankruptcy or such a petition is filed against and not opposed by you (to the extent permitted under the U.S. Bankruptcy Code); **(c)** if you are adjudicated bankrupt or insolvent (to the extent permitted under the U.S. Bankruptcy Code); **(d)** if a bill in equity or other proceeding for the appointment of a receiver for you or another custodian for your business or assets is filed and consented to by you; **(e)** if a receiver or other custodian (permanent or temporary) of your assets or property, or any part thereof, is appointed by any court of competent jurisdiction; **(f)** if proceedings for a composition with creditors under any state or federal law is instituted by or against you; **(g)** if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless unappealed or a supersedeas bond is filed); **(h)** if you are dissolved; or if execution is levied against your business or property; **(i)** if suit to foreclose any lien or mortgage against the Licensed Location premises or equipment is instituted against you and not dismissed within thirty (30) days; and/or **(j)** if the real or personal property of your Licensed Location shall be sold after levy thereupon by any sheriff, marshal, or constable.

17.2 *With Notice.* If any one or more of the following events occur, then you will be in default under this Agreement, and we will have the right to terminate this Agreement and all rights granted under this Agreement, without affording you any opportunity to cure the default, effective immediately upon the delivery of our written notice to you (in the manner provided in Section 24 below):

17.2.1 If you do not obtain an approved location for the Licensed Location within the time limits specified under the Site Selection Addendum, or if you do not construct and open the Licensed Location within the time limits provided in Sections 5.1 and 8.2 above, and within the requirements stated in Sections 5 and 8.2 above;

- 17.2.2 If you at any time cease to operate or otherwise abandon the Licensed Location for two (2) consecutive business days (during which you are otherwise required to be open, and without our prior written consent to do so), or lose the right to possession of the premises, or otherwise forfeit the right to do or transact business in the jurisdiction where the Licensed Location is located (however, if through no fault of yours, the premises are damaged or destroyed by an event such that you cannot complete repairs or reconstruction within ninety (90) days thereafter, then you will have thirty (30) days after such event in which to apply for our approval to relocate and/or reconstruct the premises, which approval we shall not unreasonably withhold);
- 17.2.3 If you or any of your Principals are convicted of a felony, a crime involving moral turpitude, or any other crime or offense that we believe is reasonably likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or our interests therein;
- 17.2.4 If a threat or danger to public health or safety results from the construction, maintenance, or operation of the Licensed Location;
- 17.2.5 If you or any of your Principals purport to transfer any rights or obligations under this Agreement or any interest to any third party in a manner that is contrary to the terms of Section 16 above;
- 17.2.6 If you fail to comply with the requirements of Section 19 below;
- 17.2.7 If, contrary to the terms of Sections 10 or 11 above, you disclose or divulge the contents of the Manual or other confidential information that we provide to you;
- 17.2.8 If an approved transfer of an interest in you is not completed within a reasonable time, as required by Sections 16.7 above;
- 17.2.9 If you knowingly maintain false books or records, understate your sales in a report to us by five percent (5%) or more, or submit any false reports (including, but not limited to, information provided as part of your application for this franchise) to us;
- 17.2.10 If you commit three (3) or more defaults under this Agreement in any fifty-two (52) week period, whether or not each such default has been cured after notice;
- 17.2.11 If you sell products that we have not previously approved, or purchase any product from a supplier that we have not previously approved, or if you sell any Proprietary Items anywhere other than from the Location (except as permitted under Section 1.5 above) or sell any Proprietary Items that are not authorized for sale at retail;
- 17.2.12 If you engage in any conduct or practice that is fraudulent, unfair, unethical, or a deceptive practice; and/or
- 17.2.13 If you make any unauthorized or improper use of the Proprietary Marks, or if you or any of your Principals use the Proprietary Marks in a manner that we do not permit (whether under this Agreement and/or otherwise) or that is inconsistent with our direction, or if you or any of your Principals directly or indirectly contest the validity of our ownership of the Proprietary Marks, our right to use and to license others to use the Proprietary Marks, or seek to (or actually do) register any of our Proprietary Marks with any agency (public or private) for any purpose without our prior written consent to do so.

17.3 *With Notice and Opportunity to Cure.*

17.3.1 Except as otherwise provided above in Sections 17.1 and 17.2 above, if you are in default of your obligations under this Agreement, then we may terminate this Agreement by giving you written notice of termination (in the manner provided under Section 24 below) stating the nature of the default at least thirty (30) days before the effective date of termination; provided, however, that you may avoid termination by: **(a)** immediately initiating a remedy to cure such default; **(b)** curing the default to our satisfaction; and **(c)** promptly providing proof of the cure to us, all within the thirty (30) day period. If you do not cure any such default within the specified time (or such longer period as applicable law may require), then this Agreement shall terminate without further notice to you effective immediately upon the expiration of the thirty (30) day period (or such longer period as applicable law may require).

17.3.2 If you are in default under the terms of any other franchise agreement or other contract between you (and/or your affiliates) and us (and/or our affiliates), that will also constitute a default under Section 17.3.1 above.

17.4 *Bankruptcy.* If, for any reason, this Agreement is not terminated pursuant to this Section 17, and the Agreement is assumed, or assignment of the same to any person or entity who has made a *bona fide* offer to accept an assignment of the Agreement is contemplated, pursuant to the U.S. Bankruptcy Code, then notice of such proposed assignment or assumption, setting forth: **(a)** the name and address of the proposed assignee; and **(b)** all of the terms and conditions of the proposed assignment and assumption; shall be given to us within twenty (20) days after receipt of such proposed assignee's offer to accept assignment of the Agreement; and, in any event, within ten (10) days before the date application is made to a court of competent jurisdiction for authority and approval to enter into such assignment and assumption. We will then have the prior right and option, to be exercised by notice given at any time before the effective date of such proposed assignment and assumption, to accept an assignment of the Agreement to us upon the same terms and conditions, and for the same consideration, if any, as in the *bona fide* offer made by the proposed assignee, less any brokerage commissions that may be payable by you out of the consideration to be paid by such assignee for the assignment of the Agreement.

17.5 *Our Rights Instead of Termination.* If we are entitled to terminate this Agreement in accordance with Sections 17.2 or 17.3 above, we will also have the right to take any lesser action instead of terminating this Agreement.

17.6 *Reservation of Rights under Section 17.5.* If any rights, options, arrangements, or areas are terminated or modified in accordance with Section 17.5 above, such action shall be without prejudice to our right to terminate this Agreement in accordance with Sections 17.2 or 17.3 above, and/or to terminate any other rights, options or arrangements under this Agreement at any time thereafter for the same default or as a result of any additional defaults of the terms of this Agreement.

17.7 *Damages.* You will pay us all damages, costs, and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses), that we incur as a result of any default by you under this Agreement and any other agreement between the parties (and their respective affiliates) (in addition to other remedies that we may have).

18 OBLIGATIONS UPON TERMINATION OR EXPIRATION

Upon termination or expiration of this Agreement, all rights granted under this Agreement to you shall forthwith terminate, and all of the following shall take effect:

- 18.1 *Stop Operating.* You agree to: **(a)** immediately and permanently stop operating the Licensed Location; and **(b)** never directly or indirectly represent to the public that you are a present or former franchisee of ours.
- 18.2 *Stop Using Marks and Intellectual Property.* You agree to immediately and permanently cease to use, in any manner whatsoever, any confidential methods, procedures and techniques associated with the System, the mark "Play Street Museum" and any and all other Proprietary Marks, distinctive forms, slogans, signs, symbols, and devices associated with the System, and any and all other intellectual property associated with the System. Without limiting the foregoing, you agree to stop making any further use of any and all components that define our comprehensive trade dress including, without limitation: interior and exterior signage, floor exhibits, furniture (tables, benches, stools, chalkboard), trade fixtures (signature buffet, retail shelving, kiosk area cabinetry), play buildings, play building layout, and other theme related decor that may or may not be semi permanently installed at the Location, party themes, wooden dollars, vinyl tablecloths, marketing materials, stationery, forms, and any other articles that display the Proprietary Marks.
- 18.3 *Cancel Assumed Names.* You agree to take such action as may be necessary to cancel any assumed name or equivalent registration which contains the mark "Play Street Museum" and any and all other Proprietary Marks, and/or any other service mark or trademark of ours, and you will give us evidence that we deem satisfactory to provide that you have complied with this obligation within five (5) days after termination or expiration of this Agreement.
- 18.4 *Premises.* We will have the right (but not the obligation) to require you to assign to us any interest that you (and/or your affiliates) may have in the lease or sublease for the ground upon which the Location is operated and/or for the building in which the Location is operated.
- 18.4.1 If we do not elect (or if we are unable) to exercise any option that we may have to acquire the premises (including the lease or sublease) of the Licensed Location, or otherwise acquire the right to occupy the premises, then you agree: **(a)** to make the modifications or alterations to the premises (including the changing of the telephone number) immediately upon termination or expiration of this Agreement as we deem necessary to distinguish the appearance of those premises from that of other Locations; **(b)** make the additional changes to the premises that we may reasonably request for that purpose; and **(c)** cease use of all telephone numbers and any domain names, websites, e-mail addresses, Online Sites, and any other print and online identifiers (whether or not authorized by us) that you have used while operating the Licensed Location; and **(d)** promptly execute such documents and take such steps necessary to remove reference to the Licensed Location from all trade or business directories, including online directories, or (at our request) transfer those to our ownership.
- 18.4.2 You specifically acknowledge and agree that the de-identification of your Location pursuant to Section 18.4.1 above includes, but is not limited to, removal of all interior and exterior signage that is custom for the System, as well as exhibits, furniture, trade fixtures (signature buffet, retail shelving, kiosk area cabinetry) and play buildings or other semi-permanently installed decor from the Location.

- 18.4.3 If you fail or refuse to comply with all of the requirements of this Section 18.4, then we (or our designee) shall have the right to enter upon the premises of the Licensed Location, without being guilty of trespass or any other tort, for the purpose of making or causing to be made such changes as may be required, at your cost, which expense you agree to pay upon demand.
- 18.5 *Our Option to Buy Your Assets.* We will have the right (but not the obligation), which we may exercise at any time within thirty (30) days after expiration, termination, or default under this Agreement and/or default under your lease/sublease for the premises, to buy from you (and/or your affiliates) any or all of your furnishings, equipment, signs, fixtures, supplies, or inventory related to the operation of the Licensed Location, at the lesser of your cost or fair market value. The parties agree that “cost” shall be determined based upon a five (5) year straight-line depreciation of original costs. For equipment and fixtures that are five (5) or more years old, the parties agree that fair market value shall be deemed to be ten percent (10%) of the equipment’s original cost. If we elect to exercise any option to purchase provided in this Section, we shall have the right to set off all amounts due from you.
- 18.6 *No Use of the Marks in Other Businesses.* You agree, if you continue to operate or subsequently begin to operate any other business, not to use any reproduction, counterfeit copy, or colorable imitation of the Proprietary Marks, either in connection with such other business or the promotion thereof, which is likely to cause confusion, mistake, or deception, or which is likely to dilute our rights in and to the Proprietary Marks. You further agree not to use, in any manner whatsoever, any designation of origin, description, trademark, service mark, or representation that suggests or implies a past or present association or connection with us, the System, the Products, and/or the Proprietary Marks.
- 18.7 *Pay All Sums Due.* You agree to promptly pay all sums owing to us and our affiliates (regardless whether those obligations arise under this Agreement or otherwise). In the event of termination for any of your defaults, those sums shall include all damages, costs, and expenses (including without limitation reasonable attorneys’ fees, court costs, discovery costs, and all other related expenses), that we incur as a result of the default.
- 18.8 *Pay Damages.* You agree to pay us all damages, costs, and expenses (including without limitation reasonable attorneys’ fees, court costs, discovery costs, and all other related expenses) that we incur as a result of your default under this Agreement and/or subsequent to the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any provisions of this Section 18.
- 18.9 *Return Confidential Information.* You agree to immediately return to us the Manual and all other manuals, records, and instructions containing confidential information (including, without limitation, any copies thereof, even if such copies were made in violation of this Agreement), all of which are acknowledged to be our property.
- 18.10 *Right to Enter and Continue Operations.* In order to preserve the goodwill of the System following termination, we (or our designee) shall have the right to enter the Licensed Location (without liability to you, your Principals, or otherwise) for the purpose continuing the Licensed Location’s operation and maintaining the goodwill of the business.
- 18.11 *Lost Future Royalties.* If we terminate this Agreement based on your default, or if you abandon or otherwise cease to operate the Licensed Location, you agree to pay to us, as liquidated damages, an amount calculated as follows: **(a)** the average of your monthly Royalty Fees that are due under this Agreement for the twelve (12) months immediately before your abandonment or our delivery of the notice of default (or, if you have been

operating for less than twelve (12) months, the average of your monthly Royalty Fees for the number of months you have operated the Location); **(b)** multiplied by the lesser of 36 or the number of months remaining in the then-current term of this Agreement under Section 2 (reduced to present value by applying the discount rate published in The Wall Street Journal on the day that the termination takes effect (or, if that is not a business day, then the previous business day).

- 18.12 *Refunds to Customers.* You must immediately refund to customers of the Licensed Location all amounts pre-paid by Customers of the Licensed Location for Products, events or services that were not provided to such customer(s) prior to termination of this Agreement. You acknowledge and agree that, in the event you fail to refund such amounts to customers, we have the right to refund such amounts to customers and to charge you for the refund amount plus our costs and expenses in connection with providing such refunded amounts to customers. You must pay such amounts to us immediately upon demand.
- 18.13 *Our Rights.* You agree not to do anything that would potentially interfere with or impede the exercise of our rights under this Section 18.

19 COVENANTS

- 19.1 *Full Time Efforts.* You agree that during the term of this Agreement, except as we have otherwise approved in writing, you (or the Operating Partner) shall devote full time, energy, and best efforts to the management and operation of the Licensed Location.
- 19.2 *Understandings.*
- 19.2.1 You acknowledge and agree that: **(a)** pursuant to this Agreement, you will have access to valuable trade secrets, specialized training and Confidential Information from us and our affiliates regarding the development, operation, management, purchasing, sales and marketing methods and techniques of the System; **(b)** the System and the opportunities, associations and experience we have established and that you will have access to under this Agreement are of substantial and material value; **(c)** in developing the System, we and our affiliates have made and continue to make substantial investments of time, technical and commercial research, and money; **(d)** we would be unable to adequately protect the System and its trade secrets and Confidential Information against unauthorized use or disclosure and would be unable to adequately encourage a free exchange of ideas and information among franchisees in our system if franchisees were permitted to hold interests in Competitive Businesses (as defined below); and **(e)** restrictions on your right to hold interests in, or perform services for, Competitive Businesses will not unreasonably or unnecessarily hinder your activities.
- 19.2.2 As used in this Section 19, the term “**Competitive Business**” is agreed to mean any business which: **(a)** is a play or party facility focused on children’s education and entertainment activities, events or classes; or **(b)** manufactures, distributes, offers, or sells any products, services, exhibits, play structures or other items that are the same as or similar to those used, offered or sold in connection with a Location.
- 19.3 *Covenant Not to Compete or Engage in Injurious Conduct.* Accordingly, you covenant and agree that, during the term of this Agreement and for a continuous period of two (2) years after the expiration or termination of this Agreement, and/or a transfer as contemplated in

Section 16 above, you shall not directly, indirectly, for yourself, or through, on behalf of, or in conjunction with any party, in any manner whatsoever, do any of the following:

- 19.3.1 Divert or attempt to divert any actual or potential business or customer of any “Play Street Museum” Location to any competitor or for your own benefit, or otherwise take any action injurious or prejudicial to the goodwill associated with the Marks and the System.
- 19.3.2 Own, maintain, develop, operate, engage in, franchise or license, make loans to, lease real or personal property to, and/or have any whatsoever interest in, or render services or give advice to, any Competitive Business.
- 19.4 *Where Restrictions Apply.* During the term of this Agreement, there is no geographical limitation on the restrictions set forth in Section 19.3 above. During the two-year period following the expiration or earlier termination of this Agreement, or a transfer as contemplated under Section 16 above, these restrictions shall apply only within ten (10) miles of the Approved Site or any other Location operated under the System. These restrictions shall not apply to Locations that you operate that we (or our affiliates) have franchised to you pursuant to a franchise agreement that is then in effect.
- 19.5 *Application to Transfers.* You further covenant and agree that, for a continuous period of two (2) years after the expiration or termination of this Agreement, and/or a transfer as contemplated in Section 16 above, you will not, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person, firm, partnership, corporation, or other entity, sell, assign, lease or transfer the Approved Site to any person, firm, partnership, corporation, or other entity that you know, or have reason to know, intends to operate a Competitive Business at the Approved Site. You, by the terms of any conveyance selling, assigning, leasing or transferring your interest in the Approved Site, shall include these restrictive covenants as are necessary to ensure that a Competitive Business that would violate this Section is not operated at the Approved Site for this two-year period, and you shall take all steps necessary to ensure that these restrictive covenants become a matter of public record.
- 19.6 *Periods of Non-Compliance.* Any period of non-compliance with the requirements of this Section 19, whether such non-compliance takes place after termination, expiration, and/or a transfer, will not be credited toward satisfying the two-year obligation specified above.
- 19.7 *Publicly-Held Entities.* Section 19.3.3 above shall not apply to your ownership of less than five percent (5%) beneficial interest in the outstanding equity securities of any publicly-held corporation. As used in this Agreement, the term “publicly-held corporation” shall be deemed to refer to a corporation which has securities that have been registered under the Securities Exchange Act of 1934.
- 19.8 *Personal Covenants.* You agree to require and obtain execution of covenants similar to those set forth in Sections 9.3, 11, 16, 18 above, and this Section 19 (as modified to apply to an individual), from your Operating Partner and Principals (but not from other non-managerial employees). The covenants required by this section shall be in the form provided in Exhibit G to this Agreement. If you do not obtain execution of a covenant required by this section and deliver to us those signed covenants, that shall constitute a default under Section 17.2.6 above.
- 19.9 *Construction.* The parties agree that each of the foregoing covenants will be construed as independent of any other covenant or provision of this Agreement. We have the right to

reduce in writing the scope of any part of this Section 19 and, if we do so, you agree to comply with the obligations as we have reduced them.

- 19.10 *Claims Not a Defense.* You agree that the existence of any claims you may have against us, whether or not arising from this Agreement, shall not constitute a defense to our enforcement of the covenants in this Section 19. You agree to pay all costs and expenses (including without limitation reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur in connection with the enforcement of this Section 19.
- 19.11 *Covenant as to Anti-Terrorism Laws.* You and the owners of your business ("**Owners**") agree to comply with and/or to assist us to the fullest extent possible in our efforts to comply with Anti-Terrorism Laws (as defined below). In connection with such compliance, you and the Owners certify, represent, and warrant that none of their respective property or interests are "blocked" under any of the Anti-Terrorism Laws and that neither you nor any of the Owners are in violation of any of the Anti-Terrorism Laws. You also agree not to knowingly hire or do business with (or continue to employ or do business with) any party who is blocked under any of the Anti-Terrorism Laws. The term "**Anti-Terrorism Laws**" means Executive Order 13224 issued by the President of the United States, as supplemented, the USA PATRIOT Act, and all other laws and regulations addressing or in any way relating to terrorist acts and/or acts of war.
- 19.12 *Defaults.* You acknowledge and agree that your violation of the terms of this Section 19 would result in irreparable injury to us for which no adequate remedy at law may be available, and you accordingly consent to the issuance of an injunction prohibiting any conduct in violation of the terms of this Section 19.

20 TAXES, PERMITS, AND INDEBTEDNESS

- 20.1 *Payment of Taxes.* You agree to promptly pay when due all taxes levied or assessed, including, without limitation, unemployment and sales taxes, and all accounts and other indebtedness of every kind that you incur in the conduct of the business franchised under this Agreement. You agree to pay us an amount equal to any sales tax, gross receipts tax, or similar tax (other than income tax) imposed on us with respect to any payments that you make to us as required under this Agreement, unless the tax is credited against income tax that we otherwise pay to a state or federal authority.
- 20.2 *Payment of Trade Creditors.* You agree to promptly pay when due all trade creditors and vendors (including any that are affiliated with us) that supply goods or services to you and/or the Licensed Location.
- 20.3 *Your Right to Contest Liabilities.* If there is a bona fide dispute as to your liability for taxes assessed or other indebtedness, you may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law; however, in no event will you permit a tax sale or seizure by levy of execution or similar writ or warrant, or attachment by a creditor, to occur against the premises of the Licensed Location, or any improvements thereon.
- 20.4 *Compliance with Law.* You agree to comply with all federal, state, and local laws, rules, and regulations, and shall timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the business franchised under this Agreement, including, without limitation, licenses to do business, health certificates, food handler's permits, fictitious name registrations, sales tax permits, and fire clearances. To the extent that the

requirements of any such laws are in conflict with the terms of this Agreement, the Manual, or our other instructions, you agree to: **(a)** comply with said laws; **(b)** immediately provide us with written notice describing the nature of the conflict; and **(c)** cooperate with us and our counsel in developing a way to comply with the terms of this Agreement, as well as applicable law, to the extent that it is possible to do so.

- 20.5 *Notice of Violations and Actions.* You agree to notify us in writing within five (5) days after you receive notice of any health or safety violation, the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, or within five (5) days occurrence of any accident or injury which may adversely affect the operation of the Licensed Location or your financial condition, or give rise to liability or a claim against either party to this Agreement.

21 INDEPENDENT CONTRACTOR AND INDEMNIFICATION

- 21.1 *Independent Contractor Relationship.* The parties acknowledge and agree that:

21.1.1 this Agreement does not create a fiduciary relationship between them;

21.1.2 you are the only party that will be in day-to-day control of your Licensed Location, even though we will share the brand and Proprietary Marks as specified in this Agreement, and neither this Agreement nor any of the systems, guidance, computer programs, processes, or requirements under which you operate alter that basic fact;

21.1.3 nothing in this Agreement and nothing in our course of conduct is intended to make either party an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever; and

21.1.4 neither this Agreement nor our course of conduct is intended, nor may anything in this Agreement (nor our course of conduct) be construed, to state or imply that we are the employer of your employees and/or independent contractors, nor vice versa

- 21.2 *Notice of Status.* At all times during the term of this Agreement and any extensions hereof, you will hold yourself out to the public as an independent contractor operating the business pursuant to a franchise from us. You agree to take such action as may be necessary to do so, including, without limitation, exhibiting a notice of that fact in a conspicuous place at the Approved Site, the content of which we reserve the right to specify.

- 21.3 *No Contracts in our Name.* It is understood and agreed that nothing in this Agreement authorizes you to make any contract, agreement, warranty, or representation on our behalf, or to incur any debt or other obligation in our name; and that we will in no event assume liability for, or be deemed liable under this Agreement as a result of, any such action; nor shall we be liable by reason of any act or omission in your conduct of the Licensed Location or for any claim or judgment arising therefrom against either party to this Agreement.

- 21.4 *Indemnification.* You agree to indemnify and hold each of the PSM Parties harmless against any and all Damages arising directly or indirectly from any Demand as well as from your breach of this Agreement. **YOUR OBLIGATION UNDER THIS SECTION 21.4 TO INDEMNIFY, DEFEND AND HOLD HARMLESS THE PSM PARTIES WILL APPLY REGARDLESS OF WHETHER DAMAGES ARISE, DIRECTLY OR INDIRECTLY, IN WHOLE OR IN PART, OUT OF THE NEGLIGENCE OR STRICT LIABILITY OF THE**

PSM PARTIES. Your indemnity obligations shall survive the expiration or termination of this Agreement, and shall not be affected by the presence of any applicable insurance policies and coverages that we may maintain. If a Demand is asserted against any PSM Party, then that party shall have the right to select and retain their own counsel.

21.5 *Definitions.* As used in Section 21.4 above, the parties agree that the following terms shall have the following meanings:

21.5.1 **“Damages”** means all claims, demands, causes of action, suits, damages, liabilities, fines, penalties, assessments, judgments, losses, and expenses (including without limitation all of the expenses, costs, and lawyers’ fees incurred for any indemnified party’s primary defense or for enforcement of its indemnification rights).

21.5.2 **“Demand”** means any allegation, claim, and/or complaint that is the result of, or in connection with, your exercise of your rights and/or carrying out of your obligations under this Agreement (including, but not limited to, any claim associated with your operation of the Licensed Location or otherwise), or any default by you under this Agreement, notwithstanding any claim that any PSM Party was or may have been negligent.

21.5.3 **“PSM Parties”** means us, our shareholders, parents, subsidiaries, and affiliates, and their respective officers, directors, employees, and agents.

22 FORCE MAJEURE

22.1 *Impact.* Neither party shall be responsible to the other for non-performance or delay in performance occasioned by causes beyond its control, including without limiting the generality of the foregoing: **(a)** acts of nature; **(b)** acts of war, terrorism, or insurrection; **(c)** strikes, lockouts, labor actions, boycotts, floods, fires, hurricanes, tornadoes, and/or other casualties; and/or **(d)** our inability (and that of our affiliates and/or suppliers) to manufacture, purchase, and/or cause delivery of any Products used in the operation of the Licensed Location.

22.2 *Transmittal of Funds.* The inability of either party to obtain and/or remit funds shall be considered within control of such party for the purpose of Section 22.1 above. If any such delay occurs, any applicable time period shall be automatically extended for a period equal to the time lost; provided, however, that the party affected makes reasonable efforts to correct the reason for such delay and gives to the other party prompt notice of any such delay; and further provided, however, that you will remain obligated to promptly pay all fees owing and due to us under this Agreement, without any such delay or extension.

23 APPROVALS AND WAIVERS

23.1 *Request for Approval.* Whenever this Agreement requires our prior approval or consent, agree to make a timely written request to us therefor, and such approval or consent must be obtained in writing.

23.2 *No Warranties or Guarantees.* You acknowledge and agree that we make no warranties or guarantees upon which you may rely, and that we assume no liability or obligation to you, by providing any waiver, approval, consent, or suggestion to you in connection with this Agreement, or by reason of any neglect, delay, or denial of any request therefor.

- 23.3 *No Waivers.* No delay, waiver, omission, or forbearance on our part to exercise any right, option, duty, or power arising out of any breach or default by you or any other franchisee under any of the terms, provisions, covenants, or conditions of this Agreement, and no custom or practice by the parties at variance with the terms of this Agreement, shall constitute our waiver of our right to enforce any such right, option, duty, or power as against you, or as to subsequent breach or default by you. If we accept late payments from you or any payments due, that shall not be deemed to be our waiver of any earlier or later breach by you of any terms, provisions, covenants, or conditions of this Agreement. No course of dealings or course of conduct will be effective to amend the terms of this Agreement.

24 NOTICES

Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered, sent by certified U.S. mail, or by other means which affords the sender evidence of delivery, of rejected delivery, or attempted delivery to the respective parties at the addresses shown on the signature page of this Agreement, unless and until a different address has been designated by written notice to the other party. Any notice by a means that gives the sender evidence of delivery, rejected delivery, or delivery that is not possible because the recipient moved and left no forwarding address shall be deemed to have been given at the date and time of receipt, rejected, and/or attempted delivery. The Manual, any changes that we make to the Manual, and/or any other written instructions that we provide relating to operational matters, are not considered to be “notices” for the purpose of the delivery requirements in this Section 24.

25 ENTIRE AGREEMENT AND AMENDMENT

- 25.1 *Entire Agreement.* This Agreement and the exhibits referred to in this Agreement constitute the entire, full, and complete Agreement between the parties to this Agreement concerning the subject matter hereof, and supersede all prior agreements, communications, and understandings. The parties confirm that: **(a)** they were not induced by any representations other than the words of this Agreement (and the FDD) before deciding whether to sign this Agreement; and **(b)** they relied only on the words printed in this Agreement in deciding whether to enter into this Agreement. Nothing in this Section is intended to be a disclaimer of any representation that we have made in our Franchise Disclosure Document (“FDD”), including its exhibits.
- 25.2 *Amendment.* Except for those changes that we are permitted to make unilaterally under this Agreement, no amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

26 SEVERABILITY AND CONSTRUCTION

- 26.1 *Introductory Paragraphs.* The parties agree that the introductory paragraphs of this Agreement, under the heading “Background,” are accurate, and the parties agree to incorporate those paragraphs into the text of this Agreement as if they were printed here.
- 26.2 *Severability.* Except as expressly provided to the contrary herein, each portion, section, part, term, and/or provision of this Agreement shall be considered severable; and if, for any reason, any section, part, term, and/or provision herein is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such shall not impair the operation of, or have any other effect upon,

such other portions, sections, parts, terms, and/or provisions of this Agreement as may remain otherwise intelligible; and the latter shall continue to be given full force and effect and bind the parties hereto; and said invalid portions, sections, parts, terms, and/or provisions shall be deemed not to be a part of this Agreement.

- 26.3 *No Third Party Rights.* Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than you, we, and such of our respective successors and assigns as may be contemplated (and, as to you, permitted) by Section 16.4 above, any rights or remedies under or by reason of this Agreement.
- 26.4 *Captions Don't Amend Terms.* All captions in this Agreement are intended solely for the convenience of the parties, and no caption shall be deemed to affect the meaning or construction of any provision hereof.
- 26.5 *Phrases.* The parties agree that when used in this Agreement, the term "including" means "including but not limited to".
- 26.6 *Survival.* All provisions of this Agreement which, by their terms or intent, are designed to survive the expiration or termination of this Agreement, shall so survive the expiration and/or termination of this Agreement.
- 26.7 *How We Exercise Our Rights.* Although we may exercise any of our rights, carry out any of our obligations, or otherwise discharge any of our duties under this Agreement directly, through the use of employees, independent contractors, professional advisors (for example, a CPA), or otherwise, we will still remain responsible for the proper performance of our obligations to you under this Agreement.
- 26.8 *Expenses.* Each party shall bear all of the costs of exercising its rights and carrying out its responsibilities under this Agreement, except as otherwise provided.
- 26.9 *Counterparts.* This Agreement may be signed in counterparts, and signature pages may be exchanged by fax, each such counterpart, when taken together with all other identical copies of this Agreement also signed in counterpart, shall be considered as one complete Agreement.

27 APPLICABLE LAW AND DISPUTE RESOLUTION

- 27.1 *Choice of Law.* This Agreement shall be interpreted and construed exclusively under the laws of the State of Texas, which laws shall prevail in the event of any conflict of law (without regard to, and without giving effect to, the application of Texas choice-of-law rules); provided, however, that the covenants in Section 19 of this Agreement shall be interpreted and construed under the laws of the state in which the Licensed Location is located. Nothing in this Section 27.1 is intended by the parties to invoke the application of any franchise, business opportunity, antitrust, implied covenant, unfair competition, fiduciary, and/or other doctrine of law of the State of Texas (or any other state) that would not otherwise apply absent this Section 27.1.
- 27.2 *Choice of Venue.* Subject to Section 27.3 below, the parties agree that any action that you bring against us, in any court, whether federal or state, must be brought only within such state and in the judicial district in which we have our principal place of business. Any action

brought by us against you in any court, whether federal or state, may be brought within the state and judicial district in which we maintain our principal place of business.

- 27.2.1 The parties agree that this Section 27.2 shall not be construed as preventing either party from removing an action from state to federal court; provided, however, that venue shall be as set forth above.
- 27.2.2 The parties waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.
- 27.2.3 Any such action shall be conducted on an individual basis, and not as part of a consolidated, common, or class action.
- 27.3 *Mediation.* Before any party may bring an action in court against the other, the parties agree that they must first meet to mediate the dispute (except as otherwise provided in Section 27.5 below). Any such mediation shall be non-binding and shall be conducted in accordance with the then-current rules for mediation of commercial disputes of JAMS (formerly, "Judicial Arbitration and Mediation Services, Inc.") at its location then-nearest to our principal place of business.
- 27.4 *Parties Rights Are Cumulative.* No right or remedy conferred upon or reserved to us or you by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy.
- 27.5 *Injunctions.* Nothing contained in this Agreement shall bar our right to obtain injunctive relief against threatened conduct that will cause us loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.
- 27.6 **WAIVER OF JURY TRIALS. EACH PARTY TO THIS AGREEMENT IRREVOCABLY WAIVES TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THEM AGAINST THE OTHER, WHETHER OR NOT THERE ARE OTHER PARTIES IN SUCH ACTION OR PROCEEDING.**
- 27.7 **MUST BRING CLAIMS WITHIN ONE YEAR. EACH PARTY TO THIS AGREEMENT AGREES THAT ANY AND ALL CLAIMS AND ACTIONS ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE PARTIES' RELATIONSHIP, AND/OR YOUR OPERATION OF THE LICENSED LOCATION, BROUGHT BY ANY PARTY HERETO AGAINST THE OTHER, SHALL BE COMMENCED WITHIN ONE (1) YEAR FROM THE OCCURRENCE OF THE FACTS GIVING RISE TO SUCH CLAIM OR ACTION, OR, IT IS EXPRESSLY ACKNOWLEDGED AND AGREED BY ALL PARTIES, SUCH CLAIM OR ACTION SHALL BE IRREVOCABLY BARRED.**
- 27.8 **WAIVER OF PUNITIVE DAMAGES. EACH PARTY TO THIS AGREEMENT WAIVES TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM OF ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER, AND AGREE THAT IN THE EVENT OF A DISPUTE BETWEEN THEM EACH SHALL BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED BY IT.**
- 27.9 *Payment of Legal Fees.* You agree to pay us all damages, costs and expenses (including without limitation reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur after the termination or expiration of the franchise granted under this Agreement in: **(a)** obtaining injunctive or other relief for the enforcement of any provisions of this Agreement (including without limitation Sections 9 and 17 above); and/or **(b)** successfully defending a claim from you that we misrepresented the terms of this

Agreement, fraudulently induced you to sign this Agreement, that the provisions of this Agreement are not fair, were not properly entered into, and/or that the terms of this Agreement (as it may be amended by its terms) do not exclusively govern the parties' relationship.

27.10 *Effect.* This Agreement takes effect only when both parties have signed this document.

28 ACKNOWLEDGMENTS

28.1 *Your Investigation of the Business Possibilities.* You acknowledge and agree that you have conducted an independent investigation of the business franchised under this Agreement, recognize that this business venture involves business risks, and that your success will be largely dependent upon your ability (or, if you are an entity, your owners as independent businesspersons).

28.2 *No Warranties or Guarantees.* We expressly disclaim the making of, and you acknowledge and agree that you have not received, any warranty or guarantee, express or implied, as to the potential volume, profits, or success of the business venture contemplated by this Agreement.

28.3 *Receipt of FDD and Complete Agreement.* You acknowledge and agree receipt of a copy of this Agreement, the exhibit(s), and agreements relating to this Agreement (if any), with all of the blank lines filled in, with ample time within which to review with applicable advisors. You also acknowledge that you received the FDD at least fourteen (14) days before the date on which this Agreement was signed, or as otherwise provided under applicable state law.

28.4 *You Have Read the Agreement.* You acknowledge and agree that you have read and understood the FDD, this Agreement, and the exhibits to this Agreement.

28.5 *Your Advisors.* You acknowledge that we have recommended that you seek advice from advisors of your own choosing (including a lawyer and an accountant) about the potential benefits and risks of entering into this Agreement, and that you have had sufficient time and opportunity to consult with those advisors.

28.6 *No Conflicting Obligations.* Each party represents and warrants to the others that there are no other agreements, court orders, or any other legal obligations that would preclude or in any manner restrict such party from: **(a)** negotiating and entering into this Agreement; **(b)** exercising its rights under this Agreement; and/or **(c)** fulfilling its responsibilities under this Agreement.

28.7 *Your Responsibility for the Choice of the Approved Site.* You acknowledge and agree that you have sole and complete responsibility for the choice of the Approved Site; that we have not (and shall not be deemed to have, even by our approval of the site that is the Approved Site) given any representation, promise, or guarantee of your success at the Approved Site; and that you will be solely responsible for your own success at the Approved Site.

28.8 *Your Responsibility for Operation of the Licensed Location.* Although we retain the right to establish and periodically modify System standards, which you have agreed to maintain in the operation of your franchised Location, you retain the right and sole responsibility for the day-to-day management and operation of the Licensed Location and the implementation and maintenance of system standards at the Licensed Location.

- 28.9 *Different Franchise Offerings to Others.* You acknowledge and agree that we may modify the terms under which we will offer franchises to other parties in any manner and at any time, which offers and agreements have or may have terms, conditions, and obligations that may differ from the terms, conditions, and obligations in this Agreement.
- 28.10 *Our Advice.* You acknowledge and agree that our advice is just that; that our advice is not a guarantee of success; and that you are the party that must reach and implement your own decisions about how to operate your Licensed Location on a day-to-day basis under the System.
- 28.11 *Your Independence.* You acknowledge and agree that:
- 28.11.1 you are the only party that employs your employees (even though we may provide you with advice, guidance, and training);
 - 28.11.2 we are not the employer of any of your employees, and even if we express an opinion or provide advice, we will play no role in your decisions regarding their employment (including matters such as recruitment, hiring, compensation, scheduling, employee relations, labor matters, review, discipline, and/or dismissal);
 - 28.11.3 the guidance that we provide, and requirements under which you will operate, are intended to promote and protect the value of the brand and the Proprietary Marks;
 - 28.11.4 when forming and in operating your business, you had to adopt standards to operate that business, and that instead of developing and implementing your own standards (or those of another party), you chose to adopt and implement our standards for your business (including our System and the requirements under this Agreement); and
 - 28.11.5 you have made (and will remain responsible at all times for) all of the organizational and basic decisions about establishing and forming your entity, operating your business (including adopting our standards as your standards), and hiring employees and employment matters (including matters such as recruitment, hiring, compensation, scheduling, employee relations, labor matters, review, discipline, and/or dismissal), engaging professional advisors, and all other facets of your operation.
- 28.12 *Success Depends on You.* You acknowledge and agree that the success of the business venture contemplated under this Agreement is speculative and depends, to a large extent, upon your ability as an independent businessperson, your active participation in the daily affairs of the business, market conditions, area competition, availability of product, quality of services provided as well as other factors. We do not make any representation or warranty express or implied as to the potential success of the business venture contemplated hereby.
- 28.13 *Two or More Signatories.* If two or more persons are signing this Agreement as the "Franchisee" (each, a "**Signatory**"), the parties agree that:
- 28.13.1 Each Signatory shall have the power to individually bind "Franchisee" with respect to us and third parties;
 - 28.13.2 We have the right to treat each Signatory as having the full authority to bind all other Signatories in any and all matters;

- 28.13.3 We have the right to treat each Signatory as if s/he represents and can act on behalf of all the other Signatory(ies) in all matters;
- 28.13.4 We have the right to communicate with or provide notice to any Signatory, and such communication or notice shall be deemed as having been given to all Signatories; and
- 28.13.5 If there is a conflict among the Signatories (including us receiving conflicting information from or requests between the Signatories), we have the right to select from among any conflicting or inconsistent requests by, or information from, any of the Signatories, and our selection in such case will be final and dispositive with respect to any such conflict.
- 28.14 *General Release.* If this Agreement is not the first contract between you (and your affiliates) and us (and our affiliates), then you agree to the following:

*You (on behalf of yourself and your parent, subsidiaries and affiliates and their respective past and present members, officers, directors, shareholders, agents and employees, in their corporate and individual capacities) and all guarantors of your obligations under this Agreement (collectively, "**Releasors**") freely and without any influence forever release and covenant not to sue us, our parent, subsidiaries and affiliates and their respective past and present officers, directors, shareholders, agents and employees, in their corporate and individual capacities (collectively "**Releasees**"), with respect to any and all claims, demands, liabilities and causes of action of whatever kind or nature, whether known or unknown, vested or contingent, suspected or unsuspected (collectively, "**claims**"), which any Releasor now owns or holds or may at any time have owned or held, including, without limitation, claims arising under federal, state and local laws, rules and ordinances and claims arising out of, or relating to this Agreement and all other agreements between any Releasor and any Releasee, the sale of any franchise to any Releasor, the development and operation of the Locations and the development and operation of all other Locations operated by any Releasor that are franchised by any Releasee. You expressly agree that fair consideration has been given by us for this General Release and you fully understand that this is a negotiated, complete and final release of all claims. This General Release does not release any claims arising from representations made in our Franchise Disclosure Document and its exhibits or otherwise impair or affect any claims arising after the date of this Agreement.*

IN WITNESS WHEREOF, the parties hereto have duly signed and delivered this Agreement in duplicate on the day and year first above written.

PSM Worldwide, LLC
Franchisor

Franchisee Entity

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Effective Date: _____

Address for Notices:

Address for Notices:

1900 Preston Road, Suite 267 PMB 291
Plano, Texas 75093
Attn: President

Telephone: _____
Fax: _____
Attn: _____

PSM WORLDWIDE, LLC
 FRANCHISE AGREEMENT
 EXHIBIT A
 DATA ADDENDUM

¶	Section Cross-Reference	Item
1	1.2	The Approved Site under this Agreement shall be: <hr/> <hr/>
2	1.3	The Protected Territory under this Agreement shall be: <hr/> <hr/>

Initials

Franchisee

Franchisor

PSM WORLDWIDE, LLC
FRANCHISE AGREEMENT
EXHIBIT B
GUARANTEE, INDEMNIFICATION, AND ACKNOWLEDGMENT

In order to induce PSM Worldwide, LLC (“**Franchisor**”) to sign the Play Street Museum Franchise Agreement between Franchisor and (“**Franchisee**”), dated _____, 20__ (the “**Agreement**”), each of the undersigned parties, jointly and severally, unconditionally guarantee to Franchisor and its successors and assigns that all of Franchisee’s obligations (monetary and otherwise) under the Agreement as well as any other contract between Franchisee and Franchisor (and/or Franchisor’s affiliates) will be punctually paid and performed.

Upon demand by Franchisor, each of the undersigned persons jointly and severally agree to immediately make each payment required of Franchisee under the Agreement and/or any other contract with Franchisor and/or its affiliates. Each of the undersigned persons waives any right to require Franchisor to: **(a)** proceed against Franchisee for any payment required under the Agreement (and/or any other contract with Franchisor and/or its affiliates); **(b)** proceed against or exhaust any security from Franchisee; **(c)** pursue or exhaust any remedy, including any legal or equitable relief, against Franchisee; and/or **(d)** give notice of demand for payment by Franchisee. Without affecting the obligations of the undersigned persons under this Guarantee, Franchisor may, without notice to the undersigned, extend, modify, or release any indebtedness or obligation of Franchisee, or settle, adjust, or compromise any claims against Franchisee. Each of the undersigned persons undersigned waive notice of amendment of the Agreement (and any other contract with Franchisor and Franchisor’s affiliates) and notice of demand for payment by Franchisee, and agree to be bound by any and all such amendments and changes to the Agreement (and any other contract with Franchisor and Franchisor’s affiliates).

Each of the undersigned persons jointly and severally agree to defend, indemnify and hold Franchisor harmless against any and all losses, damages, liabilities, costs, and expenses (including without limitation reasonable attorneys’ fees, court costs, discovery costs, and all other related expenses) resulting from, consisting of, or arising out of or in connection with any failure by Franchisee to perform any obligation of Franchisee under the Agreement (and any other contract with Franchisor and Franchisor’s affiliates), any amendment thereto, or any other agreement executed by Franchisee referred to therein.

Each of the undersigned persons agree to be individually bound by all of Franchisee’s covenants, obligations, and promises in the Agreement, which include, but are not limited to, the covenants in the following Sections of the Agreement: **Section 9.3** (generally regarding trademarks), **Section 11** (generally regarding confidentiality), **Section 16** (generally regarding Transfers), **Section 18** (generally regarding obligations upon termination or expiration of this Agreement), and **Section 19** (generally regarding covenants against competition) of the Agreement.

Each of the undersigned persons acknowledge and agree that: **(a)** this Guarantee does not grant them any rights under the Agreement (including the right to use any of Franchisor’s marks such as the “Play Street Museum” marks) and/or the system licensed to Franchisee under the Agreement; **(b)** that they have read, in full, and understand, all of the provisions of the Agreement that are referred to above in this paragraph, and that they intend to fully comply with those provisions of the Agreement as if they were printed here; and **(c)** that they have had the opportunity to consult with a lawyer of their own choosing in deciding whether to sign this Guarantee.

This Guarantee shall terminate upon the termination or expiration of all obligations of Franchisee under the Agreement and/or any other agreements between Franchisee and Franchisor, except that all obligations and liabilities of the undersigned which arose from events which occurred on or before

the effective date of such termination shall remain in full force and effect until satisfied or discharged by the undersigned, and all covenants which by their terms continue in force after the expiration or termination of the Agreement shall remain in force according to their terms. Upon the death of an individual guarantor, the estate of such guarantor shall be bound by this Guarantee, but only for defaults and obligations under this Agreement existing at the time of death; and the obligations of the other guarantors will continue in full force and effect.

This Guarantee shall be interpreted and construed in accordance with **Section 27** of the Agreement (including the waiver of punitive damages, waiver of jury trial, agreement to bring claims within one year, and agreement not to engage in class or common actions). Among other things, that means that this Guarantee shall be interpreted and construed exclusively under the laws of the State of Texas, and that in the event of any conflict of law, Texas law will prevail (without applying Texas conflict of law rules).

IN WITNESS WHEREOF, each of the undersigned has signed this Guarantee as of the date of the Agreement.

(in his/her personal capacity)

Printed
Name: _____

Date: _____

Home Address:

(in his/her personal capacity)

Printed
Name: _____

Date: _____

Home Address:

(in his/her personal capacity)

Printed
Name: _____

Date: _____

Home Address:

PSM WORLDWIDE, LLC
FRANCHISE AGREEMENT
EXHIBIT C
LIST OF PRINCIPALS

Name of Principal	Home Address	Interest %

Initials

Franchisee

Franchisor

PSM WORLDWIDE, LLC
FRANCHISE AGREEMENT
EXHIBIT D

**AUTHORIZATION AGREEMENT FOR ACH PAYMENTS
(DIRECT DEBITS FOR ROYALTY, MARKETING FUND CONTRIBUTION, AND OTHER FEES)**

_____ (Name of Person or Legal Entity)

_____ (ID Number)

The undersigned depositor ("**Depositor**" or "**Franchisee**") authorizes PSM Worldwide, LLC ("**Franchisor**") to initiate debit entries and/or credit correction entries to the undersigned's checking and/or savings account(s) indicated below and the depository designated below ("**Depository**" or "**Bank**") to debit or credit such account(s) pursuant to our instructions.

_____ Depository

_____ Branch

_____ City

_____ State

_____ Zip Code

_____ Bank Transit/ABA Number

_____ Account Number

This authorization is to remain in full and force and effect until sixty days after we have received written notification from Franchisee of its termination.

Printed Name
of Depositor: _____

Signed By: _____

Printed Name: _____

Title: _____

Date: _____

PSM WORLDWIDE, LLC
FRANCHISE AGREEMENT
EXHIBIT E
ADA CERTIFICATION

PSM Worldwide, LLC (“**Franchisor**” or “**us**”) and (“**Franchisee**” or “**you**”) are parties to a franchise agreement dated , 20____ (the “**Franchise Agreement**”) for the operation of a Licensed Location at (the “**Licensed Location**”).

- In accordance with Section 5.7 of the Franchise Agreement, you certify to us that, to the best of your knowledge, the Licensed Location and its adjacent areas comply with all applicable federal, state, and local accessibility laws, statutes, codes, rules, regulations, and standards, including the Americans with Disabilities Act.
- You acknowledge that you are an independent contractor and the requirement of this certification by Franchisor does not constitute ownership, control, leasing, or operation of the Licensed Location.
- You acknowledge that we have relied on the information contained in this certification.
- You agree to indemnify us and our officers, directors, and employees in connection with any and all claims, losses, costs, expenses, liabilities, compliance costs, and damages incurred by the indemnified party(ies) as a result of any matters associated with your compliance with the Americans with Disabilities Act, as well as the costs (including without limitation reasonable attorneys’ fees, court costs, discovery costs, and all other related expenses) related to the same.

Acknowledged and Agreed:

Franchisee:

By: _____

Printed Name: _____

Title: _____

PSM WORLDWIDE, LLC
FRANCHISE AGREEMENT
EXHIBIT F
LEASE ADDENDUM

THIS LEASE ADDENDUM (the "**Addendum**") has been executed as of _____, 20____, by and between _____ ("**Franchisee**") and _____ ("**Landlord**"), as an addendum to the lease, as modified, amended, supplemented, renewed and/or extended from time to time as contemplated herein ("**Lease**") dated as of _____, 20____ for the premises located at _____, (**address**) in the State of _____ ("**Premises**").

Franchisee has also entered (or will also enter) into a Franchise Agreement ("**Franchise Agreement**") with PSM Worldwide, LLC ("**Franchisor**") for the development and operation of a "Play Street Museum" business at the Premises. As a condition to obtaining Franchisor's approval of the Lease, the Lease must contain the provisions of this Addendum.

NOW THEREFORE, in consideration of mutual covenants set forth herein, the execution and delivery of the Lease, and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, Landlord and Franchisee agree as follows:

1. The Premises may be used solely for the operation of a "Play Street Museum" business. Franchisee, as the tenant under the Lease, shall have the right to display and use the "Play Street Museum" marks and signs in the manner required by the Franchisor, provided that such signs comply with applicable sign ordinances.
2. Franchisor, along with its successors and assigns, is an intended third party beneficiary of the provisions of this Addendum.
3. Franchisee and Landlord acknowledge and agree that Franchisor shall have no liability or obligation whatsoever under the Lease unless and until Franchisor assumes the Lease in writing pursuant to this Addendum. The parties also agree that by signing this Addendum, Franchisor has not guaranteed Franchisee's obligations to Landlord.
4. Franchisee and Landlord agree that they will not modify, amend, supplement, and/or extend, nor (in the case of Franchisee) assign the Lease rights, without Franchisor's prior written consent, which shall not be unreasonably withheld. (The parties acknowledge that it would be reasonable for Franchisor not to consent to an assignment of Franchisee's rights to another play or party facility focused on children's education and entertainment activities, events and classes, or another similar competitor. Landlord and Franchisee acknowledge and agree that under the Franchise Agreement, Franchisee has agreed to assign to Franchisor all of Franchisee's rights, title and interests to and under the Lease upon any termination or non-renewal of the Franchise Agreement, but no such assignment shall be effective unless and until: **(a)** the Franchise Agreement is terminated or expires without renewal; **(b)** Franchisor has exercised its Option to Purchase under the Franchise Agreement; and **(c)** Franchisor notifies the Franchisee and Landlord in writing that Franchisor assumes Franchisee's obligations under the Lease.
5. Landlord agrees to deliver to Franchisor a copy of any notice of default or termination of the Lease at the same time such notice is delivered to Franchisee. Franchisor agrees to deliver to Landlord a copy of any notice of termination of the Franchise Agreement at the same time such

notice is delivered to Franchisee. Franchisee consents to those copies being sent by the Landlord and/or the Franchisor.

6. Franchisor shall have the right, but not the obligation, to cure any breach of the Lease upon giving written notice of its election to Franchisee and Landlord, and, if so stated in the notice, to also succeed to Franchisee's rights, title and interests thereunder. If Franchisor assumes the Lease as provided above, Franchisor may, with Landlord's prior written consent, which shall not be unreasonably withheld, further assign the Lease to another franchisee of Franchisor to operate a "Play Street Museum" shop at the Premises. Landlord and Franchisee agree to execute such further documentation to confirm Landlord's consent to the assignment permitted under this Addendum as Franchisor or Landlord may reasonably request for that purpose. Upon such assignment, Franchisor shall be released from any further liability under the terms and conditions of the Lease.
7. Landlord and Franchisee acknowledge that Franchisee has agreed under the Franchise Agreement that Franchisor and its employees or agents shall have the right to enter the Premises for certain purposes. Landlord agrees not to interfere with or prevent such entry. Landlord and Franchisee further acknowledge that if the Franchise Agreement expires (without renewal) or is terminated, then Franchisee has an obligation under the Franchise Agreement to take certain steps to properly de-identify the Premises as a "Play Street Museum" shop (unless Franchisor takes an assignment of the lease, as provided above). Landlord agrees to permit Franchisor, its employees or agent, to enter the Premises and remove signs (both interior and exterior), play structures and exhibits, décor and materials displaying any marks, designs or logos owned by Franchisor, provided that Franchisor shall provide at least five (5) days' notice to Landlord before entering the site and shall bear the expense of repairing any damage to the Premises as a result thereof.
8. Landlord and Franchisee agree that the terms in this Addendum shall supersede any terms to the contrary set forth in the Lease.
9. Landlord and Franchisee agree that copies of any and all notices required or permitted under this Addendum, or under the Lease, shall also be sent to Franchisor at 1900 Preston Road, Suite 267 PMB 291, Plano, Texas 75093 (attention President), or to such other address as Franchisor may specify by giving written notice to Landlord.

--- Signatures on following page ---

The parties to this Addendum have signed and delivered this Addendum as of the date(s) noted below.

Landlord:

PSM Worldwide, LLC *

Franchisee:

Date:

Date:

Date:

Subscribed and sworn to before me this ____ day of _____, 20____.

Subscribed and sworn to before me this ____ day of _____, 20____.

Subscribed and sworn to before me this ____ day of _____, 20____.

Notary Public

Notary Public

Notary Public

My Commission expires:

My Commission expires:

My Commission expires:

** The Franchisor has signed this lease addendum only to acknowledge its terms and not to accept any obligations under the lease.*

Franchisee:

Date:

Subscribed and sworn to before me this ____ day of _____, 20____.

Notary Public

My Commission expires:

PSM WORLDWIDE, LLC
FRANCHISE AGREEMENT
EXHIBIT G

SAMPLE FORM OF
NON-DISCLOSURE AND NON-COMPETITION AGREEMENT
(to be signed by franchisee and its personnel)

THIS NON-DISCLOSURE AND NON-COMPETITION AGREEMENT (“Agreement”) is made this ____ day of _____, 20____, by and between _____ (the “**Franchisee**”), and _____, who is a Principal, manager, supervisor, member, partner, or a person in a managerial position with, Franchisee (the “**Member**”).

RECITALS:

WHEREAS, PSM Worldwide, LLC (“**PSM**”) owns a format and system (the “**System**”) relating to the establishment and operation of “Play Street Museum” Locations operating in structures that bear PSM’s interior and exterior trade dress, and under its Proprietary Marks, as defined below (each, a “**Location**”);

WHEREAS, The System’s distinguishing characteristics include (among other things): confidential and proprietary information and trade secrets (including curriculum and related plans); distinctive images, designs, business formats, methods, procedures, and specifications; distinctive exterior and interior design, décor, color scheme, and furnishings; uniform standards, specifications, and procedures for operations; quality and uniformity of Products (defined below) and services offered; procedures for management and inventory control; training and assistance; and advertising and promotional programs; all of which we may periodically change, improve, and further develop;

WHEREAS, Each Location will offer services and certain educational toys and gift items, as well as certain snacks (“**Products**”). PSM may introduce private labeled Products (referred to in this Agreement as “**Proprietary Items**”);

WHEREAS, PSM identifies “Play Street Museum” Locations by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin (including for example the mark “Play Street Museum”) and certain other trade names, service marks, and trademarks that PSM currently and may in the future designate in writing for use in connection with the System (the “**Proprietary Marks**”);

WHEREAS, PSM and Franchisee have executed a Franchise Agreement (“**Franchise Agreement**”) granting Franchisee the right to operate a “Play Street Museum” Location (the “**Licensed Location**”) and to offer and sell Products, Proprietary Items, services, and other ancillary products approved by PSM and use the Proprietary Marks in connection therewith under the terms and conditions of the Franchise Agreement;

WHEREAS, the Member, by virtue of his or her position with Franchisee, will gain access to certain of PSM’s Confidential Information, as defined herein, and must therefore be bound by the same confidentiality and non-competition agreement that Franchisee is bound by.

IN CONSIDERATION of these premises, the conditions stated herein, and for other good and valuable consideration, the sufficiency and receipt of which are acknowledged, the parties agree as follows:

1. Confidential Information. Member shall not, during the term of the Franchise Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, persons, partnership, entity, association, or corporation any confidential information, knowledge, or know-how concerning the methods of operation of the business franchised thereunder which may be communicated to Member or of which Member may be apprised by virtue of your operation under the terms of the Franchise Agreement. Any and all information, knowledge, know-how, and techniques which PSM designates as confidential shall be deemed confidential for purposes of this Agreement, except information which Franchisee can demonstrate came to its attention before disclosure thereof by PSM; or which, at or after the time of disclosure by PSM to Franchisee, had become or later becomes a part of the public domain, through publication or communication by others.

2. Covenants Not to Compete.

(a) Member specifically acknowledges that, pursuant to the Franchise Agreement, and by virtue of his/her position with Franchisee, Member will receive valuable specialized training and confidential information, including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques of PSM and the System.

(b) Member covenants and agrees that during the term of the Franchise Agreement, except as otherwise approved in writing by PSM, Member shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity:

(i) Divert or attempt to divert any business or customer of the Licensed Location or of any Licensed Location using the System to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with PSM's Proprietary Marks and the System; or

(ii) Either directly or indirectly for him/herself or on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity, own, maintain, operate, engage in, or have any interest in any business which is the same as or similar to the Licensed Location.

(c) Member covenants and agrees that during the Post-Term Period (defined below), except as otherwise approved in writing by PSM, Member shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity, Member shall not own, maintain, operate, engage in, or have any interest in any business which is the same as or similar to the Licensed Location and which business is, or is intended to be, located within a three (3) mile radius of the Approved Site.

(d) As used in this Agreement, the term "same as or similar to the Licensed Location" shall any business which: **(a)** is a play or party facility focused on children's education and entertainment activities, events or classes; or **(b)** manufactures, distributes, offers, or sells any products, services, exhibits, play structures or other items that are the same as or similar to those used, offered or sold in connection with a Location.

(e) As used in this Agreement, the term "Post-Term Period" shall mean a continuous uninterrupted period of two (2) years from the date of: **(a)** a transfer as contemplated under Section 16 of the Franchise Agreement; **(b)** expiration or termination of the Franchise Agreement (regardless of the cause for termination); **(c)** termination of Member's employment with Franchisee; and/or **(d)** a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to the

enforcement of this Agreement; either directly or indirectly (through, on behalf of, or in conjunction with any persons, partnership, corporation or entity).

3. Injunctive Relief. Member acknowledges that any failure to comply with the requirements of this Agreement will cause PSM irreparable injury, and Member agrees to pay all costs (including without limitation reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) incurred by PSM in obtaining specific performance of, or an injunction against violation of, the requirements of this Agreement.

4. Severability. All agreements and covenants contained herein are severable. If any of them, or any part or parts of them, shall be held invalid by any court of competent jurisdiction for any reason, then the Member agrees that the court shall have the authority to reform and modify that provision in order that the restriction shall be the maximum necessary to protect PSM's and/or Member's legitimate business needs as permitted by applicable law and public policy. In so doing, the Member agrees that the court shall impose the provision with retroactive effect as close as possible to the provision held to be invalid.

5. Delay. No delay or failure by the PSM or Franchisee to exercise any right under this Agreement, and no partial or single exercise of that right, shall constitute a waiver of that or any other right provided herein, and no waiver of any violation of any terms and provisions of this Agreement shall be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

6. Third-Party Beneficiary. Member acknowledges and agrees that PSM is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with Franchisee.

IN WITNESS WHEREOF, the Franchisee and the Member attest that each has read and understands the terms of this Agreement, and voluntarily signed this Agreement on the date first written above.

FRANCHISEE

MEMBER

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

PSM WORLDWIDE, LLC
FRANCHISE AGREEMENT
EXHIBIT H

SITE SELECTION ADDENDUM

PSM Worldwide, LLC (“**Franchisor**” or “**us**” or “**we**”) and _____ (“**Franchisee**” or “**you**”) have this ____ day of _____, 20____ entered into a Play Street Museum Franchise Agreement (“**Franchise Agreement**”) and wish to supplement its terms as set out below in this Site Selection Addendum (the “**Addendum**”). The parties agree as follows:

AGREEMENT

1. **Time to Locate Site:** Within one hundred and twenty (120) days after the date of this Addendum, you agree to acquire or lease/sublease, at your own expense, commercial real estate that is properly zoned for the use of the business that you will conduct under the Franchise Agreement (the “**Licensed Location**”) at a site that we will have approved in writing as provided below.

a. Such location shall be within the following area: _____

_____ (the “**Site Selection Area**”).

b. The only reason that the Site Selection Area is described is for the purpose of selecting a site for the Licensed Location.

c. We will not establish, nor franchise another party to establish, a “Play Street Museum” business operating under the System within the Site Selection Area until the end of the Search Period. For purposes of this Addendum, the term “**Search Period**” means one hundred and twenty (120) days from the date of this Addendum, or the period from the date of this Addendum until we have approved of a location for your Licensed Location, whichever event first occurs. Upon expiration of the Search Period, the protections of this paragraph 1(c) will expire and you will have no further rights in and to the Site Selection Area than as otherwise provided in the Franchise Agreement.

d. If you do not acquire or lease a site (that we have approved in writing) for the Licensed Location within the time required in Section 1 above, that will constitute a default under Section 17.2 of the Franchise Agreement and also under this Addendum, and we will have the right to terminate the Franchise Agreement and this Addendum pursuant to the terms of Section 17.2 of the Franchise Agreement; provided, that if we elect to terminate the Franchise Agreement pursuant to this Paragraph 1.d, we will refund to you fifty percent (50%) of the Initial Franchise Fee that you have paid to us, less our costs and expenses we have incurred in connection with providing initial services to you.

2. **Site Evaluation Services:** We will provide you with our site selection guidelines, including our minimum standards for a location for the Licensed Location, and such site selection counseling and assistance as we may deem advisable. If the Licensed Location is for your first or second Location with us, then we will provide you with one (1) site visit at our expense. If you request additional site visits, or if the Licensed Location is for your third (3rd) or additional Location, then we will provide such additional site visits at your expense, and you must pay all costs and expenses our representatives incur (including travel, lodging, meals and wages) in connection with conducting such site visits. We will not provide on-site evaluation for any proposed site before we have

received from you a completed site approval form for the site (prepared as set forth in Section 3 below).

3. **Site Selection Package Submission and Approval:** Within sixty (60) days after signing this Addendum, you must submit to us, in the form that we specify: **(a)** a completed site approval form (in the form that we require); **(b)** such other information or materials that we may reasonably require; and **(c)** an option contract, letter of intent, or other evidence satisfactory to us that confirms your favorable prospects for obtaining the site. You acknowledge that time is of the essence. We will have forty-five (45) days after receipt of all such information and materials from you to approve or disapprove the proposed site as the location for the Licensed Location. We have the right to approve or disapprove any such site. If we do not approve a proposed site by giving you written notice within the 45-day period, then we will be deemed to have disapproved the site.

4. **Lease Responsibilities:** Within thirty (30) days after we have approved a site, you must execute a lease, which must be coterminous with the Franchise Agreement, or a binding agreement to purchase the site. Our approval of any lease is conditioned upon inclusion in the lease of the **Lease Rider** attached to the Franchise Agreement as Exhibit F. However, even if we examine the Lease, we are not responsible for review of the Lease for any terms other than those contained in the Lease Rider.

5. **Approved Location:** After we have approved the location for the Licensed Location and you have leased or acquired that location, the location shall constitute the **Approved Site** described in Section 1.2 of the Franchise Agreement. The Approved Site shall be specified on Exhibit A to the Franchise Agreement, and shall become a part the Franchise Agreement. The Protected Territory, as defined under Section 1.3 of the Franchise Agreement, shall be the geographic area thereafter described in Exhibit A to the Franchise Agreement, and shall become a part of the Franchise Agreement.

a. You hereby acknowledge and agree that our approval of a site does not constitute an assurance, representation, or warranty of any kind, express or implied, as to the suitability of the site for the Licensed Location or for any other purpose. Our approval of the site indicates only that we believe the site complies with our minimum acceptable criteria solely for our own purposes as of the time of the evaluation. The parties each acknowledge that application of criteria that have been effective with respect to other sites and premises may not be predictive of potential for all sites and that, subsequent to our approval of a site, demographic and/or economic factors, such as competition from other similar businesses, included in or excluded from criteria that we used could change, thereby altering the potential of a site. Such factors are unpredictable and are beyond our control.

b. We will not be responsible for the failure of a site (even if we have approved that site) to meet your expectations as to revenue or operational criteria.

c. You acknowledge and agree that your acceptance of a franchise for the operation of the Licensed Location at the site is based on its own independent investigation of the suitability of the site.

6. **Construction:** This Addendum shall be considered an integral part of the Franchise Agreement between the parties hereto, and the terms of this Addendum shall be controlling with respect to the subject matter hereof. All capitalized terms not otherwise defined herein shall have the same meaning as set forth in the Franchise Agreement. Except as modified or supplemented by this Addendum, the terms of the Franchise Agreement are hereby ratified and confirmed.

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

PSM Worldwide, LLC
Franchisor

Franchisee

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

EXHIBIT B

AREA DEVELOPMENT AGREEMENT

[on PSM Worldwide, LLC letterhead stationery]

_____, 20__

Re: Development Letter Agreement

Dear _____:

We are pleased to be entering into this Development Letter Agreement (the “**Agreement**”) with you today. As used in this Agreement, the term “**you**” means the “developer party” that is identified in the signature block of this Agreement, and the terms “**we**” and “**PSM**” mean PSM Worldwide, LLC

1. Development. This letter agreement relates to the terms under which you will develop “Play Street Museum” locations (“**Locations**”) within the Development Area that is specified on the Data Sheet (Exhibit A) attached to this Agreement. Each Location will be established under the terms of a separate Franchise Agreement (the “**Franchise Agreement**”) that will specify, among other things, the approved location of each such Location.

2. Development Schedule. You agree to establish each of the Locations according to the development schedule that is specified on the Data Sheet (Exhibit A) attached to this Agreement. That schedule is referred to as the “**Development Schedule**” in this Agreement.

3. Term. The term of this Agreement starts only when both parties have signed below, and ends on the last date specified in the Development Schedule, unless this Agreement is sooner terminated (the “**Term**”).

4. Development Fee. In consideration of the development rights granted herein, you agree to pay PSM a development fee in the amount of Fifteen Thousand Dollars (\$15,000) for each Location to be developed under this Agreement, in the total amount as described in Exhibit A, attached hereto (the “**Development Fee**”), which shall be paid to us upon signing this Agreement.

4.1 For each Franchise Agreement signed pursuant to this Agreement, you agree to pay to us an initial franchise fee in the following amounts:

4.1.1 Thirty Five Thousand Dollars (\$35,000) under the first (1st) Franchise Agreement entered into under the Development Schedule;

4.1.2 Thirty Thousand Dollars (\$30,000) for the second (2nd) through fifth (5th) Franchise Agreements entered into under the Development Schedule;

4.1.3 Twenty-Five Thousand Dollars (\$25,000) for the sixth (6th) and each additional Franchise Agreement entered into under the Development Schedule; and

4.1.4 For any Franchise Agreements you enter into with us during the Term of this Agreement for Locations that exceed the number of Locations required under the Development Schedule,

and subject to our written approval of your development of such Location(s), the initial franchise fee for each such Location shall be Twenty Two Thousand Five Hundred Dollars (\$22,500).

4.2 If you are in compliance with your obligations under this Agreement, then we will credit to you the sum of Fifteen Thousand Dollars (\$15,000), which credit we will apply to the initial franchise fee payable under each Franchise Agreement for a Location that you are required to open under this Agreement (provided, that the total amount of the credits that we grant to you under this Section 4.2 will not exceed the total Development Fee that you have actually paid to PSM).

4.3 The Development Fee shall be fully earned when we receive it from you and it shall be non-refundable in consideration of administrative and other expenses we incur and for the development opportunities lost or deferred as a result of the rights we have granted to you under this Agreement.

5. Development Rights. If you are in compliance with your obligations under this Agreement and all of the Franchise Agreements between you (and your affiliates) and PSM (and our affiliates), then we will not establish, nor license anyone other than you to establish, a Location in the Development Area until the end of the Term, except as otherwise provided under Sections 6 and 7 below.

6. Reservation of Rights. Except as otherwise specifically provided under Section 5 above, we retain all other rights, and therefore we shall have the right (among others), and on any terms and conditions we deem advisable, and without granting you any rights therein, to:

6.1 use, and to license others to use, the System and the Proprietary Marks (defined below) for the operation of Locations at any location outside the Development Area;

6.2 sell, and to license others to sell, products and services that are also authorized for sale at Locations through other channels of distribution (including digital sales (for example, via mobile apps), physical catalogs, mail order, telephone ordering, and other forms of electronic commerce now in use or later developed) (but not from a "Play Street Museum" Location located in the Development Area);

6.3 acquire and operate businesses of any kind and to grant or franchise the right to others to operate other businesses of any kind, no matter where located (but we will not change these to "Play Street Museum" Locations located in the Development Area); and/or

6.4 use and license the use of the Proprietary Marks and other marks in connection with the operation of businesses that may offer services that are the same as, similar to, or different from those offered at your Location (but not from a "Play Street Museum" Location located in the Development Area).

7. Major Events. In addition to the rights that we retain, as described in Section 6 above, you acknowledge and agree that PSM, as well as our affiliates and designees, retain the exclusive right to operate a Location on a temporary basis at major events (including carnivals, fairs, conventions, professional championship games, and concerts) ("**Major Events**"), whether located within or outside of the Development Area. If we determine that certain kinds of Major Events scheduled to take place within the Development Area provide sufficient opportunity for sales, then we will discuss the opportunity with you and, if we agree on the details and arrangements (and subject to the requirements of the host of the Major Event), we will give you the first right to operate on a temporary basis at such Major Event. If you do not exercise your right to operate at a Major Event, on the terms such offer is extended to you (including signing such documents and doing such things as we may deem necessary in connection with operating at the Major Event), then we, our affiliates, and/or our designee may operate at the Major Event even though it may take place within the Development Area.

8. No License to use the Marks. This Agreement does not confer upon you any license to use, in any manner whatsoever, our proprietary marks and trade names (for example, the mark "PLAY STREET MUSEUM"), service marks, trademarks, logos, emblems, and indicia of origin, as well as other trade names, service marks, and trademarks that we may periodically specify in writing for use in connection

with our system (the “**Proprietary Marks**”) or system. To the extent that we are licensing those rights to you, that license is set out under the Franchise Agreements.

9. Signing of the Franchise Agreement. You must sign a Franchise Agreement for each Location. Each Location shall be located at a site that we must have approved, within the Development Area, as provided below (the “**Approved Site**”). The Franchise Agreement for the first Location developed under this Agreement shall be in the form of the Franchise Agreement that is attached as Exhibit C. The Franchise Agreement for each additional Location that you develop shall be the form of Franchise Agreement that we are then generally offering at the time each such Franchise Agreement is signed. You must sign the Franchise Agreement for each Location and submit that Franchise Agreement to PSM for countersignature not more than fifteen (15) days after you sign the lease for that Location, and in any case not more than thirty (30) days before the Location is reasonably expected to open for business. Each Franchise Agreement signed under this Agreement shall also have as an attachment the Amendment that is appended to this Agreement as Exhibit B.

10. Provisions of the Franchise Agreement Incorporated By Reference. The parties agree that the provisions of the following sections of the Franchise Agreement are incorporated by reference into this Agreement as if they were printed in this Agreement, and that the provisions noted above also apply to this Agreement (except that reference to the “Franchisee” in those provisions shall refer to you under this Agreement and reference to the Franchisor in those provisions shall refer to PSM under this Agreement):

- 10.1 Section 15 - Insurance
- 10.2 Section 16 - Transfer of Interest (but also see Section 11 below)
- 10.3 Section 17 - Default and Termination (but also see Section 12 below)
- 10.4 Section 18 - Obligations Upon Termination or Expiration
- 10.5 Section 19 - Covenants
- 10.6 Section 20 - Taxes, Permits, and Indebtedness
- 10.7 Section 21 - Independent Contractor and Indemnification
- 10.8 Section 23 – Approvals and Waivers
- 10.9 Section 24 - Notices
- 10.10 Section 26 - Severability and Construction
- 10.11 Section 27 - Applicable Law and Dispute Resolution (*You specifically acknowledge and agree that the provisions in Section 27 of the Franchise Agreement apply to this Agreement as well. Among other things, the provisions of Section 27 provide (in the detail spelled out in the Franchise Agreement) that you are waiving trial by jury, that you are waiving the right to seek or collect punitive damages, that the venue for any action you may file against PSM will be in the courts for the location at which PSM has its principal place of business at the time the action is commenced (currently, Plano, Texas), that you are waiving participation in a common or class action against PSM, and that all legal actions you bring must be brought within one year from the date you knew or should have known of the facts creating the claim – all as described in Section 27 of the Franchise Agreement.*)
- 10.12 Section 28 - Acknowledgments

11. Transfers. In addition to the provisions of Section 10.2 above, you understand and agree that we have entered into this Agreement in reliance on your promise and commitment to establish and operate an agreed-upon number of Locations, and that as a result, you agree that it would not be unreasonable for PSM to withhold its consent to a transfer of some, but not all, of the Franchise Agreements separate from one another, and in any case, separate from the rights set forth under this Agreement (if this Agreement has not at the time of a proposed transfer either expired or terminated).

12. Defaults. In addition to the provisions of Section 10.3 above, you will be in default under this Agreement if you do not meet your obligations under the Development Schedule or if any other agreement between you (and/or your affiliates) and PSM is terminated. If you are in default of this Agreement under this Section 12, we will have the right to terminate this Agreement by giving you written notice of termination, which will take effect immediately (unless otherwise required under applicable law).

13. Entire Agreement and Amendment. This Agreement, together with the provisions that are incorporated by reference pursuant to Section 10 above and the Data Sheet that is attached to this Agreement, together constitute the entire, full, and complete agreement between the parties concerning the subject matter hereof, and supersede all prior agreements, no other representations having induced Franchisee to execute this Agreement. The parties acknowledge and agree that they relied only on the words printed in this Agreement (and the Data Sheet, and the provisions of the Franchise Agreement that are incorporated by reference) in deciding whether to enter into this Agreement. Except for those permitted to be made unilaterally by Franchisor hereunder, no amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing. Notwithstanding the foregoing, nothing in this Agreement is intended to disclaim the express representations made in our franchise disclosure document.

14. Indemnity. You agree to defend, indemnify and hold PSM, PSM's affiliates, and their respective officers, directors, employees, and agents harmless against any and all losses, damages, liabilities, costs, and expenses (including, but not limited to, reasonable attorney's fees, reasonable costs of investigation, court costs, and arbitration fees and expenses) resulting from, consisting of, or arising out of or in connection with any failure by you to perform any obligation under the Agreement.

15. Confirmation that You Read the Franchise Agreement. You acknowledge that you have read the Franchise Agreement attached to this Agreement as Exhibit C (including but not limited to the provisions of the Franchise Agreement that are referenced (and/or incorporated by reference) into this Agreement.

16. Captions. The headings and captions in this Agreement are merely for the sake of convenience and are not meant (and shall not be deemed) to change or have any affect upon the meaning of the Agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Agreement in duplicate on the day and year first above written.

PSM Worldwide, LLC

Developer Party

By: _____

By: _____

Printed Name: _____

Printed Name: _____

Title: _____

Title: _____

Address for Notices:

Address for Notices:

PSM Worldwide, LLC
1900 Preston Road #267-PMB 291
Plano, Texas 75093
Fax: (____) _____
Attn: President

Telephone: _____
Fax: _____
Attn: _____

Exhibits (3): **A** – Data Sheet; **B** – Amendment to the Franchise Agreement; and **C** – Franchise Agreement

Exhibit A - Data Sheet

The Development Area under this Agreement shall be:

Initialed

PSM
Developer Party

The Development Schedule under this Agreement shall be:

By this anniversary of the date of this Agreement	Cumulative Total Number of Locations That You Agree To Have Open and in Operation

Initialed

PSM
Developer Party

Exhibit B - Amendment to the Franchise Agreement

Exhibit C - The Franchise Agreement

EXHIBIT C**LIST OF PLAY STREET MUSEUM FRANCHISEES AND AREA DEVELOPERS****(As of June 30, 2023)**

Franchisee	Address	Telephone Number
Young Innovators, Inc.	7075 Austin Bluff's Pkwy Colorado Springs, Colorado 80918	(719) 377-9779
Busy Boddie Entertainment, LLC	9370 South Colorado Blvd. Highlands Ranch, Colorado 80126	(469) 964-4275
Stephen Grace Co. ^{1,3}	11209 S. Lothair Ave. Chicago, Illinois 60643	(773) 209-0008
DFDM LLC ¹	300 Providence Oaks Circle Alpharetta, Georgia 30009	(678) 882-9918
Ray Ventures, LLC ¹	332 Whitfield Rd. Catonsville, Maryland 21228	(859) 967-8430
Joy of Play, LLC ¹	209 Hollyberry Road Severna Park, Maryland 21146	(443) 393-9663
KD & NJ LLC	1650 Beale Street St. Charles, Missouri 63303	(314) 471-0065
Playtime Austin, Inc.	P.O. Box 99 Roswell, New Mexico 88202	(575) 637-9475
Payne Family Enterprises, LLC ^{1,3}	306 W 116th St., Apt. 4B New York, New York 10026	(937)-838-2124
Tavin Playtime, Inc. ¹	14540 SE Northern Heights Dr. Happy Valley, Oregon 97086	(503)-963-6359
Carlson's Children's Company, LLC	18021 N.W. Evergreen Pkwy Hillsboro, Oregon 97006	(503) 807-0897
North Austin Play, Inc. ¹	764 Tallgrass Dr. Aledo, Texas 76008	(512) 961-1071
Jarl Enterprises LLC	950 W. Stacy Road Allen, Texas 75013	(972) 737-3256
Oak & Olive, LLC ¹	4024 Sanders Dr. Celina, Texas 75009	(469)-430-0908
Wit & Grace, LLC	17445 Spring Cypress Rd. Cypress, Texas 77429	(806) 632-1973
Wintonwood, LLC	7130 Skillman St. Dallas, Texas 75231	(214) 414-2819
Bennett Creative Group, LLC	5925 Convair Dr. Ft. Worth, Texas 76109	(817) 930-2577
Bennett Management Group, LLC	4401 Cartagena Drive Ft. Worth, Texas 76133	(817) 930-2577
Bonita Endeavors, LLC ¹	2922 N. Rose Street Harlingen, Texas 78550	(956) 454-6379
Grant & Grant TX LLC ²	28102 Rippling Lake Court Katy, Texas 77494	(409) 351-1389
EC World, LLC ¹	9920 Gaston Rd., Suite 8 Katy, Texas 77494	(312) 752-0099

DCI of Lubbock, LLC	10609 Slide Road Lubbock, Texas 79424	(806) 319-7534
Artist Grove Holdings LLC	207 East Shore Drive The Woodlands, Texas 77380	(832) 464-6685
Ruby o'Rabbitt, LLC	299 E Farm To Market Road #509 Murphy, Texas 75094	(972) 974-5211
Mixers Collective, LLC ¹	712 NE 138th Ave. Vancouver, Washington 98684	(360) 601-8387

Notes:

1. PSM Location not yet open as of June 30, 2023.
2. This franchisee entered into a franchise agreement for a second location which was not yet open as of June 30, 2023.
3. Also an Area Developer.

EXHIBIT D**LIST OF COMPANY-OWNED PSM LOCATIONS****Affiliate-owned PSM Locations --
Directory as of June 30, 2023**

PSM Location Name	PSM Location Address
Play Street Museum – McKinney	3851 S. Stonebridge Drive, Suite 400 McKinney, Texas 75070
Play Street Museum – Plano	5964 W Parker Road, Suite 120 Plano, Texas 75093

EXHIBIT E**LIST OF FORMER FRANCHISEES****(As of June 30, 2023)**

Former Franchisee	Address and Telephone
LIA Creative Group. LLC *	6419 Ellsworth Avenue. Dallas, Texas 75215 (806) 441-9827

* Signed franchise agreement but left the system before opening.

EXHIBIT F**LIST OF STATE ADMINISTRATORS**

We intend to register this disclosure document as a "franchise" in some or all of the following states, in accordance with the applicable state laws. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in these states:

CALIFORNIA Commissioner of Financial Protection and Innovation, Department of Financial Protection and Innovation 320 West Fourth Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500 / Toll Free: (866) 275-2677	NEW YORK New York State Department of Law Investor Protection Bureau 28 Liberty Street, 21 st Floor New York, New York 10005 (212) 416-8222
HAWAII Commissioner of Securities Department of Commerce & Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722	NORTH DAKOTA North Dakota Securities Department State Capitol Department 414 600 East Boulevard Avenue, Fifth Floor Bismarck, North Dakota 58505-0510 (701) 328-4712
ILLINOIS Illinois Office of the Attorney General Franchise Bureau 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	RHODE ISLAND Department of Business Regulation Securities Division, Building 69, First Floor John O. Pastore Center 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9527
INDIANA Secretary of State Franchise Section 302 West Washington, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	SOUTH DAKOTA Division of Insurance Securities Regulation 124 South Euclid Avenue, 2 nd Floor Pierre, South Dakota 57501 (605) 773-3563
MARYLAND Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360	VIRGINIA State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, Virginia 23219 (804) 371-9051
MICHIGAN Michigan Attorney General's Office Corporate Oversight Division, Franchise Section 525 West Ottawa Street G. Mennen Williams Building, 1 st Floor Lansing, Michigan 48913 (517) 335-7567	WASHINGTON Department of Financial Institutions Securities Division – 3 rd Floor 150 Israel Road, Southwest Tumwater, Washington 98501 (360) 902-8760
MINNESOTA Minnesota Department of Commerce 85 7 th Place East, Suite 280 St. Paul, Minnesota 55101 (651) 539-1500	WISCONSIN Division of Securities 4822 Madison Yards Way, North Tower Madison, Wisconsin 53705 (608) 266-2139

EXHIBIT G**AGENTS FOR SERVICE OF PROCESS**

We intend to register this disclosure document as a "franchise" in some or all of the following states, in accordance with the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in these states:

CALIFORNIA Commissioner of Financial Protection and Innovation, Department of Financial Protection and Innovation 320 West Fourth Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500 / Toll Free: (866) 275-2677	NEW YORK New York Secretary of State New York Department of State One Commerce Plaza, 99 Washington Avenue, 6 th Floor Albany, New York 12231-0001 (518) 473-2492
HAWAII Commissioner of Securities Department of Commerce & Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722	NORTH DAKOTA North Dakota Securities Commissioner State Capitol 600 East Boulevard Avenue, Fifth Floor Bismarck, North Dakota 58505-0510 (701) 328-4712
ILLINOIS Illinois Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	RHODE ISLAND Director of Department of Business Regulation Department of Business Regulation Securities Division, Building 69, First Floor John O. Pastore Center 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9527
INDIANA Secretary of State Franchise Section 302 West Washington, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	SOUTH DAKOTA Division of Insurance Director of the Securities Regulation 124 South Euclid Avenue, 2 nd Floor Pierre, South Dakota 57501 (605) 773-3563
MARYLAND Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360	VIRGINIA Clerk of the State Corporation Commission 1300 East Main Street, 1 st Floor Richmond, Virginia 23219 (804) 371-9733
MICHIGAN Michigan Attorney General's Office Corporate Oversight Division, Franchise Section 525 West Ottawa Street G. Mennen Williams Building, 1 st Floor Lansing, Michigan 48913 (517) 335-7567	WASHINGTON Director of Department of Financial Institutions Securities Division – 3 rd Floor 150 Israel Road, Southwest Tumwater, Washington 98501 (360) 902-8760
MINNESOTA Minnesota Department of Commerce 85 7 th Place East, Suite 280 St. Paul, Minnesota 55101 (651) 539-1500	WISCONSIN Division of Securities 4822 Madison Yards Way, North Tower Madison, Wisconsin 53705 (608) 266-2139

EXHIBIT H**OPERATING MANUAL (TABLE OF CONTENTS)****Play Street Museum****Operations Manual - Table of Contents**

Part 1: Start-Up	<u>No. of Pages</u>
<ul style="list-style-type: none"> • Welcome • Acknowledgement of Receipt 	
1. During the Site Selection Weeks	9 pages
1.1. Location, Location, Location	
1.2. Sign Specifications & Approvals	
2. Administrative Preparation	10 pages
2.1. Federal & Local Regulations	
2.2. Insurance	
2.3. Banking	
2.4. Printed Material	
3. From Lease Signing to Opening	28 pages
3.1. Twelve-Week Overview	
3.2. Hiring a Contractor	
3.3. Purchasing & Store Design	
3.4. Initial Franchisee Training	
3.5. Grand Opening	
Part 2: Ongoing Operations	
<ul style="list-style-type: none"> • Acknowledgement of Receipt • Confidentiality • Manual Updates & Revisions • Use of Manual 	
1. Introduction	10 pages
1.1. Welcome	
1.2. The Concept	
1.3. History	
1.4. Mission & Values	
1.5. Key Elements of Success	
1.6. What is Franchising	
1.7. Leveraging the Advantages of the Franchise System	

	<u>No. of Pages</u>
2. Approved Offerings & Pricing	8 pages
2.1. Activities & Exhibits	
2.2. Events & Parties	
3. Customer Service & Policies	12 pages
3.1. Customer Service	
3.2. Team Member Profile & Expectations	
3.3. PSM Customer Policies	
3.4. Responding to Complaints	
4. Operations	27 pages
4.1. Hours of Operation	
4.2. Registration	
4.3. Facility Set Up & Standards	
4.4. Appearance & Maintenance Standards	
4.5. Service Standards	
4.6. Administrative Duties	
4.7. Quality Control	
4.8. Parent Communication	
5. Safety & Security	13 pages
5.1. Child Safety	
5.2. Incident Procedures	
5.3. Facility Security	
5.4. Emergency Procedures	
6. Financial Management	16 pages
6.1. Maintaining Business Employment Forms & Files	
6.2. Banking	
6.3. Accounting & Bookkeeping	
7. Personnel Management	21 pages
7.1. Management Philosophy	
7.2. Job Description Summaries	
7.3. New Personnel Administration	
7.4. Training	
7.5. Managing Personnel Performance	
7.6. Retaining Talented Personnel	
7.7. Terminations	
8. Marketing	22 pages
8.1. Building the Brand	
8.2. Trademarks	
8.3. The Basics of Marketing	
8.4. Media Choices	
8.5. Promotions Public Relations & Publicity	

Appendix

Total Pages in Operations Manual

184

EXHIBIT I
FINANCIAL STATEMENTS

Financial Report

PSM Worldwide, LLC

June 30, 2023, 2022, and 2021

play street museum

Financial Report

PSM Worldwide, LLC

June 30, 2023, 2022, and 2021

TABLE OF CONTENTS

PSM Worldwide, LLC
Plano, Texas

June 30, 2023, 2022, and 2021

	<u>Page Numbers</u>
Independent Auditor's Report	1 - 2
Exhibits	
A - Balance Sheets	3
B - Statements of Operations and Members' Deficit	4
C - Statements of Cash Flows	5 - 6
D - Notes to Financial Statements	7 - 15

INDEPENDENT AUDITOR'S REPORT

To the Members of
PSM Worldwide, LLC,
Plano, Texas.

Opinion

We have audited the accompanying financial statements of PSM Worldwide, LLC (the “Company”) which comprise the balance sheets as of June 30, 2023, 2022, and 2021, and the related statements of operations and members’ deficit, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of June 30, 2023, 2022, and 2021 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company’s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audits.



Certified Public Accountants.

New Orleans, Louisiana,
October 20, 2023.

BALANCE SHEETS

PSM Worldwide, LLC
Plano, Texas

June 30, 2023, 2022, and 2021

	2023	2022	2021
<u>ASSETS</u>			
Current Assets			
Cash	\$ 52,231	\$ 18,682	\$ 35,292
Accounts receivable:			
Royalty and brand fund fees	15,095	4,567	7,708
Technology fees	1,900	1,424	1,377
Other	-	764	-
Note receivable	-	11,887	-
Inventory	34,000	34,000	34,000
Total current assets	103,226	71,324	78,377
Property and Equipment			
Property and equipment, net	21,105	6,166	2,663
Total assets	\$ 124,331	\$ 77,490	\$ 81,040
<u>LIABILITIES</u>			
Current Liabilities			
Accounts payable and accrued expenses	\$ 23,706	\$ 9,300	\$ 6,262
Accrued interest	-	1,559	5,786
Deferred franchise fees	192,500	100,000	-
Due to affiliate	215,000	65,000	30,000
Loan payable	4,234	2,513	-
Loan from members	75,000	-	-
Note payable to affiliate	6,800	6,800	6,800
Total current liabilities	517,240	185,172	48,848
Long-Term Liability			
Note payable to affiliates, net of current portion	6,800	13,600	20,400
Loan payable, net of current	186,507	190,487	193,000
Total long-term liabilities	193,307	204,087	213,400
Total liabilities	710,547	389,259	262,248
<u>MEMBERS' DEFICIT</u>			
Members' Deficit	(586,216)	(311,769)	(181,208)
Total liabilities and members' deficit	\$ 124,331	\$ 77,490	\$ 81,040

See notes to financial statements.

STATEMENTS OF OPERATIONS AND MEMBERS' DEFICIT

PSM Worldwide, LLC
Plano, Texas

For the years ended June 30, 2023, 2022, and 2021

	2023	2022	2021
Revenues			
Royalty fees	\$ 255,267	\$ 187,465	\$ 102,486
Franchise fees	115,000	28,750	70,000
Technology fees	19,864	16,812	17,537
Brand fund fees	118,101	87,760	50,220
Product sales	8,387	-	-
Rebates	28,287	7	10,382
Other	6,295	3,362	27,897
	551,201	324,156	278,522
Expenses			
Advertising and marketing	253,965	143,817	72,617
Computer and software expenses	35,520	20,438	23,853
Depreciation	3,293	1,690	1,030
Interest expense	7,475	7,065	8,609
Legal and professional	50,067	29,196	31,531
License and permits	180,102	180,000	180,357
Meals and entertainment	749	442	77
Meeting expense	7,924	869	2,936
Office	9,498	7,760	2,019
Other operating expenses	12,600	3,177	855
Payroll tax	25,741	3,720	-
Postage	452	422	840
Professional development	12,301	3,614	2,977
Repairs and maintenance	964	-	-
Research and development	18,840	6,716	3,114
Telephone	108	-	-
Travel	11,946	699	8,034
Wages	239,613	40,702	-
	871,158	450,327	338,849
Operating Loss	(319,957)	(126,171)	(60,327)
Members' Deficit			
Beginning of year	(311,769)	(181,208)	(176,803)
Distributions	(13,894)	(6,606)	(15,000)
Contributions	59,404	2,216	70,922
	End of year	End of year	End of year
	\$ (586,216)	\$ (311,769)	\$ (181,208)

See notes to financial statements.

STATEMENTS OF CASH FLOWS

PSM Worldwide, LLC Plano, Texas

For the years ended June 30, 2023, 2022, and 2021

	2023	2022	2021
Cash Flows From Operating Activities			
Net loss	\$ (319,957)	\$ (126,171)	\$ (60,327)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	3,293	1,690	1,030
Decrease (increase) in:			
Royalty and brand fund fees	(10,528)	3,141	13,617
Technology fees receivable	(476)	(47)	211
Franchise fees receivable	-	(14,375)	17,500
Other receivables	764	(764)	950
Inventory	-	-	(4,300)
Increase (decrease) in:			
Accounts payable and accrued expenses	14,406	3,038	(19,268)
Accrued interest	(1,559)	(4,227)	5,786
Deferred franchise fees	92,500	100,000	(70,000)
Due to affiliates	150,000	35,000	30,000
	<u>(71,557)</u>	<u>(2,715)</u>	<u>(84,801)</u>
Cash Flows From Investing Activities			
Purchase of property and equipment	(18,232)	(5,193)	-
Collections of note receivable	11,887	2,488	-
	<u>(6,345)</u>	<u>(2,705)</u>	<u>-</u>
Cash Flows From Financing Activities			
Members' contributions	59,404	2,216	70,922
Members' distributions	(13,894)	(6,606)	(15,000)
Repayments on note payable to affiliate	(6,800)	(6,800)	-
Repayments on note payable	(2,259)	-	-
Loan from members proceeds	75,000	-	-
	<u>111,451</u>	<u>(11,190)</u>	<u>55,922</u>
Net cash provided by (used in) financing activities	<u>111,451</u>	<u>(11,190)</u>	<u>55,922</u>

	2023	2022	2021
Net Increase (Decrease) in Cash	33,549	(16,610)	(28,879)
Cash			
Beginning of year	18,682	35,292	64,171
End of year	\$ 52,231	\$ 18,682	\$ 35,292
Supplemental Disclosures of Cash Flow Information			
Interest paid	\$ 9,034	\$ 11,292	\$ 2,823
Supplemental Disclosures of Noncash Financing Activity			
Inventory purchases included in due to affiliates	\$ -	\$ -	\$ 27,500
Franchise fees financed by a note receivable	\$ -	\$ 14,375	\$ -

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS**PSM Worldwide, LLC**
Plano, Texas

June 30, 2023, 2022, and 2021

Note 1 - ORGANIZATION AND NATURE OF BUSINESS

PSM Worldwide, LLC (the “Company”) was formed on July 18, 2016, as a Texas limited liability company to sell franchises pursuant to a license agreement dated November 1, 2016, between the Company and PSM Holdings, LLC (the “Licensor”), an entity related to the Company by common ownership and control.

Pursuant to the Company’s standard franchise agreement, franchisees will operate businesses known as “Play Street Museum” in the United States of America. Franchisees will be engaged in operating clean, upscale, and educationally focused children’s museums, targeted primarily to children eight and under, to provide entertainment in a stimulating learning environment of creative and dramatic play.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**a. Basis of Accounting**

The Company prepares its financial statements on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

b. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

c. Cash and Cash Equivalents

The Company considers all demand deposits at commercial banks and highly liquid debt instruments with original maturity dates of three months or less to be cash equivalents. There were no cash equivalents as of June 30, 2023, 2022, and 2021.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Inventory

Inventory mainly consists of fixtures, decor, lighting, and other custom made items to be used at franchise locations. Inventory is stated at the lower of cost or net realizable value, as determined by the first-in first-out (FIFO) method.

e. Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivables are stated at the amount the Company expects to collect from outstanding balances. Management considers the following factors when determining the collectability of royalty, brand fund, technology, and franchise fees franchisee creditworthiness; past transaction history with the franchisee; current economic industry trends; and changes in franchisee payment terms. If the financial conditions of the Company's franchisees were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. Based on management's assessment, the Company provides for estimated uncollectible amounts through a charge to earnings and a credit to a valuation allowance. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Collection losses have historically not been significant. As of June 30, 2023, 2022, and 2021, management concluded that based on its review of accounts receivable balances outstanding, a valuation allowance was not required.

f. Property and Equipment

Property and equipment are stated at cost. Additions, improvements, and betterments to property and equipment are capitalized. Expenditures for repairs and maintenance which do not extend the life of the assets are charged to expense as incurred. Depreciation expense is provided using the straight-line method of depreciation over the estimated lives noted below.

	Useful Lives
Computers and equipment	5 years
Furniture and fixtures	5 years

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**g. Revenue and Cost Recognition**

The Company recognizes revenue under Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) Accounting Standards Codification (ASC) Topic 606, “*Revenue from Contracts with Customers*” (ASC 606). Royalty, brand fund, technology, and franchise fees are recognized based on franchisees’ reported sales.

Initial franchise fees are deferred until substantially all of the Company’s initial services required pursuant to the franchise agreement have been performed or satisfied. The Company records deferred revenue when cash is received from franchisees. Area development fees are deferred until a franchise agreement is signed and all of the franchisors’ initial services required pursuant to the franchise agreement have been met.

The Company defers those direct and incremental costs associated with the sale of franchises for which revenue is deferred. Deferred costs are charged to earnings when the related deferred franchise fees are recognized in income.

The Company purchases inventory consisting primarily of fixtures, decor, lighting, and other custom made items in bulk to be sold to franchisees. The revenue for these items is recognized when the goods are shipped to the franchisee.

All other fees are recorded as services are rendered.

h. Income Taxes

As a limited liability company, the Company is treated as a partnership for federal and state income tax purposes. Accordingly, no provision has been made for income taxes in the accompanying financial statements, since all items of income or loss are required to be reported on the income tax returns of the members, who are responsible for any taxes thereon.

Accounting standards provide detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in an entity’s financial statements. These standards require an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will not be sustained upon examination. As of June 30, 2023, management believes that the Company has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Company recognizes interest and penalties, if any, related to unrecognized tax benefits in interest expense. Tax years ended June 30, 2020 and later remain subject to examination by the taxing authorities.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Advertising and Marketing Expenses

Advertising and marketing expenses are charged to operations in the year incurred. For the years ended June 30, 2023, 2022, and 2021, advertising and marketing costs totaled \$253,965, \$143,817, and \$72,617, respectively.

j. Franchised Locations

The following data reflects the status of the Company’s franchises as of June 30, 2023, 2022, and 2021:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Franchises sold	6	3	-
Franchises purchased	-	-	-
Franchised outlets in operation	17	14	15
Franchisor-owned outlets in operation	-	-	-
Affiliate-owned outlets in operation ^(a)	2	2	2

^(a) *The Company has waived its rights to royalties from the affiliated-owned locations.*

k. New Accounting Standards

Leases

In February 2016, the FASB issued ASU No. 2016-02, “Leases” (Topic 842). ASU No. 2016-02 requires that a lease liability and related right-of-use asset representing the lessee’s right to use or control the asset be recorded on the Balance Sheet upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. As a result, the effect of leases in the Statements of Operations and Members’ Deficit, and the Statements of Cash Flows will be substantially unchanged from the existing lease accounting guidance. The ASU is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. The adoption of this standard did not have an impact on the financial statements of the Company.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Subsequent Events

Management evaluates events subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that effect the financial statements. Subsequent events have been evaluated through October 20, 2023, which is the date the financial statements were available to be issued.

Note 3 - CONCENTRATION OF CREDIT RISK

The Company maintains its cash balances in various financial institutions where the accounts are insured by Federal Deposit Insurance Corporation up to \$250,000 per bank. As of June 30, 2023, there were no cash balances in excess of the federally insured limits.

Note 4 - ACCOUNTS RECEIVABLE

An aged analysis of royalty, brand fund, technology, and franchise fees receivable as of June 30, 2023, 2022, and 2021 are as follows:

	2023	2022	2021	2020
Current	\$ 16,995	\$ 6,755	\$ 9,085	\$ 23,863
Over 90 days	-	-	-	17,500
Totals	\$ 16,995	\$ 6,755	\$ 9,085	\$ 41,363

Note 5 - NOTE RECEIVABLE

During the year ended June 30, 2023, the Company acquired a note from a franchisee bearing no interest and payable in 52 weekly installments of \$276 through maturity on April 26, 2023. This note was collected in full during the year ended June 30, 2023.

Note 6 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30, 2023, 2022, and 2021:

	2023	2022	2021
Computer equipment	\$ 20,398	\$ 9,373	\$ 5,148
Furniture and fixtures	8,176	969	-
Less: accumulated depreciation	(7,469)	(4,176)	(2,485)
Equipment, net	\$ 21,105	\$ 6,166	\$ 2,663

Depreciation expense totaled \$3,293, \$1,690, and \$1,030 for the years ended June 30, 2023, 2022, and 2021, respectively.

Note 7 - BRAND FUND

The Company charges its franchisees a brand fund fee of up to 2% of its gross revenues, in accordance with the Company's standard franchise agreement. The brand fund is to be utilized for the benefit of the franchisees, with a portion designated to offset the Company's costs of its administration. Pursuant to the standard franchise agreement, the Company is not required to segregate and restrict monies collected on behalf of the brand development fund. As of June 30, 2023, 2022 and 2021 there was no amount payable to the brand fund.

The Company has the right to designate any geographical area for the purposes of establishing a regional marketing fund. If the regional marketing fund is established, franchisees must contribute amounts, as defined. As of June 30, 2023, the Company has not yet established a regional marketing fund.

Note 8 - DEFERRED FRANCHISE AND AREA DEVELOPMENT FEES

Franchise Fees

Franchise fees received and unearned at the balance sheet date are reported as deferred franchise fees in the accompanying balance sheets. Deferred franchise fees were \$192,500 and \$100,000 as of June 30, 2023 and 2022, respectively. There were no deferred franchise fees as of June 30, 2021. Additionally, no related direct and incremental costs have been deferred as of June 30, 2023, 2022, and 2021.

Note 8 - DEFERRED FRANCHISE AND AREA DEVELOPMENT FEES (Continued)

Area Development Fees

Area development fees received that are unearned are reported as deferred revenue - area development fees in the accompanying balance sheet. There were no unearned area development fees as of June 30, 2023, 2022, and 2021.

Note 9 - LICENSE AGREEMENT

On November 1, 2016, the Company entered into a 40-year non-exclusive license agreement with the Licensor for the use of the registered name, “Play Street Museum”, which was amended as of July 1, 2018, to include a license fee (the “license agreement”). Pursuant to the license agreement, the Company has acquired the right to sell Play Street Museum franchises in the United States, and collect franchise fees, royalties and other fees from franchisees.

The Company is obligated to pay the Licensor a license fee of \$15,000 monthly for an initial term of 40 years, with a 40 year renewal term. In, addition, the Company is obligated to pay an additional license fee of 20% of gross royalty and franchise fee in excess of \$400,000. The license fee expense, included in licenses and permits in the accompanying Statements of Operations and Members’ Deficit for each of the years ended June 30, 2023, 2022, and 2021, was \$180,000. As of June 30, 2023, 2022, and 2021 \$30,000, \$145,000, and \$150,000 was paid to the Licensor, respectively. The remaining balance of \$215,000, \$65,000, and \$30,000, included in due to affiliate in the accompanying Balance Sheets, is owed to the Licensor as of June 30, 2023, 2022, and 2021, respectively.

The future obligations of the license agreement as of June 30, 2023 is as follows:

<u>Year Ending June 30,</u>	
2024	\$ 180,000
2025	180,000
2026	180,000
2027	180,000
2028	180,000
Thereafter	<u>5,100,000</u>
Total	<u>\$ 6,000,000</u>

Note 10 - NOTES PAYABLE

On August 21, 2020, the Company entered into an agreement with the Licensor to purchase two pre-built museum exhibits. These exhibits are included in inventory as of June 30, 2023. There is no interest charged on these loans. Principal is due in yearly installments of \$6,800 through August 15, 2024. The loan is secured by the exhibit inventory. The Company has a balance outstanding of \$13,600, \$20,400, and \$27,200 as of June 30, 2023, 2022, and 2021, respectively (see Note 12).

On April 14, 2020, the Company entered into an Economic Injury Disaster Loan (EIDL) agreement administered by the United States Small Business Administration (SBA) totaling \$193,000. Interest on the loan is 3.75%. The loan requires monthly payments of \$941 beginning April 15, 2022 through maturity, April 15, 2050. Each payment will be applied first to interest accrued to the date of each payment, and the balance, if any will be applied to principal. The loan is secured by substantially all tangible and intangible property of the Company. The Company has a balance outstanding of \$190,741, \$193,000, and \$193,000 as of June 30, 2023, 2022, and 2021, respectively.

The future maturities of long-term debt as of June 30, 2023 are as follows:

Year Ending June 30:	EIDL	Affiliate Notes	Totals
2024	\$ 4,234	\$ 6,800	\$ 11,034
2025	4,396	6,800	11,196
2026	4,565	-	4,565
2027	4,739	-	4,739
2028	4,921	-	4,921
Thereafter	167,886	-	167,886
Totals	\$ 190,741	\$ 13,600	\$ 204,341

Interest expense on the notes payable was \$7,475, \$7,065, and \$8,609 for the years ended June 30, 2023, 2022, and 2021, respectively.

Note 11 - MEMBER LOAN PAYABLE

On May 30, 2023, and June 20, 2023, the Members advanced a total of \$75,000 to the Company to support operations. There is no interest charged or stated repayment terms on these loans. The loan is unsecured. The Company has a balance outstanding of \$75,000, as of June 30, 2023. There were no amounts due as of June 30, 2022, and 2021 (see Note 12).

Note 12 - RELATED PARTY TRANSACTIONS

The following is a summary of related-party transactions and balances for the years ended June 30, 2023, 2022, and 2021.

The due to affiliate's total of \$215,000, \$65,000 and \$30,000 as of June 30, 2023, 2022, and 2021, respectively, relates to a license agreement for the use of the registered name of the Company (see Note 9). The Company incurred \$180,000 in license expenses in the years ended June 30, 2023, 2022, and 2021. These expenses are included in licenses and permits on the Statements of Operations and Members' Deficit.

In August 2020, the Company executed a note totaling \$34,000 with the Licensor. Principal is due in yearly payments of \$6,800 through the maturity date of August 15, 2024. There is no interest charged on this note. As of June 30, 2023, 2022, and 2021, the total outstanding balance was \$13,600, \$20,400 and \$27,200, respectively.

The Company paid an affiliate owned location \$20,350 and \$18,963 during the years ended June 30, 2022, and 2021, respectively, for services provided by staff of the affiliate owned location. As of June 30, 2022, and 2021, amounts included in accounts payable due to the affiliate owned location totaled \$4,330 and \$499, respectively. Employees were paid directly by the Company during the year ended June 30, 2023.

On May 30, 2023, and June 20, 2023, the Members advanced a total of \$75,000 to the Company to support operations (see Note 11).

Note 13 - RISKS AND UNCERTAINTIES

The Company is a franchisor subject to federal and state regulation and supervision, primarily by the Federal Trade Commission (FTC). Regulation from the FTC and other federal and state regulatory authorities covers all aspects of the organization, management, and operations. The Company continually evaluates the rules to determine the extent of the impact on Company operations. Regulatory enforcement could adversely affect the business, financial condition, and results of operations.

UNAUDITED FINANCIAL STATEMENTS

THESE FINANCIAL STATEMENTS HAVE BEEN PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED AN OPINION WITH REGARD TO THEIR CONTENT OR FORM.

PSM Worldwide
Balance Sheet
As of September 30, 2023

	Total
ASSETS	
Current Assets	
Cash	\$42,816
Accounts Receivable	\$2,963
Inventory	\$34,000
Intercompany Activity	-\$60,131
Total Current Assets	-\$23,168
Fixed Assets	\$37,334
TOTAL ASSETS	\$56,983
LIABILITIES AND EQUITY	
Current Liabilities	
Accounts Payable and Accrued Expenses	\$24,441
Due to Affiliate	\$215,000
Deferred Franchise Fees	\$222,500
Total Current Liabilities	\$461,941
Notes Payable	
Note payable to affiliates, net of current portion	\$13,600
Loan payable, net of current	\$365,741
Total Long-Term Liabilities	\$379,341
Total Liabilities	\$841,282
Total Equity	-\$784,299
TOTAL LIABILITIES AND EQUITY	\$56,983

PSM Worldwide
Profit and Loss
 July 1st - September 30, 2023

	<u>Total</u>
Income	
Franchise Fee	\$35,000
Royalty Income	\$71,354
Technology Fee Income	\$4,084
Franchisee Contributions	\$32,379
Rebates/SDF	\$11,985
Other	\$6,685
Total Income	<u>\$161,486</u>
Expenses	
Advertising & Marketing	\$59,472
Technology	\$12,338
Interest Expense	\$2,823
Legal & Professional Services	\$4,900
Licensing Fees	\$45,459
Meals & Entertainment	\$1,030
Office Supplies	\$77
Other Operating Expenses	\$7,516
Misc Franchisee Expenses	\$2,660
Employer Taxes	\$10,876
Postage and Delivery	\$258
Repairs & Maintenance	\$87
Research and Development	\$3,874
Travel	\$2,777
Staff Wages	\$149,314
Total Expenses	<u>\$303,460</u>
Net Income/Loss	<u>-\$141,973</u>

EXHIBIT J

Franchisee Acknowledgement

NOTE: THIS FRANCHISEE ACKNOWLEDGEMENT SHALL NOT BE COMPLETED OR SIGNED BY YOU, AND WILL NOT APPLY, IF THE OFFER OR SALE OF THIS FRANCHISE IS SUBJECT TO THE STATE FRANCHISE REGISTRATION/DISCLOSURE LAWS IN THE STATES OF CALIFORNIA, HAWAII, ILLINOIS, INDIANA, MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, NORTH DAKOTA, RHODE ISLAND, SOUTH DAKOTA, VIRGINIA, WASHINGTON, OR WISCONSIN.

As you know, you and PSM Worldwide, LLC (the “**Franchisor**”) are preparing to enter into a Franchise Agreement or Area Development Agreement for the establishment and operation of a *Play Street Museum* franchised location (a “**Location**” or “**Franchise**”). Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. Did you receive a copy of our Franchise Disclosure Document (and all exhibits and attachments) (together, our “**FDD**”) at least 14 calendar days before signing the Franchise Agreement? Check one: () Yes () No. If no, please explain: _____

2. Did you sign and return to us an FDD receipt indicating the date on which you received the FDD?
Check one: () Yes () No.

3. Please list any questions you have regarding the franchise opportunity that you would like to discuss prior to signing the Franchise Agreement. (Attach additional pages, if necessary.)

4. Please list any information provided to you by any employee or other person speaking on our behalf concerning the sales, revenue, profits, or operating costs of one or more Play Street Museum locations operated by us, our affiliates, or our franchisees or that you may earn or experience that is in addition to the information contained in the Franchise Disclosure Document:

Franchise Applicant’s Initials _____

Franchisee Acknowledgement
Page 1 of 2

This acknowledgement does not waive any liability the franchisor may have under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

Note: If the franchisee is or will be a corporation, partnership, limited liability company, or other entity, then each of its principal owners must complete and sign a copy of this acknowledgment.

FRANCHISE APPLICANT

Signed

Printed Name

_____, 20____
Date

Franchise Applicant's Initials _____

Franchisee Acknowledgement
Page 2 of 2

EXHIBIT K

State-Specific Amendments to the Disclosure Document

California Disclosure Addendum

In recognition of the requirements of the California Franchise Investment Law, Cal. Corp. Code §§ 31000-31516, and the California Franchise Relations Act, Cal. Bus. & Prof. Code §§ 20000-20043, the Disclosure Document for PSM Worldwide, LLC in connection with the offer and sale of franchises for use in the State of California is amended to include the following:

1. Our website, www.playstreetmuseum.com, has not been reviewed or approved by the California Dep't of Financial Protection and Innovation. Any complaints concerning the content of the website may be directed to the California Dep't of Financial Protection and Innovation at www.dfpi.ca.gov.
2. 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.
3. SECTION 31125 OF THE CALIFORNIA CORPORATIONS CODE REQUIRES US TO GIVE YOU A DISCLOSURE DOCUMENT, IN A FORM CONTAINING THE INFORMATION THAT THE COMMISSIONER MAY BY RULE OR ORDER REQUIRE, BEFORE A SOLICITATION OF A PROPOSED MATERIAL MODIFICATION OF AN EXISTING FRANCHISE.
4. YOU MUST SIGN A GENERAL RELEASE IF YOU RENEW OR TRANSFER YOUR FRANCHISE. CALIFORNIA CORPORATIONS CODE § 31512 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE INVESTMENT LAW (CALIFORNIA CORPORATIONS CODE §§ 31000 THROUGH 31516). BUSINESS AND PROFESSIONS CODE § 20010 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE RELATIONS ACT (BUSINESS AND PROFESSIONS CODE §§ 20000 THROUGH 20043).
5. In Item 3, "Litigation," is amended by adding the following paragraphs:

Pursuant to California law, this Item does not include any information regarding the arrest of any person(s) that did not result in a conviction or plea of nolo contendere.

Neither we, nor any person identified in Item 2 above, is subject to any currently effective order of any national securities association or national securities exchange (as defined in the Securities and Exchange Act of 1934, 15 U.S.C. § 78a, et seq.) suspending or expelling such person from membership in such association or exchange.
6. Item 5, "Initial Fees" is amended by adding the following sentence at the end of the first paragraph:

Payment of all initial fees are postponed until after all of Franchisor's initial obligations to Franchisee are complete and the PSM Location is open for business.
7. Item 5, "Initial Fees" is amended by adding the following sentence at the end of the "Development Fee" subsection:

Payment of all initial fees for the Area Development Agreement are postponed until Franchisor's initial obligations to you are complete and the first PSM Location developed under the Development Agreement is open for business.
8. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," is amended by adding

the following paragraph at the conclusion of the Item:

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.

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

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.

The Franchise Agreement requires application of the laws of Texas. This provision may not be enforceable under California law.

The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

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

9. The Franchise Disclosure Document is amended to include the following:

Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

10. Item 19, "Financial Performance Representations," is amended by adding the following paragraph:

The earnings claims figures do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchise business. Franchisees or former franchisees, listed in the disclosure document, may be one source of this information.

11. This addendum will apply only if the California Franchise Investment Law or the California Franchise Relations Act would apply on its own without referring to this addendum.

Illinois Disclosure Addendum

In recognition of the requirements of the Illinois Franchise Disclosure Act, Ill. Comp. Stat. §§ 705/1 to 705/44 the Disclosure Document for PSM Worldwide, LLC for use in the State of Illinois is amended as follows:

1. Item 5, "Initial Fees" is amended by adding the following sentence at the end of the first paragraph:

Payment of all initial fees are postponed until after all of Franchisor's initial obligations to Franchisee are complete and the PSM Location is open for business. The Illinois Attorney General's Office imposed this deferral requirement due to Franchisor's financial condition.

2. Item 5, "Initial Fees" is amended by adding the following sentence at the end of the "Development Fee" subsection:

Payment of all initial fees for the Area Development Agreement are postponed until Franchisor's initial obligations to you are complete and the first PSM Location developed under the Development Agreement is open for business. The Illinois Attorney General's Office imposed this deferral requirement due to Franchisor's financial condition.

3. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," is amended by adding the following:

Illinois law shall apply to and govern the Franchise Agreement(s).

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

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

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

4. This addendum will apply only if the Illinois Franchise Disclosure Act would apply on its own without referring to this addendum.

Maryland Disclosure Addendum

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the Disclosure Document for PSM Worldwide, LLC for use in the State of Maryland is amended as follows:

1. Item 5, "Initial Fees" is amended by adding the following sentence at the end of the first paragraph:

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

2. Item 5, "Initial Fees" is amended by adding the following sentence at the end of the "Development Fee" subsection:

All development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.

3. Item 17, "Renewal, Termination, Transfer, and Dispute Resolution," is amended by adding the following language:

The general releases required as a condition of renewal, sale, and/or assignment/transfer will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

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

The Franchisee may bring an action in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

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

4. Exhibit J "Franchisee Compliance Certification," is be amended by the addition of the following at the end of Exhibit J:

All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

5. This addendum will apply only if the Maryland Franchise Registration and Disclosure Law would apply on its own without referring to this addendum.

Michigan Disclosure Addendum

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU:

- (A) A PROHIBITION ON THE RIGHT OF A FRANCHISEE TO JOIN AN ASSOCIATION OF FRANCHISEES.
- (B) A REQUIREMENT THAT A FRANCHISEE ASSENT TO A RELEASE, ASSIGNMENT, NOVATION, WAIVER, OR ESTOPPEL WHICH DEPRIVES A FRANCHISEE OF RIGHTS AND PROTECTIONS PROVIDED IN THIS ACT. THIS SHALL NOT PRECLUDE A FRANCHISEE, AFTER ENTERING INTO A FRANCHISE AGREEMENT, FROM SETTLING ANY AND ALL CLAIMS.
- (C) A PROVISION THAT PERMITS A FRANCHISOR TO TERMINATE A FRANCHISE PRIOR TO THE EXPIRATION OF ITS TERM EXCEPT FOR GOOD CAUSE. GOOD CAUSE SHALL INCLUDE THE FAILURE OF THE FRANCHISEE TO COMPLY WITH ANY LAWFUL PROVISION OF THE FRANCHISE AGREEMENT AND TO CURE SUCH FAILURE AFTER BEING GIVEN WRITTEN NOTICE THEREOF AND A REASONABLE OPPORTUNITY, WHICH IN NO EVENT NEED BE MORE THAN 30 DAYS, TO CURE SUCH FAILURE.
- (D) A PROVISION THAT PERMITS A FRANCHISOR TO REFUSE TO RENEW A FRANCHISE WITHOUT FAIRLY COMPENSATING THE FRANCHISEE BY REPURCHASE OR OTHER MEANS FOR THE FAIR MARKET VALUE, AT THE TIME OF EXPIRATION, OF THE FRANCHISEE'S INVENTORY, SUPPLIES, EQUIPMENT, FIXTURES, AND FURNISHINGS. PERSONALIZED MATERIALS WHICH HAVE NO VALUE TO THE FRANCHISOR AND INVENTORY, SUPPLIES, EQUIPMENT, FIXTURES, AND FURNISHINGS NOT REASONABLY REQUIRED IN THE CONDUCT OF THE FRANCHISE BUSINESS ARE NOT SUBJECT TO COMPENSATION. THIS SUBSECTION APPLIES ONLY IF: (i) THE TERM OF THE FRANCHISE IS LESS THAN 5 YEARS; AND (ii) THE FRANCHISEE IS PROHIBITED BY THE FRANCHISE OR OTHER AGREEMENT FROM CONTINUING TO CONDUCT SUBSTANTIALLY THE SAME BUSINESS UNDER ANOTHER TRADEMARK, SERVICE MARK, TRADE NAME, LOGOTYPE, ADVERTISING, OR OTHER COMMERCIAL SYMBOL IN THE SAME AREA SUBSEQUENT TO THE EXPIRATION OF THE FRANCHISE OR THE FRANCHISEE DOES NOT RECEIVE AT LEAST 6 MONTHS ADVANCE NOTICE OF FRANCHISOR'S INTENT NOT TO RENEW THE FRANCHISE.
- (E) A PROVISION THAT PERMITS THE FRANCHISOR TO REFUSE TO RENEW A FRANCHISE ON TERMS GENERALLY AVAILABLE TO OTHER FRANCHISEES OF THE SAME CLASS OR TYPE UNDER SIMILAR CIRCUMSTANCES. THIS SECTION DOES NOT REQUIRE A RENEWAL PROVISION.
- (F) A PROVISION REQUIRING THAT ARBITRATION OR LITIGATION BE CONDUCTED OUTSIDE THIS STATE.* THIS SHALL NOT PRECLUDE THE FRANCHISEE FROM ENTERING INTO AN AGREEMENT, AT THE TIME OF ARBITRATION, TO CONDUCT ARBITRATION AT A LOCATION OUTSIDE THIS STATE. (* - DESPITE THIS

PROVISION OF THE STATE LAW, WE INTEND TO SEEK ENFORCEMENT OF THE ARBITRATION CLAUSE, AS PROVIDED IN THE FRANCHISE AGREEMENT, TO THE FULLEST EXTENT PERMITTED UNDER THE FEDERAL ARBITRATION ACT.)

- (G) A PROVISION WHICH PERMITS A FRANCHISOR TO REFUSE TO PERMIT A TRANSFER OF OWNERSHIP OF A FRANCHISE, EXCEPT FOR GOOD CAUSE. THIS SUBDIVISION DOES NOT PREVENT A FRANCHISOR FROM EXERCISING A RIGHT OF FIRST REFUSAL TO PURCHASE THE FRANCHISE. GOOD CAUSE SHALL INCLUDE, BUT IS NOT LIMITED TO:
- (i) THE FAILURE OF THE PROPOSED FRANCHISEE TO MEET THE FRANCHISOR'S THEN CURRENT REASONABLE QUALIFICATIONS OR STANDARDS.
 - (ii) THE FACT THAT THE PROPOSED TRANSFEREE IS A COMPETITOR OF THE FRANCHISOR OR SUBFRANCHISOR.
 - (iii) THE UNWILLINGNESS OF THE PROPOSED TRANSFEREE TO AGREE IN WRITING TO COMPLY WITH ALL LAWFUL OBLIGATIONS.
 - (iv) THE FAILURE OF THE FRANCHISEE OR PROPOSED TRANSFEREE TO PAY ANY SUMS OWING TO THE FRANCHISOR OR TO CURE ANY DEFAULT IN THE FRANCHISE AGREEMENT EXISTING AT THE TIME OF THE PROPOSED TRANSFER.
- (H) A PROVISION THAT REQUIRES THE FRANCHISEE TO RESELL TO THE FRANCHISOR ITEMS THAT ARE NOT UNIQUELY IDENTIFIED WITH THE FRANCHISOR. THIS SUBDIVISION DOES NOT PROHIBIT A PROVISION THAT GRANTS TO A FRANCHISOR A RIGHT OF FIRST REFUSAL TO PURCHASE THE ASSETS OF A FRANCHISE ON THE SAME TERMS AND CONDITIONS AS A BONA FIDE THIRD PARTY WILLING AND ABLE TO PURCHASE THOSE ASSETS, NOR DOES THIS SUBDIVISION PROHIBIT A PROVISION THAT GRANTS THE FRANCHISOR THE RIGHT TO ACQUIRE THE ASSETS OF A FRANCHISE FOR THE MARKET OR APPRAISED VALUE OF SUCH ASSETS IF THE FRANCHISEE HAS BREACHED THE LAWFUL PROVISIONS OF THE FRANCHISE AGREEMENT AND HAS FAILED TO CURE THE BREACH IN THE MANNER PROVIDED IN SUBDIVISION (C).
- (I) A PROVISION WHICH PERMITS THE FRANCHISOR TO DIRECTLY OR INDIRECTLY CONVEY, ASSIGN, OR OTHERWISE TRANSFER ITS OBLIGATIONS TO FULFILL CONTRACTUAL OBLIGATIONS TO THE FRANCHISEE UNLESS PROVISION HAS BEEN MADE FOR PROVIDING THE REQUIRED CONTRACTUAL SERVICES.

* * * *

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

* * * *

IF THE FRANCHISOR'S MOST RECENT FINANCIAL STATEMENTS ARE UNAUDITED AND SHOW A NET WORTH OF LESS THAN \$100,000, THE FRANCHISOR MUST, AT THE REQUEST OF THE FRANCHISEE, ARRANGE FOR THE ESCROW OF INITIAL INVESTMENT AND OTHER FUNDS PAID BY THE FRANCHISEE UNTIL THE OBLIGATIONS TO PROVIDE REAL ESTATE, IMPROVEMENTS, EQUIPMENT, INVENTORY, TRAINING, OR OTHER ITEMS INCLUDED IN THE FRANCHISE OFFERING ARE FULFILLED. AT THE OPTION OF THE FRANCHISOR, A SURETY BOND MAY BE PROVIDED IN PLACE OF ESCROW.

* * * *

THE NAME AND ADDRESS OF THE FRANCHISOR'S AGENT IN THIS STATE AUTHORIZED TO RECEIVE SERVICE OF PROCESS IS: DEPT. OF ENERGY, LABOR, & ECONOMIC GROWTH, CORPORATIONS DIVISION, P.O. BOX 30054, LANSING, MICHIGAN 48909; 7150 HARRIS DRIVE, LANSING, MICHIGAN 48909.

ANY QUESTIONS REGARDING THIS NOTICE SHOULD BE DIRECTED TO:

DEPARTMENT OF THE ATTORNEY GENERAL'S OFFICE
CORPORATE OVERSIGHT DIVISION
ATTN: FRANCHISE SECTION
525 W. OTTAWA ST., FIRST FLOOR
LANSING, MICHIGAN 48913
(517) 373-7117

THIS ADDENDUM WILL APPLY ONLY IF THE MICHIGAN FRANCHISE INVESTMENT LAW WOULD APPLY ON ITS OWN, WITHOUT REFERRING TO THIS ADDENDUM.

Minnesota Disclosure Addendum

In recognition of the requirements of the Minnesota Franchises Law, Minn. Stat. §§ 80C.01 through 80C.22, and of the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules §§ 2860.0100 through 2860.9930, the Franchise Disclosure Document for PSM Worldwide, LLC for use in the State of Minnesota shall be amended to include the following:

1. Items 5 and 7 of the FDD are amended by adding the following language:

Based upon the franchisor's financial condition, the Minnesota Department of Commerce has required a financial assurance. Therefore, all initial fees and payments owed by franchisees under the Franchise Agreement are deferred until the Franchised Business opens, and all initial fees owed by area developers under the development agreement are deferred until the first franchise under the development agreement opens.

2. Item 13 is amended by the addition of the following language:

The franchisor will protect the franchisee's right to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suite or demand regarding the use of the name.

3. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following paragraphs:

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

Pursuant to Minn. Rule 2860.4400D, any general release of claims that you or a transferor may have against us or our shareholders, directors, employees and agents, including without limitation claims arising under federal, state, and local laws and regulations shall exclude claims you or a transferor may have under the Minnesota Franchise Law and the Rules and Regulations promulgated thereunder by the Commissioner of Commerce.

Minn. Stat. § 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the disclosure document or agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to jury trial, any procedure, forum, or remedies as may be provided for by the laws of the jurisdiction.

Minn. Stat. § 80C.17 prohibits any action from being commenced under the Minnesota Franchises Law more than three years after the cause of action accrues.

3. Notwithstanding anything to the contrary in the FDD or elsewhere, Minnesota Statute Section 604.113 puts a cap of \$30 on bank service charges.

4. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including, fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed with the franchise, including but not limited to Section 25.1 and Exhibit J (the "Franchisee Compliance Certification") of the Franchise Agreement.

5. This addendum will apply only if the Minnesota Franchises Law or the Rules and Regulations promulgated thereunder by the Minnesota Commission of Commerce would apply on its own, without referring to this addendum.

New York Disclosure Addendum

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

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT F OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, INVESTOR PROTECTION BUREAU 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NY 10005.

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

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

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

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

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

No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an

action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

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

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

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

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

7. The following is added to the end of the “Summary” section of Item 17(j), titled **“Assignment of contract by franchisor”**:

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor’s obligations under the Franchise Agreement.

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

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

STATEMENT OF DISCLOSURE DOCUMENT ACCURACY

THE FRANCHISOR REPRESENTS THAT THIS DISCLOSURE DOCUMENT DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT.

Virginia Disclosure Addendum

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, Item 17 of the Franchise Disclosure Document of PSM Worldwide, LLC is amended as follows:

1. The following statement is added to Item 5:

The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the Franchise Agreement.

2. Item 17, Additional Disclosure. The following statement is added to Item 17.h:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

3. This addendum will apply only if the Virginia Retail Franchising Act would apply on its own without referring to this addendum.

Washington Disclosure Addendum

In recognition of the requirements of the Washington Franchise Investment Protection Act, RCW 19.100.010 to 19.100.940, the Disclosure Document for PSM Worldwide, LLC in connection with the offer and sale of franchises in the State of Washington is amended to include the following:

1. Item 5, "Initial Fees" is amended by adding the following sentence at the end of the first paragraph:

The franchisor will defer collection of the initial franchise fee until the franchisor has fulfilled its initial pre-opening obligations to the franchisee and the franchisee is open for business.

2. Item 5, "Initial Fees" is amended by adding the following sentence at the end of the "Development Fee" subsection:

The franchisor will defer collection of the development fee until the franchisor has fulfilled its initial pre-opening obligations to the franchisee and the first franchise under the development agreement is open for business.

3. Item 6 of the FDD is amended to reflect that the securities offering fee is in the amount of our reasonable costs and expenses (including legal and accounting fees) for reviewing the proposed offering.

4. Item 17(d) of the PSM Worldwide, LLC Franchise Disclosure Document is amended by adding the following:

Franchisees may terminate the Franchise Agreement under any grounds permitted by law.

5. The parties further agree as follows:

- a. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.
- b. RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.
- c. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
- d. A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims

- under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
- e. Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
 - f. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.
 - g. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.
 - h. The undersigned does hereby acknowledge receipt of this addendum.
 - i. This amendment will apply only if the Washington Franchise Investment Protection Act, Wash. Rev. Code Chapter 19.100, would apply on its own without referring to this amendment.

EXHIBIT L

State Specific Agreement Amendments

California Amendment to the Franchise Agreement

In recognition of the requirements of the California Franchise Investment Law, the parties to the attached PSM Worldwide, LLC Franchise Agreement (the "Agreement") agree as follows:

1. Section 4.1 of the Agreement is amended by adding the following:

Notwithstanding the foregoing, payment of all initial fees are postponed until after all of our initial obligations to you are complete and the Location is open for business.

2. Section 28 of the Agreement, under the heading "Acknowledgments," shall be amended by the deletion of Sections 28.1, 28.2, 28.3, 28.4, 28.5, 28.7, 28.8, 28.10 and 28.12.

3. This amendment will apply only if the California Franchise Investment Law would apply on its own without referring to this amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this California Amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed

PSM Worldwide, LLC
Franchisor

Franchisee Entity

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

California Amendment to Area Development Agreement

In recognition of the requirements of the California Franchise Investment Law, the parties to the attached PSM Worldwide, LLC Area Development Agreement (the "Agreement") agree as follows:

1. Section 4.1 of the Agreement is amended by adding the following:

Notwithstanding the foregoing, payment of all initial fees for this Agreement are postponed until our initial obligations to you are complete and the first Location developed under this Agreement is open for business.

2. This amendment will apply only if the California Franchise Investment Law would apply on its own without referring to this amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this California Amendment to the Area Development Agreement on the same date as the Area Development Agreement was executed.

PSM Worldwide, LLC

Developer Party

By: _____

By: _____

Printed Name: _____

Printed Name: _____

Title: _____

Title: _____

Illinois Amendment to the Franchise Agreement

In recognition of the requirements of the Illinois Franchise Disclosure Act, Ill. Comp. Stat. §§ 705/1 to 705/44, the parties to the attached PSM Worldwide, LLC Franchise Agreement (the "Agreement") agree as follows:

1. Section 2 of the Agreement, under the heading "Term and Renewal," is amended by adding the following new paragraph:

If any of the provisions of this Section 2 are inconsistent with Section 20 of the Illinois Franchise Disclosure Act, the provisions of the Act will apply. If we refuse to renew this Agreement, we will compensate you if (and to the extent) such compensation is required under Section 20 of the Illinois Franchise Disclosure Act.

2. Section 4.1 of the Agreement is amended by adding the following:

Notwithstanding the foregoing, payment of all initial fees are postponed until after all of our initial obligations to you are complete and the Location is open for business. The Illinois Attorney General's Office imposed this deferral requirement due to Franchisor's financial condition.

3. Section 17 of the Agreement, under the heading "Default and Termination," is amended by adding the following new paragraph:

If any of the provisions of this Section 17 concerning termination are inconsistent with Section 19 of the Illinois Franchise Disclosure Act, then said Illinois law will apply.

4. Section 27.7 of the Agreement, under the subheading "Must Bring Claims within One Year," is amended by adding the following at the end of the paragraph:

Notwithstanding the provisions of Section 27.7, any claims arising under the Illinois Franchise Disclosure Act (the "Act") must be brought before the earlier to occur of: the expiration of 3 years after the act or transaction constituting the violation upon which the claim is based; the expiration of one year after the you become aware of facts or circumstances reasonably indicating that you may have a claim for relief in respect to conduct governed by the Act; or 90 days after delivery to you of a written notice disclosing the violation. No cause of action barred under existing law on the effective date of the Act will be revived by the Act. Every cause of action under the Act survives the death of any person who might have been a plaintiff or defendant.

5. Section 27 of the Agreement, under the heading "Applicable Law and Dispute Resolution," is amended by adding the following at the end of the Section:

Nothing contained in this Section 27 will constitute a condition, stipulation, or provision purporting to bind any Illinois Franchisee to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other Illinois law (as long as the jurisdictional requirements of the Illinois Franchise Disclosure Act are met), including, without limiting the provisions of Section 705/41 of the Illinois Franchise Disclosure Act.

6. Section 28 of the Agreement, under the heading "Acknowledgments," shall be amended by the deletion of Sections 28.1, 28.2, 28.3, 28.4, 28.5, 28.7, 28.8, 28.10 and 28.12.

7. This amendment will apply only if the Illinois Franchise Disclosure Act would apply on its own without referring to this amendment.

IN WITNESS WHEREOF, the parties have signed and delivered this Illinois Amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

PSM Worldwide, LLC

Franchisor

Franchisee Entity

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Effective Date: _____

Illinois Amendment to Area Development Agreement

In recognition of the requirements of the Illinois Franchise Disclosure Act, Ill. Comp. Stat. §§ 705/1 to 705/44, the parties to the attached PSM Worldwide, LLC Area Development Agreement (the "Agreement") agree as follows:

1. Section 4.1 of the Agreement is amended by adding the following:

Notwithstanding the foregoing, payment of all initial fees for this Agreement are postponed until our initial obligations to you are complete and the first Location developed under this Agreement is open for business. The Illinois Attorney General's Office imposed this deferral requirement due to Franchisor's financial condition.

2. Section 28 of the Agreement, under the heading "Acknowledgments," shall be amended by the deletion of Sections 28.1, 28.2, 28.3, 28.4, 28.5, 28.7, 28.8, 28.10 and 28.12.

3. This amendment will apply only if the Illinois Franchise Investment Law would apply on its own without referring to this amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Illinois Amendment to the Area Development Agreement on the same date as the Area Development Agreement was executed.

PSM Worldwide, LLC

Developer Party

By: _____

By: _____

Printed Name: _____

Printed Name: _____

Title: _____

Title: _____

Maryland Amendment to the Franchise Agreement

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the parties to the attached PSM Worldwide, LLC Franchise Agreement (the "Agreement") agree as follows:

1. Sections 2.2.7 and 16.5.1 of the Agreement are amended by adding the following:

The general releases required as a condition of renewal or sale, and as a condition of assignment or transfer, will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

2. Section 4.1 of the Agreement is amended by adding the following:

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

3. Section 27 of the Agreement is amended by adding the following:

You may bring an action in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

4. Sections 27.7 of the Agreement is amended by adding the following:

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

5. Sections 25 and 28 of the Agreement are amended by adding the following:

All acknowledgments or representations requiring prospective Franchisees to assent to a release, estoppel or waiver of liability are not intended to nor will they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

The Franchise Disclosure Questionnaire is not intended to, and shall not act, as a release, estoppel or waiver of any liability under the Maryland Franchise Registration and Disclosure Law.

6. Section 28 of the Agreement, under the heading "Acknowledgments," shall be amended by the deletion of Sections 28.1, 28.2, 28.3, 28.4, 28.5, 28.7, 28.8, 28.10 and 28.12.

7. This amendment will apply only if the Maryland Franchise Registration and Disclosure Law would apply on its own without referring to this amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Maryland Amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

PSM Worldwide, LLC

Franchisor

Franchisee Entity

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Effective Date: _____

Maryland Amendment to the Area Development Agreement

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the parties to the attached PSM Worldwide, LLC Area Development Agreement (the "Agreement") agree as follows:

1. Section 4 of the Agreement is amended by adding the following:

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all development fees and initial payments by area developers shall be deferred until the until the franchisor completes its pre-opening obligations under the franchise agreement for the first franchise under the development agreement.

2. Sections 11.2 and 12 of the Agreement is amended by adding the following:

The general releases required as a condition of renewal or sale, and as a condition of assignment or transfer, will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

3. Section 11.11 of the Agreement is amended by adding the following:

You may bring an action in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

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

5. Section 16 of the Agreement is amended by adding the following:

All acknowledgments or representations requiring prospective Franchisees to assent to a release, estoppel or waiver of liability are not intended to nor will they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

The Franchise Disclosure Questionnaire is not intended to, and shall not act, as a release, estoppel or waiver of any liability under the Maryland Franchise Registration and Disclosure Law.

6. This amendment will apply only if the Maryland Franchise Registration and Disclosure Law would apply on its own without referring to this amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Maryland Amendment to the Area Development Agreement on the same date as the Area Development Agreement was executed.

PSM Worldwide, LLC

Franchisor

Developer Entity

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Effective Date: _____

Minnesota Amendment to Franchise Agreement

In recognition of the requirements of the Minnesota Franchises Law, Minn. Stat. §§ 80C.01 through 80C.22, and of the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules §§ 2860.0100 through 2860.9930, the parties to the attached PSM Worldwide, LLC Franchise Agreement (the "Agreement") agree as follows:

1. Section 4.1 of the Agreement is amended by adding the following:

Based upon the franchisor's financial condition, the Minnesota Department of Commerce has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the Franchised Business opens.

2. The following language is added to the Agreement, with respect to franchises governed by Minnesota law:

- The franchisor will comply with Minn. Stat. § 80C.14, Subd. 3-5, which generally require (1) that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for nonrenewal of the franchise agreement and (2) that consent to the transfer of the franchise will not be unreasonably withheld.
- The franchisor is prohibited from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name. Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Stat. § 80C.12, Subd. 1(g).
- The franchisor cannot require a franchisee to assent to a general release.
- The franchisor cannot require a franchisee to consent to injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400(J). Also, only a court will determine if a bond will be required.
- The franchisor cannot use any statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship as a waiver of any claim under Minnesota law, including fraud in the inducement, or as a disclaimer of reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed with the franchisee.
- Any limitations of claims section must comply with Minnesota Stat. § 80C.17, Subd. 5.

3. Sections 18.8 and Section 18.11 of the Franchise Agreement are each amended by the addition of the following language: "These provisions are not enforceable under Minnesota law."

4. Section 27.9 of the Agreement is amended to provide that the substantially prevailing party in any litigation is entitled to an award of their damages, costs, and expenses.

5. Section 28 of the Agreement, under the heading "Acknowledgments," shall be amended by the deletion of Sections 28.1, 28.2, 28.3, 28.4, 28.5, 28.7, 28.8, 28.10 and 28.12.

6. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including, fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed with the franchise, including but not limited to Section 25.1 and Exhibit J (the "Franchisee Compliance Certification") of the Franchise Agreement.

7. This amendment will apply only if the Minnesota Franchises Law or the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce would apply on its own, without referring to this amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed, and delivered this Minnesota amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

PSM Worldwide, LLC

Franchisor

Franchisee Entity

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Effective Date: _____

Minnesota Amendment to Area Development Agreement

In recognition of the requirements of the Minnesota Franchises Law, Minn. Stat. §§ 80C.01 through 80C.22, and of the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules §§ 2860.0100 through 2860.9930, the parties to the attached PSM Worldwide, LLC Development Agreement (the "Agreement") agree as follows:

1. Section 4 of the Agreement is amended by adding the following:

Based upon the franchisor's financial condition, the Minnesota Department of Commerce has required a financial assurance. Therefore, all development fees and initial payments owed by area developers shall be deferred until the first franchised Location under the development agreement opens.

2. The following language is added to the Agreement, with respect to franchises governed by Minnesota law:

- The franchisor will comply with Minn. Stat. § 80C.14, Subd. 3-5, which generally require (1) that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for nonrenewal of the franchise agreement and (2) that consent to the transfer of the franchise will not be unreasonably withheld.
- The franchisor is prohibited from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name. Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Stat. § 80C.12, Subd. 1(g).
- The franchisor cannot require a franchisee to assent to a general release.
- The franchisor cannot require a franchisee to consent to injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400(J). Also, only a court will determine if a bond will be required.
- The franchisor cannot use any statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship as a waiver of any claim under Minnesota law, including fraud in the inducement, or as a disclaimer of reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed with the franchisee.
- Any limitations of claims section must comply with Minnesota Stat. § 80C.17, Subd. 5.

3. Section 11.11 of the Agreement (relating to Section 27.9 of the Franchise Agreement) is amended to provide that the substantially prevailing party in any litigation is entitled to an award of their damages, costs, and expenses.

4. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including, fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed with the franchise, including but not limited to Section 25.1 and Exhibit J (the "Franchisee Compliance Certification") of the Franchise Agreement.

5. This amendment will apply only if the Minnesota Franchises Law or the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce would apply on its own, without referring to this amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed, and delivered this Minnesota amendment to the Development Agreement on the same date as the Development Agreement was executed.

PSM Worldwide, LLC

Developer Party

By: _____

By: _____

Printed Name: _____

Printed Name: _____

Title: _____

Title: _____

New York Amendment to Franchise Agreement

In recognition of the requirements of the New York General Business Law, Article 33, Sections 680 through 695, and of the regulations promulgated thereunder (N.Y. Comp. Code R. & Regs., tit. 13, §§ 200.1 through 201.16), the parties to the attached PSM Worldwide, LLC Franchise Agreement (the "Agreement") agree as follows:

1. Section 2.2.7 of the Agreement, under the heading "Term And Renewal," shall be deleted in its entirety, and shall have no force or effect; and the following paragraph shall be substituted in its place:

2.2.7 2.2.7 You agree to sign and deliver to us a release, in a form that we will provide (which will be a mutual release from us, with limited exclusions), which will release all claims against us and our affiliates, and our respective officers, directors, agents, and employees. If you are an entity, then your affiliates and your direct and indirect owners (and any other parties that we reasonably request) must also sign and deliver that release to us, provided, however, that all rights enjoyed by you and any causes of action arising in your favor from the provisions of New York General Business Law Sections 680-695 and the regulations issued thereunder, shall remain in force; it being the intent of this provision that the non-waiver provisions of N.Y. Gen. Bus. Law Sections 687.4 and 687.5 be satisfied; and

2. Section 16.5.1 of the Agreement, under the heading "Transfer of Interest," shall be deleted in its entirety, and shall have no force or effect; and the following paragraph shall be substituted in its place:

16.5.1 16.5.1 The transferor must have executed a general release, in a form satisfactory to us, of any and all claims against us and our affiliates, successors, and assigns, and their respective directors, officers, shareholders, partners, agents, representatives, servants, and employees in their corporate and individual capacities including, without limitation, claims arising under this Agreement, any other agreement between you and us, and/or our respective affiliates, and federal, state, and local laws and rules, provided, however, that all rights enjoyed by the transferor and any causes of action arising in its favor from the provisions of New York General Business Law Sections 680-695 and the regulations issued thereunder, shall remain in force; it being the intent of this provision that the non-waiver provisions of N.Y. Gen. Bus. Law Sections 687.4 and 687.5 be satisfied;

3. Section 18.8 of the Agreement, under the heading "Obligations upon Termination or Expiration," shall be deleted in its entirety and shall have no force or effect; and the following paragraph shall be substituted in its place:

18.8 *Pay Damages.* You agree to pay us all damages, costs, and expenses (including without limitation reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur as a result of your default under this Agreement and/or subsequent to the termination or expiration of this Agreement in seeking injunctive or other relief for the enforcement of any provisions of this Section 18.

4. Sections 27.5 and 27.9 of the Agreement, under the heading "Applicable Law and Dispute Resolution," shall be deleted in their entirety and shall have no force or effect; and the following paragraphs shall be substituted in its place:

27.5 *Injunctions.* Nothing contained in this Agreement shall bar our right to seek injunctive relief against threatened conduct that will cause us loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

27.9 *Payment of Legal Fees.* You agree to pay us all damages, costs and expenses (including without limitation reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur after the termination or expiration of the franchise granted under this Agreement in: (a) seeking injunctive or other relief for the enforcement of any provisions of this Agreement (including without limitation Sections 9 and 17 above); and/or (b) successfully defending a claim from you that we misrepresented the terms of this Agreement, fraudulently induced you to sign this Agreement, that the provisions of this Agreement are not fair, were not properly entered into, and/or that the terms of this Agreement (as it may be amended by its terms) do not exclusively govern the parties' relationship.

5. Section 27 of the Agreement, under the heading "Applicable Law and Dispute Resolution," shall be amended by the addition of the following paragraph:

Nothing in this Agreement should be considered a waiver of any right conferred upon you by New York General Business Law, Sections 680-695.

6. Section 28 of the Agreement, under the heading "Acknowledgments," shall be amended by the deletion of Sections 28.1, 28.2, 28.3, 28.4, 28.5, 28.7, 28.8, 28.10 and 28.12.

7. There are circumstances in which an offering made by us would not fall within the scope of the New York General Business Law, Article 33, such as when the offer and acceptance occurred outside the state of New York. However, an offer or sale is deemed made in New York if you are domiciled in or the franchise will be opening in New York. We are required to furnish a New York prospectus to every prospective franchisee who is protected under the New York General Business Law, Article 33.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this New York amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

PSM Worldwide, LLC

Franchisor

Franchisee Entity

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Effective Date: _____

Virginia Amendment to Franchise Agreement

In recognition of the requirements of the Virginia Retail Franchising Act, the parties to the attached PSM Worldwide, LLC Franchise Agreement (the "Agreement") agree as follows:

1. Section 4.1 of the Agreement is amended by adding the following:

The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

2. Section 28 of the Agreement, under the heading "Acknowledgments," shall be amended by the deletion of Sections 28.1, 28.2, 28.3, 28.4, 28.5, 28.7, 28.8, 28.10 and 28.12.
3. This amendment will apply only if the Virginia Retail Franchising Act would apply on its own without referring to this amendment.

IN WITNESS WHEREOF, the parties have signed and delivered this Virginia Amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

PSM Worldwide, LLC

Franchisor

Franchisee Entity

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Effective Date: _____

Virginia Amendment to Area Development Agreement

In recognition of the requirements of the Virginia Retail Franchising Act, the parties to the attached PSM Worldwide, LLC Area Development Agreement (the "Agreement") agree as follows:

1. Section 4.1 of the Agreement is amended by adding the following:

The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the development fee owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the development agreement.

2. This amendment will apply only if the Virginia Retail Franchising Act would apply on its own without referring to this amendment.

IN WITNESS WHEREOF, the parties have signed and delivered this Virginia Amendment to the Agreement on the same date as the Area Development Agreement was executed.

PSM Worldwide, LLC

Franchisor

Developer Entity

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Effective Date: _____

Washington Amendment to Franchise Agreement

In recognition of the requirements of the Washington Franchise Investment Protection Act, RCW 19.100.010 to 19.100.940, the parties to the attached PSM Worldwide, LLC Franchise Agreement (the "Agreement") agree as follows:

3. Section 4.1 of the Agreement is amended by adding the following:

Notwithstanding the foregoing, payment of all initial fees are postponed until after all of our initial obligations to you are complete and the Location is open for business.

4. Section 16.11.3 of the Agreement is deleted and replaced with the following:

For each proposed offering, you agree to reimburse us for our reasonable costs and expenses (including legal and accounting fees) for reviewing the proposed offering.

5. Section 23.2 of the Agreement is deleted in its entirety.
6. Section 25.1(b) of the Agreement is deleted in its entirety.
7. Section 28 of the Agreement, under the heading "Acknowledgments," shall be amended by the deletion of Sections 28.1, 28.2, 28.3, 28.4, 28.5, 28.7, 28.8, 28.10 and 28.12.
8. Section 28.14 of the Agreement is amended to include the following: "The General Release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder."
9. The parties further agree as follows:
 - a. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.
 - b. RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.
 - c. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
 - d. A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

- e. Transfer fees are collectable to the extent that they reflect the franchisor’s reasonable estimated or actual costs in effecting a transfer.
- f. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee’s earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor’s earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.
- g. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.
- h. The undersigned does hereby acknowledge receipt of this addendum.
- i. This amendment will apply only if the Washington Franchise Investment Protection Act, Wash. Rev. Code Chapter 19.100, would apply on its own without referring to this amendment.

IN WITNESS WHEREOF, the parties have signed and delivered this Washington Amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

PSM Worldwide, LLC
Franchisor

Franchisee Entity

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Effective Date: _____

Washington Amendment to Development Agreement

In recognition of the requirements of the Washington Franchise Investment Protection Act, RCW 19.100.010 to 19.100.940, the parties to the attached PSM Worldwide, LLC Development Agreement (the "Agreement") agree as follows:

1. Section 4 of the Agreement is amended by adding the following:

Notwithstanding the foregoing, payment of the development fee is postponed and prorated, with the portion of the development fee for each unit being collected after each unit opens.

2. Section 11.2 of the Agreement (referencing Section 16.11.3 of the Franchise Agreement) is amended to reflect that for any public offering, there is no fee but you must reimburse us for our reasonable costs and expenses (including legal and accounting fees) for reviewing the proposed offering.
3. The second sentence of Section 14 of the Agreement is deleted in its entirety.
4. The parties further agree as follows:
 - a. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.
 - b. RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.
 - c. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
 - d. A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
 - e. Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
 - f. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a

- noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.
- g. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.
 - h. The undersigned does hereby acknowledge receipt of this addendum.
 - i. This amendment will apply only if the Washington Franchise Investment Protection Act, Wash. Rev. Code Chapter 19.100, would apply on its own without referring to this amendment.

IN WITNESS WHEREOF, the parties have signed and delivered this Washington Amendment to the Development Agreement on the same date as the Development Agreement was executed.

PSM Worldwide, LLC

Franchisor

Developer Entity

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Effective Date: _____

EXHIBIT M

General Release Language

The following is our current general release language that we expect to include in a release that a franchisee, developer, and/or transferor may sign as part of a renewal or an approved transfer. We may, in our sole discretion, periodically modify the release.

Franchisee [Developer], its officers and directors, its owners, and their respective agents, heirs, administrators, successors, and assigns (the **"Franchisee Group"**), hereby forever release and discharge, and forever hold harmless PSM Worldwide, LLC, its current and former affiliates and predecessors, and their respective shareholders, partners, members, directors, officers, agents, representatives, heirs, administrators, successors, and assigns (the **"Franchisor Group"**), from any and all claims, demands, debts, liabilities, actions or causes of action, costs, agreements, promises, and expenses of every kind and nature whatsoever, at law or in equity, whether known or unknown, foreseen and unforeseen, liquidated or unliquidated, which the Franchisee Group and/or its owners had, have, or may have against any member of the Franchisor Group, including, without limitation, any claims or causes of action arising from, in connection with or in any way related or pertaining, directly or indirectly, to the Franchise [Development] Agreement, the relationship created by the Franchise [Development] Agreement, or the development, ownership, or operation of the Location. The Franchisee Group further indemnifies and holds the Franchisor Group harmless against, and agrees to reimburse them for any loss, liability, expense, or damages (actual or consequential) including, without limitation, reasonable attorneys', accountants', and expert witness fees, costs of investigation and proof of facts, court costs, and other litigation and travel and living expenses, which any member of the Franchisor Group may suffer with respect to any claims or causes of action which any customer, creditor, or other third party now has, ever had, or hereafter would or could have, as a result of, arising from, or under the Franchise [Development] Agreement or the Location. The Franchisee Group and its owners represent and warrant that they have not made an assignment or any other transfer of any interest in the claims, causes of action, suits, debts, agreements, or promises described herein.

This release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

STATE 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:

STATES	EFFECTIVE DATE
California	Pending
Illinois	Pending
Indiana	Pending
Maryland	Pending
Michigan	Pending
Minnesota	Pending
New York	Pending
Virginia	Pending
Washington	Pending
Wisconsin	Pending

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

EXHIBIT N
ACKNOWLEDGMENT OF RECEIPT

ITEM 23
RECEIPT

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If PSM Worldwide, LLC offers you a franchise, it must provide this Disclosure Document to you: (a) 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale, or (b) under New York law, if applicable, at the earlier of (i) your first personal meeting to discuss the franchise, or (ii) 10 business days before you sign a binding agreement with, or make payment to us or an affiliate in connection with the proposed franchise sale, or (c) under Iowa requirements at the earlier of the first personal meeting, or 14 days before signing the franchise or other agreement or the payment of any consideration that relates to the franchise relationship, or (d) Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If PSM Worldwide, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and to the appropriate state agency listed in Exhibit F.

The franchisor is PSM Worldwide, LLC, located at 1900 Preston Road, Suite 267-291, Plano, Texas 75093. Its telephone number is (469) 440-0650.

The issuance date of this Franchise Disclosure Document is November 1, 2023.

The franchise seller is Mike Muccio and David Lackey at PSM Worldwide, LLC, 1900 Preston Road, Suite 267-291, Plano, Texas 75093 (469/440-0650).

Any additional individual franchise sellers involved in offering the franchise are:

PSM Worldwide, LLC authorizes the respective state agencies identified on Exhibit G to receive service of process for it in the particular state.

I received a Franchise Disclosure Document dated November 1, 2023, that included the following Exhibits:

- | | |
|---|---|
| A. Franchise Agreement | I. Financial Statements |
| B. Area Development Agreement | J. Franchisee Acknowledgement |
| C. List of Franchisees | K. State-Specific Amendments to the Disclosure Document |
| D. List of Affiliate-owned Locations | L. State-Specific Amendments to the Various Agreements |
| E. List of Former Franchisees | M. General Release Language |
| F. List of State Administrators | N. Acknowledgment of Receipt |
| G. Agents for Service of Process | |
| H. Operating Manual (Table of Contents) | |

Date

Prospective Franchisee's Signature

Printed Name

ITEM 23
RECEIPT

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If PSM Worldwide, LLC offers you a franchise, it must provide this Disclosure Document to you: (a) 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale, or (b) under New York law, if applicable, at the earlier of (i) your first personal meeting to discuss the franchise, or (ii) 10 business days before you sign a binding agreement with, or make payment to us or an affiliate in connection with the proposed franchise sale, or (c) under Iowa requirements at the earlier of the first personal meeting, or 14 days before signing the franchise or other agreement or the payment of any consideration that relates to the franchise relationship, or (d) Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If PSM Worldwide, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and to the appropriate state agency listed in Exhibit F.

The franchisor is PSM Worldwide, LLC, located at 1900 Preston Road, Suite 267-291, Plano, Texas 75093. Its telephone number is (469) 440-0650.

The issuance date of this Franchise Disclosure Document is November 1, 2023.

The franchise seller is Mike Muccio and David Lackey at PSM Worldwide, LLC, 1900 Preston Road, Suite 267-291, Plano, Texas 75093 (469/440-0650).

Any additional individual franchise sellers involved in offering the franchise are:

PSM Worldwide, LLC authorizes the respective state agencies identified on Exhibit G to receive service of process for it in the particular state.

I received a Franchise Disclosure Document dated November 1, 2023, that included the following Exhibits:

- | | |
|---|---|
| A. Franchise Agreement | I. Financial Statements |
| B. Area Development Agreement | J. Franchisee Acknowledgement |
| C. List of Franchisees | K. State-Specific Amendments to the Disclosure Document |
| D. List of Affiliate-owned Locations | L. State-Specific Amendments to the Various Agreements |
| E. List of Former Franchisees | M. General Release Language |
| F. List of State Administrators | N. Acknowledgment of Receipt |
| G. Agents for Service of Process | |
| H. Operating Manual (Table of Contents) | |

Date

Prospective Franchisee's Signature

Printed Name