FRANCHISE DISCLOSURE DOCUMENT

parlay café

WORK | MEET | RELAX

Parlay, Inc.
A California Corporation
49851 Flightline Way, Aguanga CA 92536
808-265-6030
don@parlay.cafe
www.parlay.cafe.com

As a Parlay Cafe franchisee, you will operate an upscale Coffee Shop with Conference Rooms and a VIP Members Lounge. Parlay Cafe is a haven where business travelers and remote workers are able to work, meet and relax away from the home office. The business model is a retail business that combines both food service and shared workspace environments creating a unique and comfortable environment for both business customers and recreational customers.

The total investment necessary to begin operation of a Parlay Cafe franchise is $202,950 to $459,200. This includes $55,000 to $60,000 that must be paid to the franchisor or affiliate. The total investment necessary to begin operation under a three- to five-unit Area Developer Agreement (including the first unit) is $273,950 to $604,200. This includes an additional $70,000 to $140,000 that must be paid to the franchisor. There is no minimum number of Parlay Cafe units that you are required to develop under the Area Developer Agreement.

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, please contact Donald J and Rachel Lea Mastrangelo at 49851 Flightline Way, Aguanga CA 92536 and 808-265-6030.

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.

Issuance date: March 23, 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.
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 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 Parlay Cafe 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 an Parlay Cafe franchisee?	Item 20 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 A.

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement and area developer agreement require you to resolve disputes with the franchisor by arbitration and/or litigation only in California. Out-of-state arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate, or litigate with the franchisor in California than in your own state.

2. **Short Operating History.** The Franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.

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

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

FRANCHISE DISCLOSURE DOCUMENT

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

In this disclosure document, "we", "us," or "our" refers to Parlay, Inc.. "You" means the person to whom we grant a franchise. If you are a corporation, limited liability company, or other entity, each owner of the franchise entity must sign our Guaranty and Non-Compete Agreement, which means that all of the franchise agreement's provisions also will apply to your owners.

Us, Any Parents, and Certain Affiliates

Our name is Parlay, Inc. Our principal business address is 49851 Flightline Way, Aguanga CA 92536. We do not have any parent entities. We do not have any affiliates that offer franchises in any line of business or provide products or services to our franchisees.

Our Predecessors

We do not have any predecessors.

Our Business Name

We use the names "Parlay, Inc." and "Parlay Cafe". We do not intend to use any other names to conduct business.

Agent for Service of Process

Our agent for service of process in California is Don Mastrangelo, and the agent's principal business address is 49851 Flightline Way, Aguanga CA 92536. Our agents for service of process in other states are disclosed in Exhibit A.

Business Organization

We are a California corporation. We were formed on February 3, 2020.

Information About Our Business and the Franchises Offered

We do not operate businesses of the type being franchised.

We do not have any other business activities. We have not offered franchises in other lines of business.

If you sign a franchise agreement with us, you will develop and operate a Café where people can Work, Meet and Gather under the trade name Parlay Cafe. For a fee, the café provides coffee and some food. There are VIP lounges, soundproof phone booths and conference rooms available for clients. If you sign an Area Developer Agreement (attached as Exhibit C to this disclosure document), you will develop multiple Parlay Cafe outlets, on an agreed-upon schedule. For each future unit franchise, we will require you to sign our then-current form of franchise agreement, which may be different from the form of franchise agreement included in this disclosure document.

The general market for the café concept is both the coffee and shared workspace market segments essentially combined. This market is new and undeveloped. Our customers are primarily business people, but may also be casual coffee drinkers who enjoy the beverages or products we offer from the retail side of the business. Sales are not seasonal.

Both segments, shared workspace environments and coffee retail, are competitive, although our business model is unique in combining both of these businesses into one operating model. You will compete against national chains, regional chains, and independent owners. Some of these competitors are franchised.

Laws and Regulations

We are not aware of any laws or regulations specific to our industry as it relates to shared workspace environments and meeting service businesses. For the restaurant and coffee retail side of the business, you will have specific laws and regulations which pertain to this type of operation.

The restaurant industry has certain laws and regulations specific to it. The U.S. Food and Drug Administration, the U.S. Department of Agriculture, and various state and local health departments administer and enforce laws and regulations that govern food preparation and service, waste disposal, and sanitary conditions. State and local agencies inspect restaurants for compliance with these requirements. Certain provisions of these laws impose limits on emissions resulting from commercial food preparation. Some states have also adopted or are considering proposals to regulate indoor air quality.

The menu labeling provisions of the Patient Protection and Affordable Health Care Act require restaurant chains with 20 or more units to post caloric information on menus and menu boards, and to provide additional written nutrition information available to consumers upon request. For smaller chains, some states and local governments may require you to comply with laws relating to the labeling that is included on your menus, menu boards, and related materials. Some state and local authorities have also adopted, or are considering adopting, laws or regulations that would affect the content or make-up of food served in restaurants, such as the level of trans-fat contained in a food item.

You alone are responsible for investigating and complying with all applicable laws and regulations, despite any information that we may give you. You should consult with a legal advisor about legal requirements that may apply to your business.

Prior Business Experience

We have offered franchises since June 2020. None of our affiliates has offered franchises in other lines of business. None of our affiliates provides products or services to our franchisees.

Our affiliate, DRM Ventures, Inc. has operated Parlay Cafe in Temecula, California since April 2019. This affiliate has the same business address as us.

Item 2
BUSINESS EXPERIENCE

Donald J Mastrangelo : Founder/CEO, Parlay, Inc. (2/2020 – Present), Aguanga, CA.

Since 8/2010, Mr. Mastrangelo has been CEO of DRM Ventures, Inc., a corporation located in Aguanga, CA.

Rachel Lea Mastrangelo: Vice President, Parlay, Inc. (2/2020 – Present), Aguanga, CA.

Since 8/2010, Mrs. Mastrangelo has been President of DRM Ventures, Inc., a corporation located in Aguanga, CA.

Item 3
LITIGATION

Consent Orders

We entered into a consent order with the California Commissioner of the Department of Financial Protection and Innovation on March 22, 2022. This order was concerning our participation in The Franchise Show in Pasadena, California, on October 8 and 9, 2021, which was found to be a violation of the California franchise rule because our franchise offering registration was not active on those dates. We fully complied with the consent order's instructions, that we pay a fine of $2,500 to the California Department of Financial Protection and Innovation.

No other 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

When you sign your franchise agreement, you must pay us $30,000 as the initial franchise fee, $5,000 as the site selection and development fee, which covers our approval of your location and assistance with its development, and $15,000 as the initial training fee. These fees are uniform and are not refundable.

Additional Investment Paid to Us

As part of the initial investment, you will be required to purchase some items directly from us which will be used in opening the location of the franchised business. The total investment in these items will be $5,000 to $10,000. This includes your initial inventory of coffee, cups, sleeves and other items you will sell as part of the franchised business. These fees are uniform and are not refundable.

Area Development

If you and we agree that you will develop multiple franchises, then you will sign our Area Developer Agreement ("ADA") in the form of Exhibit C to this disclosure document. For the development of 3-5 units you will pay us an additional $70,000 to $140,000 in initial fees. You will pay only the initial franchise fees upon signing the ADA. These fees are uniform and are not refundable.

Item 6
OTHER FEES

Type of Fee	Amount	Due Date	Remarks
Royalty	6% of your gross sales	Weekly, on Tuesday	See Note 1 and Note 2.
Marketing Fund Contribution	2% of your gross sales	Weekly, on Tuesday	See Item 11 for a detailed discussion about these funds. Amounts due will be withdrawn by electronic wire transfer from your designated bank account.
Replacement / Additional Training fee	$15,000	Prior to attending training	If you send a manager or other employee to our training program after you open, we will charge our then-current training fee.
Late fee	$100 plus interest on the unpaid amount at a rate equal to 18% per year (or, if such payment exceeds the maximum allowed by law, then interest at the highest rate allowed by law)	On demand	We may charge a late fee if you fail to make a required payment when due.
Insufficient funds fee	$30 (or, if such amount exceeds the maximum allowed by law, then the maximum allowed by law)	On demand	We may charge an insufficient funds fee if a payment made by you is returned because of insufficient funds in your account.
Costs of collection	Our actual costs	As incurred	Payable if we incur costs (including reasonable attorney fees) in attempting to collect amounts you owe to us.

Type of Fee	Amount	Due Date	Remarks
Special support fee	Our then-current fee, plus our expenses. Currently, $600 per day.	On demand	If we provide in-person support to you in response to your request, we may charge this fee plus any out-of-pocket expenses (such as travel, lodging, and meals for employees providing onsite support).
Customer complaint resolution	Our expenses		We may take any action we deem appropriate to resolve a customer complaint about your business. If we respond to a customer complaint, we may require you to reimburse us for our expenses.
Records audit	Our actual cost	On demand	Payable only if (1) we audit you because you have failed to submit required reports or other non-compliance, or (2) the audit concludes that you under-reported gross sales by more than 3% for any 4-week period.
Transfer fee	$15,000 plus any broker or attorney fees	When transfer occurs	Payable if you sell your business.

All fees are payable only to us (other than software subscription charges). All fees are imposed by us and collected by us (other than software subscription charges). All fees are non-refundable. All fees are uniform for all franchisees, although we reserve the right to change, waive, or eliminate fees for any one or more franchisees as we deem appropriate. There are currently no marketing cooperatives, purchasing cooperatives, or other cooperatives that impose fees on you.

Notes

1. “Gross Sales” is defined in our franchise agreement as the total dollar amount of all sales generated through your business for a given period, including, but not limited to, payment for any services or products sold by you, whether for cash or credit. Gross Sales does not include (i) bona fide refunds to customers, (ii) sales taxes collected, (iii) sale of used equipment not in the ordinary course of business, or (iv) sales of prepaid cards or similar products (but the redemption of any such card or product will be included in Gross Sales).

2. We currently require you to pay royalty fees and other amounts due to us by pre-authorized bank draft. However, we can require an alternative payment method.

Item 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT - FRANCHISE AGREEMENT

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Franchise fee (see Note 1)	$30,000 - $30,000	Check or wire transfer	Upon signing the franchise agreement	Us
Site Selection fee (see Note 1)	$5,000 - $5,000	Check or wire transfer	Upon signing the franchise agreement	Us
Training fee (see Note 1)	$15,000 - $15,000	Check or wire transfer	Upon signing the franchise agreement	Us
Rent and Lease Security Deposit (see Note 2)	$2,250 - $10,800	Check	Upon signing lease	Landlord
Utilities	$500 - $1,000	Check, debit, and/or credit	Upon ordering service	Utility providers
Leasehold Improvements (see Note 3)	$25,000 - $150,000	Check	As incurred or when billed	Contractors
Market Introduction Program	$1,250 - $2,500	Check, debit, and/or credit	As incurred or when billed	Vendors and suppliers
Furniture, Fixtures, and Equipment (see Note 3)	$75,000 - $150,000	Check, debit, and/or credit	As incurred	Vendors and suppliers
Computer Systems (see Note 3)	$1,500 - $3,000	Check, debit, and/or credit	As incurred	Vendors and suppliers
Insurance (see Note 3)	$1,000 - $2,500	Check	Upon ordering	Insurance company
Signage (see Note 3)	$10,000 - $15,000	Check, debit, and/or credit	Upon ordering	Vendor
Office Expenses	$1,000 - $2,000	Check, debit, and/or credit	As incurred	Vendors
Inventory (see Note 3)	$5,000 - $10,000	Check, debit, and/or credit	Upon ordering	Us, Vendors
Licenses and Permits	$500 - $1,500	Check	Upon application	Government
Dues and Subscriptions	$1,200 - $2,400	Check, debit, and/or credit	As incurred	Vendors, trade organizations

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Professional Fees (lawyer, accountant, etc.)	$1,250 - $2,500	Check, debit, and/or credit	As incurred or when billed	Professional service firms
Travel, lodging and meals for initial training	$2,500 - $6,000	Cash, debit or credit	As incurred	Airlines, hotels, and restaurants
Additional funds (for first 3 months) (see Note 4)	$25,000 - $50,000	Varies	Varies	Employees, suppliers, utilities
Total	$202,950 - $459,200			

YOUR ESTIMATED INITIAL INVESTMENT - AREA DEVELOPER AGREEMENT

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
First franchise (see table above)	$202,950 - $459,200	Depends on Line Item	Depends on Line Item	Depends on Line Item
Initial fees for two to four additional units. (see Note 5)	$70,000 - $140,000	Check or wire transfer	Upon signing the ADA	Us
Miscellaneous expenses	$1,000 - $5,000	Check	As incurred	Vendors and suppliers
Total	$273,950 - $604,200			This is the total estimated initial investment to enter into an Area Developer Agreement for the right to own a total of 3 or 5 locations, as well as the costs to open and commence operating your initial location for the first three months (as described more fully in Chart A of this Item 7). See Note 3.

<u>Notes</u>

1. Your initial fees, including the franchise fee, site selection fee, and training fee are not refundable.

2. Your lease security deposit and utility deposits will usually be refundable unless you owe money to the landlord or utility provider. None of the other expenditures in this table will be refundable. Neither we nor any affiliate finances any part of your initial investment. Our estimates in this table assume you pay one month rent plus a security deposit before you open for business. For this to occur, you would need to negotiate a "free rent" period for the time it takes to build out your business. We expect that you will rent your location. If you choose to purchase real estate instead of renting, your costs will be significantly different.

3. The high and low estimates are based on the size of the space the franchisee chooses, and the condition of the space when the franchisee takes possession. The size can vary between 1,800 - 3,600 square feet and the condition can vary widely.

4. This includes any other required expenses you will incur before operations begin and during the initial period of operations, such as payroll, additional inventory, rent, and other operating expenses in excess of income generated by the business. It does not include any salary or compensation for you. In formulating the amount required for additional funds, we relied on the following factors, basis, and experience: the development of a Parlay Cafe business by our affiliate, and our general knowledge of the industry.

5. This estimate assumes you sign an Area Developer Agreement for two to four franchises. The initial fees for your first unit is counted in the "Estimated Initial Investment – Franchise Agreement" table. You will pay all initial fees upon signing the ADA.

Item 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Generally

We have the right to require you to purchase or lease all goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, real estate, or comparable items related to establishing or operating your business (1) either from us or our designee, or from suppliers approved by us, or (2) according to our specifications. We are currently an approved supplier.

Specific Obligations

The following are our current specific obligations for purchases and leases:

A. Real Estate. Your business location is subject to our approval and must meet our specifications. You must use reasonable efforts to have your landlord sign our form of Rider to Lease Agreement (attached to this disclosure document as Exhibit D).

B. Insurance. You must obtain insurance as described in the Franchise Agreement and in our Brand Standards Manual, which includes (i) "Special" causes of loss coverage forms, including fire and extended coverage, crime, vandalism, and malicious mischief, on all property of the Business, for full repair and replacement value (subject to a reasonable deductible); (ii) Business interruption insurance covering at least 12 months of income; (iii) Commercial General Liability insurance, including products liability coverage, and broad form commercial liability coverage, written on an "occurrence" policy form in an amount of not less than $1,000,000 single limit per occurrence and $2,000,000 aggregate limit, (iv) Business Automobile Liability insurance including owned, leased, non-owned and hired automobiles coverage in an amount of not less than $1,000,000, and (v) Workers Compensation coverage as required by state law. Your policies (other than Workers Compensation) must list us and our affiliates as an additional insured, must include a waiver of subrogation in favor of us and our affiliates, must be primary and non-contributing with any insurance carried by us or our affiliates, and must stipulate that we receive 30 days' prior written notice of cancellation.

C. Point-of-sale software and hardware, and related software and hardware. You must purchase (or lease) the point-of-sale software and hardware, and related software and hardware, that we specify. See Item 11 for more details.

D. Inventory and Equipment. You must purchase nonbranded inventory and equipment which will be used in the operation of the café and food service side of the business from our approved supplier. This includes the coffee products, inventory, equipment and furniture/fixtures.

E. Supplies, Cups and Apparel. You must purchase cups, apparel, sleeves, napkins and other assorted branded items from us directly.

F. Store Design and Build Out. You must use our specified vendor and approved designer to build out your location and design the location.

Ownership of Suppliers

Except for your requirement to purchase some items directly from us, none of our officers owns an interest in any supplier to our franchisees.

Alternative Suppliers

If you want to use a supplier that is not on our list of approved suppliers, you must request our approval in writing. We will grant or revoke approvals of suppliers based on criteria appropriate to the situation, which may include evaluations of the supplier's capacity, quality, financial stability, reputation, and reliability; inspections; product testing, and performance reviews. Our criteria for approving suppliers are not available to you. We permit you to contract with alternative suppliers who meet our criteria only if you request our approval in writing, and we grant approval. There is no fee for us to review or approve an alternate supplier. We will provide you with written notification of the approval or disapproval of any supplier you propose within 30 days after receipt of your request. We may grant approvals of new suppliers or revoke past approvals of suppliers on written notice to you, or by updating our Manual.

Issuing Specifications and Standards

We issue specifications and standards to you for applicable aspects of the franchise in our Manual and/or in written directives. We may issue new specifications and standards for any aspect of our brand system, or modify existing specifications and standards, at any time by revising our Manual and/or issuing new written directives (which may be communicated to you by any method we choose). We will generally (but are not obligated to) issue new or revised specifications only after thorough testing in our headquarters, in company-owned outlets, and/or a limited market test in multiple units.

Revenue to Us and Our Affiliates

We do derive revenue from the required purchases and leases by franchisees. However we did not receive any revenue in 2022.

Proportion of Required Purchases and Leases

We estimate that the required purchases and leases to establish your business are 50% to 80% of your total purchases and leases to establish your business.

We estimate that the required purchases and leases of goods and services to operate your business are 50% to 80% of your total purchases and leases of goods and services to operate your business.

Payments by Designated Suppliers to Us

We do not currently receive payments from any designated suppliers based on purchases by you or other franchisees. However, the franchise agreement does not prohibit us from doing so.

Purchasing or Distribution Cooperatives

No purchasing or distribution cooperative currently exists.

Negotiated Arrangements

We do not negotiate purchase arrangements with suppliers, including price terms, for the benefit of franchisees. However, we may do so in the future.

Benefits Provided to You for Purchases

We do not provide any material benefit to you based on your purchase of particular goods or services, or your use of particular suppliers.

Item 9
FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in agreement	Disclosure document item
a. Site selection and acquisition/lease	§§ 6.1, 6.2	Item 11
b. Pre-opening purchase/leases	§§ 6.2, 6.3	Items 5, 7, 8 and 11

Obligation	Section in agreement	Disclosure document item
c. Site development and other pre-opening requirements	Article 6	Items 5, 7, 8 and 11
d. Initial and ongoing training	§§ 5.4, 6.4, 7.6	Items 5, 6, 8 and 11
e. Opening	§§ 6.5, 6.6	Items 7, 8 and 11
f. Fees	Article 4, §§ 5.5, 7.8, 8.4, 10.5, 11.2, 11.3, 14.5, 15.2, 16.1, 17.6	Items 5, 6 and 7
g. Compliance with standards and policies/operating manual	§§ 6.3, 7.1, 7.3, 7.5, 7.9 – 7.13, 7.15, 10.1, 10.4, 11.1	Items 8, 11 and 14
h. Trademarks and proprietary information	Article 12, § 13.1	Items 13 and 14
i. Restrictions on products/services offered	§ 7.3	Items 8, 11 and 16
j. Warranty and customer service requirements	§§ 7.3, 7.8, 7.9	Item 8
k. Territorial development and sales quotas	§ 2.2	Item 12
l. Ongoing product/service purchases	Article 8	Items 6 and 8
m. Maintenance, appearance, and remodeling requirements	§§ 3.2, 7.12, 7.13, 15.2	Items 6, 7 and 8
n. Insurance	§ 7.15	Items 6, 7 and 8
o. Advertising	Article 9	Items 6, 7, 8 and 11
p. Indemnification	Article 16	Items 6 and 8
q. Owner's participation/management/staffing	§ 2.4	Items 15
r. Records and reports	Article 10	Item 11
s. Inspections and audits	§§ 10.5, 11.2	Items 6 and 11
t. Transfer	Article 15	Items 6 and 17
u. Renewal	§ 3.2	Item 17
v. Post-termination obligations	Article 13, § 14.3	Item 17
w. Non-competition covenants	§ 13.2	Item 17
x. Dispute resolution	Article 17	Items 6 and 17

Item 10
FINANCING

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

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

Except as listed below, Parlay Inc. is not required to provide you with any assistance.

Our Pre-Opening Obligations

Before you open your business:

A. *Your site.* We will review and advise you regarding potential locations that you submit to us. (Section 5.4). If you sign an Area Developer Agreement, we will approve the location of future sites and territories for those sites, and our then-current standards for sites and territories will apply. We are not obligated to further assist you in locating a site or negotiating the purchase or lease of the site.

(i) We generally do not own your premises.

(ii) We do not select your site. Your site is subject to our approval. To obtain our approval, you must provide all information and documents about the site that we require.

(iii) The factors we consider in approving sites are general location and neighborhood, competition, trade area demographics, traffic patterns, parking, size, physical characteristics of existing buildings, and lease terms.

(iv) The time limit for us to approve or disapprove your proposed site is 30 days after you submit all of our required documents and information. (Section 6.1). If we and you cannot agree on a site, you will be unable to comply with your obligation to develop and open the franchise by the deadline stated in the franchise agreement. Unless we agree to extend the deadline, you will be in default and we may terminate your franchise agreement.

(v) We are not obligated to assist you in conforming the premises of your site to local ordinances and building codes and obtaining any required permits. This will be your responsibility.

B. *Constructing, remodeling, or decorating the premises*. We will provide you with a set of our standard building plans and specifications and/or standard recommended floor plans, and our specifications for required décor. (Section 5.4)

C. *Hiring and training employees*. We will provide you with our suggested staffing levels (Section 5.2), suggested guidelines for hiring employees (Section 5.2), operational instructions in the Manual which you can use as part of training new employees (Section 5.3), and our initial training program described below. Our opening support (as described below) includes assisting you in training employees. All hiring decisions and conditions of employment are your sole responsibility.

D. *Necessary equipment, signs, fixtures, opening inventory, and supplies.* We will provide you a list of our specifications and approved suppliers for equipment, signs, fixtures, opening inventory, and supplies necessary to open your business. (Section 5.4) We do not provide these items directly; we only provide the names of approved suppliers. We do not deliver or install these items.

E. *Brand Standards Manual*. We will give you access to our Brand Standards Manual (Section 5.1).

F. *Initial Training Program.* We will conduct our initial training program. (Section 5.4). The current initial training program is described below.

G. *Market introduction plan*. We will advise you regarding the planning and execution of your market introduction plan. (Section 5.4)

H. *On-site opening support.* We will have a representative provide on-site support for at least 3-5 days in connection with your business opening. (Section 5.4)

<u>Length of Time to Open</u>

The typical length of time between signing the franchise agreement and the opening of your business is 6 months. Factors that may affect the time period include your ability to obtain a lease, obtain financing, develop your location, obtain business permits and licenses, and hire employees.

<u>Our Post-Opening Obligations</u>

After you open your business:

A. *Developing products or services you will offer to your customers*. Although it is our intent and practice to refine and develop products or services that you will offer to your customers, the franchise agreement does not obligate us to do so.

B. *Hiring and training employees*. We will provide you with our suggested staffing levels (Section 5.2), suggested guidelines for hiring employees (Section 5.2), and operational instructions in the Manual which you can use as part of training new employees (Section 5.3). All hiring decisions and conditions of employment are your sole responsibility.

C. *Improving and developing your business; resolving operating problems you encounter.* If you request, we will provide advice to you (by telephone or electronic communication) regarding improving and developing your business, and resolving operating problems you encounter, to the extent we deem reasonable. If we provide in-person support in response to your request, we may charge a fee (currently $600 per day) plus any out-of-pocket expenses (such as travel, lodging, and meals for our employees providing onsite support). (Section 5.5)

D. *Establishing prices*. Upon your request, we will provide recommended prices for products and services. (Section 5.5). We have the right to require you to offer products and services at specific prices we determine if we are promoting such products and services on a national, regional, or local market basis, for the duration of the promotion (but only to the extent permitted by applicable law).

E. *Establishing and using administrative, bookkeeping, accounting, and inventory control procedures.* We will provide you our recommended procedures for administration, bookkeeping, accounting, and inventory control (Section 5.5). We may make any such procedures part of required (and not merely recommended) procedures for our system.

F. *Marketing Fund*. We will administer the Marketing Fund (Section 5.5). We will prepare an unaudited annual financial statement of the Marketing Fund within 120 days of the close of our fiscal year and will provide the financial statement to you upon request. (Section 9.3)

G. *Website*. We will maintain a website for the Parlay Cafe brand, which will include your business information and telephone number. (Section 5.5)

Advertising

Our obligation. We will use the Marketing Fund only for marketing and related purposes and costs. Media coverage is primarily local. We use outside vendors and consultants to produce advertising. We are not required to spend any amount of advertising in the area or territory where any particular franchisee is located. We will maintain the brand website (which may be paid for by the Marketing Fund). We have no other obligation to conduct advertising.

Your own advertising material. You may use your own advertising or marketing material only with our approval. To obtain our approval, you must submit any proposed advertising or marketing material at least 14 days prior to use. If we do not respond, the material is deemed rejected. If you develop any advertising or marketing materials, we may use those materials for any purpose, without any payment to you.

Advertising council. We do not have an advertising council composed of franchisees. The franchise agreement does not give us the power to form an advertising council.

Local or Regional Advertising Cooperatives. We do not currently have any local or regional advertising cooperatives. We have the right to require you to participate in a local or regional advertising cooperative. We will define the area of the cooperative based on media markets, or other geographic criteria that we deem appropriate. Each franchisee in the area would have one vote per outlet (unless the franchisee is in default under its franchise agreement). The amount you must contribute to the cooperative will be determined by vote of the members, but not less than 1% and not more than 4% of gross sales. If our own outlets are members of a cooperative, they must contribute to the cooperative on the same basis as franchisees, and they will vote on the same basis as other members. We administer the cooperative, but we have the right to delegate responsibility for administration to an outside company such as an advertising agency or accounting firm, or to the franchisee members of the cooperative. We have the right to require the cooperative to operate from written bylaws or other governing documents that we determine. The documents are not currently available for you to review. Cooperatives will prepare annual financial statements which will be made available for review only by us and by the members of cooperative. We have the power to require cooperatives to be formed, changed, dissolved, or merged.

Advertising Fund. You and all other franchisees must contribute to our Marketing Fund. Your contribution is 2% of gross sales per week. We reserve the right to have other franchisees contribute a different amount or at a different rate. Outlets that we own are not obligated to contribute to the Marketing Fund. We administer the fund. The fund is not audited. We will make unaudited annual financial statements available to you upon your written request.

Because we are a new franchisor, we did not spend any money from the Marketing Fund in 2022.

If less than all marketing funds are spent in the fiscal year in which they accrue, the money will remain in the Marketing Fund to be spent in the next year.

No money from the Marketing Fund is spent principally to solicit new franchise sales.

Market introduction plan. You must develop a market introduction plan and obtain our approval of the plan at least 30 days before the projected opening date of your business.

Required spending. After you open, you must spend at least 2% of gross sales each month on marketing your business. This is in addition to your contribution to the Marketing Fund. We are not required to spend any amount on advertising in your territory.

Point of Sale and Computer Systems

We require you to buy (or lease) and use a point-of-sale system and computer system as follows, Clover POS system, sourced by our preferred partner Veripay, who must also provide merchant services. Franchisee's POS will be connected to Parlay, Inc. for access to transaction history. These systems will generate or store data such as sales data, customer information, employee and labor information, inventory, and financial reports.

We estimate that these systems will cost between $1,500 and $3,000 to purchase.

We are not obligated to provide any ongoing maintenance, repairs, upgrades, or updates. We do not require you enter into any such contract with a third party.

You must upgrade or update any system when we determine. There is no contractual limit on the frequency or cost of this obligation.

We estimate that the annual cost of any optional or required maintenance, updating, upgrading, or support contracts is $0.

You must give us independent access to the information that will be generated or stored in these systems. The information that we may access will include sales, customer data, and reports. There is no contractual limitation on our right to access the information.

Brand Standards Manual

Manual Section	Number of Pages

Preface & Introduction	35
Establishing My Franchise Business	37
Personnel	48
Administrative Procedures	25
Daily Procedures	41
Selling & Marketing	22
Total Number of Pages	**228**

Training Program

Our training program consists of the following:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Getting Started with Parlay Culture, History, and Basic Setup (Employee Handbook, Operations Manuals, etc.)	3	0	Temecula, CA
Location, Design, Layout	4	2	Temecula, CA or Your Location
Scheduling	1	1	Temecula, CA or Your Location
Pricing	1	0	Temecula, CA
CustomerTransactions	1	0	Temecula, CA
Gift Cards	1	0	Temecula, CA
Memberships	1	1	Temecula, CA or Your Location
Client Interactions: Greeting, Check In, Tour (Setting Expectations) for New Clients	2	3	Temecula, CA or Your Location
Client Interactions: Phase II (New Clients)	1	1	Temecula, CA or Your Location
Client Interactions: Phase III (New Clients) and Check Out	1	1	Temecula, CA or Your Location

Pre-opening Readiness: - Location Build-Out Checklist - Travel to corporate (franchisor) location - Phones, email and technology	5	5	Temecula, CA or Your Location
Studio Management Basics: - Manager Guide and FAQs - Manager Checklist - Company Values - Culture of Recognition - Problem-solving & troubleshooting basics	3	0	Temecula, CA
Operations Basics: - Maintenance of spreadsheets, documents, and forms - Manager and Group Tasks List - Managing the Procedure Checklist	2	0	Temecula, CA
Human Resources Functions: - Interviewing, hiring, & firing - Coaching, providing feedback, and performance management	2	0	Temecula, CA
Advertising / Marketing: - Advertising Procedure & Strategy Calendar - Online Advertising - Offline/In-Person Partnerships - In-store promotion / signage - Additional pre-opening expectations - Press releases	5	0	Temecula, CA
Payroll: - Software set up & overview - Procedure & Checklist - Bonus / Incentives	3	0	Temecula, CA
Staff Scheduling: - Software set up & overview - Schedule Management Procedure	2	0	Temecula, CA
FAQ	3	0	Temecula, CA
Client Satisfaction	2	0	Temecula, CA

Opening the Location	1	3	Temecula, CA or Your Location
Closing the Location	1	3	Temecula, CA or Your Location
Deep Clean and Maintenance	1	1	Temecula, CA or Your Location
Weekly Duties	1	1	Temecula, CA or Your Location
Other Procedure Reviews / Miscellaneous	1	0	Temecula, CA
Onboarding Graduation	1	0	Temecula, CA
TOTALS:	50	22	

Training classes will be scheduled in accordance with the needs of new franchisees. We anticipate holding training classes once per month. Training will be held at our offices and business location at 40764 Winchester Rd. #590, Temecula CA 92591. We reserve the right to vary the length and content of the initial training program based on the experience and skill level of any individual attending the initial training program.

The instructional materials consist of Operations Manual, other materials, lectures, discussions, and on-the-job training in our company owned store.

Training classes will be led or supervised by Don Mastrangelo. He has been working in our industry and with our brand since 2020. Instructors may have various lengths of experience, but they would typically have minimally two years of experience in our industry and one year of experience with our brand, if not more, and have had successfully completed both their own training and facilitation of others' training in the past; the instructors will typically be in a management role at a corporate location or be a "senior," tenured employee if not in a formal management position.

The Training Fee is for up to 3 people to attend training. You must pay the travel and living expenses of people attending training.

You must attend training. If the franchise is owned by an entity, then the principal owner of the entity must attend training. You may send any additional people to training that you want (up to the maximum described above). You must complete training to our satisfaction at least four weeks before opening your business.

Your business must at all times be under your on-site supervision or under the on-site supervision of a general manager who has completed our training program. If you need to send a new general manager to our training program, we will charge a fee, which is currently $15,000.

Otherwise, we do not currently require additional training programs or refresher courses, but we have the right to do so.

Item 12
TERRITORY

Your Location

Your franchise is for a specific location. If the specific location is not known at the time you sign a franchise agreement, then your location is subject to our approval.

Grant of Territory

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 have a right of first refusal for any locations within 3 miles of your location.

Relocation

You do not have the right to relocate your business, and we have no obligation to approve any request for relocation. Our policy is to approve relocation of a franchisee's business on case-by-case basis, considering factors such as changes in demographics, profitability of your current business, or a loss of your premises due to circumstances beyond your control.

Options to Acquire Additional Franchises

You do not have the right to establish additional franchised outlets unless you sign an Area Developer Agreement ("ADA") in the form attached as Exhibit C to this disclosure document. If you and we sign a ADA, then you will have the right to establish a mutually-agreed number of additional outlets on a mutually-agreed schedule. We will approve the location of future sites and territories for those sites, and our then-current standards for sites and territories will apply. You are not obligated to develop additional outlets under the ADA, and you may terminate it any time without penalty. If you do not meet your development schedule in the ADA, we have the right to terminate your right to develop additional outlets, but do not have the right to terminate any franchise agreements that have already been executed.

You also receive a right of first refusal to open any locations that are proposed for within 3 miles of your existing location.

Restrictions on Us from Soliciting or Accepting Orders in Your Territory

There are no restrictions on us from soliciting or accepting orders from consumers inside your territory. We reserve the right to use other channels of distribution, such as the internet, catalog sales, telemarketing, or other direct marketing sales, to make sales within your territory using our principal trademarks or using trademarks different from the ones you will use under your franchise agreement. We do not pay any compensation to you for soliciting or accepting orders from inside your territory.

Soliciting by You Outside Your Territory

There are no restrictions on you from soliciting or accepting orders from consumers outside of your territory, except that all marketing and advertising is subject to our approval. You are permitted to use other channels of distribution such as the internet, telemarketing or direct marketing.

Competition by Us Under Different Trademarks

Neither we nor any of our affiliates operates, franchises, or has plans to operate or franchise a business under a different trademark selling goods or services similar to those you will offer. However, the franchise agreement does not prohibit us from doing so.

Item 13
TRADEMARKS

Principal Trademark

The following is the principal trademark that we license to you that are registered on the principal register of the United State Patent and Trademark Office and for which all required affidavits have been filed. This trademark is owned by our affiliate, DRM Ventures, Inc.

Trademark	Registration Date	Registration Number	Renewal Date
Parlay Café	11/03/2020	6190456	11/03/2024

Because the federal trademark registration is less than six years old, no affidavits are required at this time. The registration has not yet been renewed.

Determinations

There are no currently effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, or any state trademark administrator or court. There are no pending infringement, opposition, or cancellation proceedings.

Litigation

There is no pending material federal or state court litigation regarding our use or ownership rights in a trademark.

Agreements

DRM Ventures, Inc., our affiliate, owns the trademarks described in this Item. Under an Intercompany License Agreement between us and DRM Ventures, Inc., we have been granted the exclusive right to sublicense the trademarks to franchisees throughout the United States. The agreement is of perpetual duration. It may be modified only by mutual consent of the parties. It may be canceled by our affiliate only if (1) we materially misuse the trademarks and fail to correct the misuse, or (2) we discontinue commercial use of the trademarks for a continuous period of more than one year. The Intercompany License Agreement specifies that if it is ever terminated, your franchise rights will remain unaffected.

Protection of Rights

We protect your right to use the principal trademarks listed in this Item, and we protect you against claims of infringement or unfair competition arising out of your use of the trademarks, to the extent described in this section.

The franchise agreement obligates you to notify us of the use of, or claims of rights to, a trademark identical to or confusingly similar to a trademark licensed to you. The franchise agreement does not require us to take affirmative action when notified of these uses or claims. We have the right to control any administrative proceedings or litigation involving a trademark licensed by us to you.

If you use our trademarks in accordance with the franchise agreement, then (i) we will defend you (at our expense) against any legal action by a third party alleging infringement by your use of the trademark, and (ii) we will indemnify you for expenses and damages if the legal action is resolved unfavorably to you.

Under the franchise agreement, we may require you to modify or discontinue using a trademark, at your expense.

Superior Prior Rights and Infringing Uses

We do not know of either superior prior rights or infringing uses that could materially affect your use of the principal trademarks.

Item 14
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Patents

We do not own rights in, or licenses to, patents that are material to the franchise. We do not have any pending patent applications.

Copyrights

All of our original works of authorship fixed in a tangible medium of expression are automatically protected under the U.S. Copyright Act, whether or not we have obtained registrations. This includes our Brand Standards Manual as well as all other sales, training, management and other materials that we have created or will create. You may use these copyrighted materials during the term of the franchise, in a manner consistent with our ownership rights, solely for your franchised business.

We do not have any registered copyrights. There are no pending copyright applications for our copyrighted materials. There are no currently effective determinations of the U.S. Copyright Office (Library of Congress) or any court regarding any copyright.

There are no agreements currently in effect that limit our right to use or license the use of our copyrighted materials.

We have no obligation to protect any of our copyrights or to defend you against claims arising from your use of copyrighted items. The franchise agreement does not require us to take affirmative action when notified of copyright infringement. We control any copyright litigation. We are not required to participate in the defense of a franchisee or indemnify a franchisee for expenses or damages in a proceeding involving a copyright licensed to the franchisee. We may require you to modify or discontinue using the subject matter covered by any of our copyrights, at your expense.

We do not know of any copyright infringement that could materially affect you.

Proprietary Information

We have a proprietary, confidential Brand Standards Manual and related materials that include guidelines, standards and policies for the development and operation of your business. We also claim proprietary rights in other confidential information or trade secrets that include all methods for developing and operating the business, and all non-public plans, data, financial information, processes, vendor pricing, supply systems, marketing systems, formulas, techniques, designs, layouts, operating procedures, customer data, information and know-how.

You (and your owners, if the franchise is owned by an entity) must protect the confidentiality of our Brand Standards Manual and other proprietary information, and you must use our confidential information only for your franchised business. We may require your managers and key employees to sign confidentiality agreements.

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

Your Participation

You are not required to participate personally in the direct operation of your business. However, we recommend that you participate.

You must designate one person as your “Principal Executive”. The Principal Executive is the executive primarily responsible for your business and has decision-making authority on behalf of the business. The Principal Executive must own at least 10% of the business. The Principal Executive must complete our initial training program. The Principal Executive must complete any post-opening training programs that we develop in the future. The Principal Executive must make reasonable efforts to attend all in-person meetings and remote meetings (such as telephone conference calls), including regional or national brand conferences, that we require. The Principal Executive cannot fail to attend more than three consecutive required meetings.

If your business is owned by an entity, all owners of the business must sign our Guaranty and Non-Compete Agreement (see Attachment 3 to Exhibit B).

<u>"On-Premises" Supervision</u>

You are not required to personally conduct "on-premises" supervision (that is, act as general manager) of your business. However, we recommend on-premises supervision by you.

There is no limit on who you can hire as an on-premises supervisor. The general manager of your business (whether that is you or a hired person) must successfully complete our training program.

If the franchise business is owned by an entity, we do not require that the general manager own any equity in the entity.

<u>Restrictions on Your Manager</u>

If we request, you must have your general manager sign a confidentiality and non-compete agreement. We do not require you to place any other restrictions on your manager.

Item 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer for sale only goods and services that we have approved.

You must offer for sale all goods and services that we require. We have the right to change the types of authorized goods or services, and there are no limits on our right to make changes.

We do not restrict your access to customers, except that all sales must be made at or from your premises.

Item 17
RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Section in franchise or other agreement	Summary
a. Length of the franchise term	Franchise Agreement (FA): § 3.1 Multi-Unit Development	10 years from date of franchise agreement.

Provision	Section in franchise or other agreement	Summary
	Agreement (ADA): §1(a)	
b. Renewal or extension of the term	FA: § 3.2 ADA: none	After the initial term you will be required to sign then current Franchise Agreement that may contain materially different terms and conditions than Franchisee's original contract.
c. Requirements for franchisee to renew or extend	FA: § 3.2 ADA: none	For our franchise system, "renewal" means that at the end of your term, you sign our successor franchise agreement. You may be asked to sign a contract with materially different terms and conditions than your original contract. To renew, you must give advance notice to us; be in compliance with all contractual obligations to us and third parties; renovate to our then-current standards; sign then-current form of franchise agreement and related documents (including personal guaranty); sign general release (unless prohibited by applicable law). If you continue operating your franchise after the expiration of the term without a renewal agreement, then we may either terminate your operation at any time or deem you to have renewed your agreement for a new term.
d. Termination by franchisee	FA: § 14.1 ADA: § 4	If we violate a material provision of the franchise agreement and fail to cure or to make substantial progress toward curing the violation within 30 days after notice from you. If you sign a ADA, you may terminate it at any time.
e. Termination by franchisor without cause	Not Applicable	
f. Termination by franchisor with cause	FA: § 14.2 ADA: § 4	We may terminate your agreement for cause, subject to any applicable notice and cure opportunity. If you sign an Area Developer Agreement, termination of your ADA does not give us the right to terminate your franchise agreement. However, if your franchise agreement is

Provision	Section in franchise or other agreement	Summary
		terminated, we have the right to terminate your ADA.
g. "Cause" defined--curable defaults	FA: § 14.2 ADA: none	Non-payment by you (10 days to cure); violate franchise agreement other than non-curable default (30 days to cure). If you sign an Area Developer Agreement, termination of your ADA does not give us the right to terminate your franchise agreement. However, if your franchise agreement is terminated, we have the right to terminate your ADA.
h. "Cause" defined--non-curable defaults	FA: § 14.2 ADA: § 4	FA: Misrepresentation when applying to be a franchisee; knowingly submitting false information; bankruptcy; lose possession of your location; violation of law; violation of confidentiality; violation of non-compete; violation of transfer restrictions; slander or libel of us; refusal to cooperate with our business inspection; cease operations for more than 5 consecutive days; three defaults in 12 months; cross-termination; charge or conviction of, or plea to a felony, or commission or accusation of an act that is reasonably likely to materially and unfavorably affect our brand; any other breach of franchise agreement which by its nature cannot be cured. ADA: failure to meet development schedule; violation of franchise agreement or other agreement which gives us the right to terminate it. If you sign an Area Developer Agreement, termination of your ADA does not give us the right to terminate your franchise agreement. However, if your franchise agreement is terminated, we have the right to terminate your ADA.
i. Franchisee's obligations on termination/non-renewal	FA: §§ 14.3 – 14.6 ADA: none	Pay all amounts due; return Manual and proprietary items; notify phone, internet, and other providers and transfer service; cease doing business; remove identification; purchase option by us.

Provision	Section in franchise or other agreement	Summary
j. Assignment of agreement by franchisor	FA: § 15.1 ADA: § 7	Unlimited
k. “Transfer” by franchisee - defined	FA: Article 1 ADA: Background Statement	For you (or any owner of your business) to voluntarily or involuntarily transfer, sell, or dispose of, in any single or series of transactions, (i) substantially all of the assets of the business, (ii) the franchise agreement, (iii) any direct or indirect ownership interest in the business, or (iv) control of the business.
l. Franchisor’s approval of transfer by franchisee	FA: § 15.2 ADA: § 7	No transfers without our approval.
m. Conditions for franchisor’s approval of transfer	FA: § 15.2 ADA: none	Pay transfer fee; buyer meets our standards; buyer is not a competitor of ours; buyer and its owners sign our then-current franchise agreement and related documents (including personal guaranty); you’ve made all payments to us and are in compliance with all contractual requirements; buyer completes training program; you sign a general release; business complies with then-current system specifications (including remodel, if applicable).
n. Franchisor’s right of first refusal to acquire franchisee’s business	FA: § 15.5 ADA: none	If you want to transfer your business (other than to your co-owner or your spouse, sibling, or child), we have a right of first refusal.
o. Franchisor’s option to purchase franchisee’s business	FA: § 14.6 ADA: none	
p. Death or disability of franchisee	FA: §§ 2.4, 15.4 ADA: none	If you die or become incapacitated, a new principal executive acceptable to us must be designated to operate the business, and your executor must transfer the business to an approved new owner within nine months.
q. Non-competition covenants during the term of the franchise	FA: § 13.2 ADA: none	Neither you, any owner of the business, or any spouse of an owner may have ownership interest in, lend money or provide financial assistance to, provide services to, or be employed by, any competitor.

Provision	Section in franchise or other agreement	Summary
r. Non-competition covenants after the franchise is terminated or expires	FA: § 13.2 ADA: none	For two years, neither you, any owner of the business, or any spouse of an owner may have ownership interest in, lend money or provide financial assistance to, provide services to, or be employed by a competitor located within five miles of your former territory or the territory of any other Parlay Cafe business operating on the date of termination.
s. Modification of the agreement	FA: § 18.4 ADA: § 7	No modification or amendment of the agreement will be effective unless it is in writing and signed by both parties. This provision does not limit our right to modify the Manual or system specifications.
t. Integration/merger clause	FA: § 18.3 ADA: § 7	Only the terms of the agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and franchise agreement (or ADA) may not be enforceable. However, no claim made in any franchise agreement (or ADA) is intended to disclaim the express representations made in this Disclosure Document.
u. Dispute resolution by arbitration or mediation	FA: § 17.1 ADA: § 7	All disputes are resolved by arbitration (except for injunctive relief) (subject to applicable state law).
v. Choice of forum	FA: §§ 17.1; 17.5 ADA: § 7	Arbitration will take place where our headquarters is located (currently, Aguanga, California) (subject to applicable state law). Any legal proceedings not subject to arbitration will take place in the District Court of the United States, in the district where our headquarters is then located, or if this court lacks jurisdiction, the state courts of the state and county where our headquarters is then located (subject to applicable state law).
w. Choice of law	FA: § 18.8 ADA: § 7	California (subject to applicable state law).

For additional disclosures required by certain states, refer to Exhibit I - State Addenda to Disclosure Document

Item 18
PUBLIC FIGURES

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

Item 19
FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Donald J and Rachel Lea Mastrangelo, 49851 Flightline Way, Aguanga CA 92536, and 808-265-6030, the Federal Trade Commission, and the appropriate state regulatory agencies.

Item 20
OUTLETS AND FRANCHISEE INFORMATION

Table 1
Systemwide Outlet Summary
For Years 2020 to 2022

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2020	0	0	0
	2021	0	0	0
	2022	0	0	0
Company-Owned	2020	1	1	0
	2021	1	1	0
	2021	1	1	0
Total Outlets	2020	1	1	0
	2021	1	1	0
	2022	1	1	0

Table 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For Years 2020 to 2022

Column 1 State	Column 2 Year	Column 3 Number of Transfers
N/A	2020	0
	2021	0
	2022	0
Total	2020	0
	2021	0
	2022	0

Table 3
Status of Franchised Outlets
For Years 2020 to 2022

Column 1 State	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets Opened	Column 5 Termi-Nations	Column 6 Non-Renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations – Other Reasons	Column 9 Outlets at End of the Year
N/A	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Totals	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0

Table 4
Status of Company-Owned Outlets
For Years 2020 to 2022

Column 1 State	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets Opened	Column 5 Outlets Reacquired from Franchisee	Column 6 Outlets Closed	Column 7 Outlets Sold to Franchisee	Column 8 Outlets at End of the Year
California	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
Totals	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1

Table 5
Projected Openings As Of December 31, 2022

Column 1 State	Column 2 Franchise Agreements Signed but Outlet Not Opened	Column 3 Projected New Franchised Outlets in the Next Fiscal Year	Column 4 Projected New Company-Owned Outlets in the Next Fiscal Year
California	0	5	1
Idaho	0	1	0
Florida	0	4	0
Texas	0	3	0
Totals	0	13	1

Current Franchisees

Names of all current franchisees (as of the end of our last fiscal year) and the address and telephone number of each of their outlets:

None

Note: We did not have any Area developers at the close of our last fiscal year.

Former Franchisees

Name, city and state, and current business telephone number, or if unknown, the last known home telephone number of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year or who have not communicated with us within 10 weeks of the disclosure document issuance date:

None

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Confidentiality Clauses

In the last three fiscal years, no franchisees have signed any contract, order, or settlement provision that directly or indirectly restricts a current or former franchisee from discussing his or her personal experience as a franchisee in our system with any prospective franchisee.

Franchisee Organizations

There are no trademark-specific franchisee organizations associated with our franchise system.

Item 21
FINANCIAL STATEMENTS

Exhibit D includes our audited financial statements dated 12/31/2022, 12/31/2021, and 12/31/2020. Our fiscal year end is December 31.

Item 22
CONTRACTS

Copies of all proposed agreements regarding this franchise offering are attached as the following Exhibits:

B. Franchise Agreement (with Guaranty, Non-Compete Agreement and State Addenda)
C. Area Developer Agreement

Item 23
RECEIPTS

Detachable documents acknowledging your receipt of this disclosure document are attached as the last two pages of this disclosure document.

EXHIBIT A

STATE ADDENDA TO DISCLOSURE DOCUMENT

CALIFORNIA ADDENDUM TO DISCLOSURE DOCUMENT

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

Franchisees must sign a personal guaranty, making you and your spouse individually liable for your financial obligations under the agreement if you are married. The guaranty will place your and your spouse's marital and personal assets at risk, perhaps including your house, if your franchise fails.

No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. Any statements or representations signed by a franchisee purporting to understand any fact or its legal effect shall be deemed made only based upon the franchisee's understanding of the law and facts as of the time of the franchisee's investment decision. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

California Corporations Code, Section 31125 requires the franchisor to give the franchisee a disclosure document, approved by the Department of Financial Protection and Innovation, prior to a solicitation of a proposed material modification of an existing franchise.

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 OFFERING CIRCULAR.

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT www.dfpi.ca.gov.

THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF CALIFORNIA. SUCH REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF BUSINESS OVERSIGHT NOR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

ALL THE OWNERS OF THE FRANCHISE WILL BE REQUIRED TO EXECUTE PERSONAL GUARANTEES. THIS REQUIREMENT PLACES THE MARITAL ASSETS OF

THE SPOUSES DOMICILED IN COMMUNITY PROPERTY STATES – ARIZONA, CALIFORNIA, IDAHO, LOUISIANA, NEVADA, NEW MEXICO, TEXAS, WASHINGTON AND WISCONSIN AT risk IF YOUR FRANCHISE FAILS.

1. The following paragraph is added to the end of Item 3 of the Disclosure Document:

   Neither franchisor nor any person or franchise broker in Item 2 of this disclosure document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in that association or exchange.

2. The following paragraph is added to the end of Item 5 of the Disclosure Document:

   Franchisor will defer payment of the initial fees until all of its pre-opening obligation have been met and the franchisee is opened for business.

3. The following paragraph is added to the end of Item 6 of the Disclosure Document:

   With respect to the Late Fee described in Item 6, this Item is amended to disclose that the maximum rate of interest permitted under California law is 10%.

4. The following paragraphs are added at the end of Item 17 of the Disclosure Document:

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

   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.A. Sec. 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 contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

   The Franchise Agreement requires binding arbitration. The arbitration will occur in Aguanga, California, with the costs being borne equally by Franchisor and Franchisee. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section

20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

5. The following paragraph is added at the end of Item 19 of the Disclosure Document:

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 Parlay Cafe business. Franchisees or former franchisees, listed in the offering circular, may be one source of this information.

HAWAII ADDENDUM TO DISCLOSURE DOCUMENT

In the State of Hawaii only, this Disclosure Document is amended as follows:

THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE, OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

Registered agent in the state authorized to receive service of process:

Commissioner of Securities
335 Merchant Street
Honolulu, Hawaii 96813

Registration of franchises or filings of offering circulars in other states. As of the date of filing of this Addendum in the State of Hawaii:

1. A franchise registration is effective or an offering circular is on file in the following states: ___________________

2. A proposed registration or filing is or will be shortly on file in the following states: _____________________________

3. No states have refused, by order or otherwise to register these franchises.

4. No states have revoked or suspended the right to offer these franchises.

5. The proposed registration of these franchises has not been withdrawn in any state.

ILLINOIS ADDENDUM TO DISCLOSURE DOCUMENT

In recognition of the requirements of the Illinois Franchise Disclosure Act of 1987, as amended (the "Act"), this Disclosure Document is amended as follows:

Illinois law governs the agreements between the parties to this franchise.

Section 4 of the Act provides that any provision in a franchise agreement that designates jurisdiction of venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

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

Your rights upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Act.

MARYLAND ADDENDUM TO DISCLOSURE DOCUMENT

In the State of Maryland only, this Disclosure Document is amended as follows:

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

The following is added to Item 5:

Based upon the financial information submitted, the Commissioner has determined that all fees paid to the franchisor by the franchisee, including payments for goods and services received from the franchisor before the business opens, shall be deferred pending satisfaction of all of the franchisor's pre-opening obligations to the franchisee.

In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.

The following is added to Item 17:

The general release required as a condition of renewal, sale, and/or assignment/transfer shall 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.

You have the right to file a lawsuit alleging a cause of action arising under the Maryland Franchise Law in any court of competent jurisdiction in the State of Maryland.

The Franchise Agreement provides for termination upon bankruptcy of the franchisee. This provision may not be enforceable under federal bankruptcy law.

MINNESOTA ADDENDUM TO DISCLOSURE DOCUMENT

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.

In the State of Minnesota only, this Disclosure Document is amended as follows:

- Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit the franchisor 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.

- With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subd. 3-5, which require (except in certain specified cases) (1) that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement and (2) that consent to the transfer of the franchise will not be unreasonably withheld.

- 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 Statues, Section 80C.12, Subd. 1(g).

- Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.

- The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J. Also, a court will determine if a bond is required.

- The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5, which states "No action may be commenced pursuant to this Section more than three years after the cause of action accrues."

THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE MINNESOTA FRANCHISE ACT. REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF COMMERCE OF MINNESOTA OR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE MINNESOTA FRANCHISE ACT MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WHICH IS SUBJECT TO REGISTRATION WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST 7 DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST 7 DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION, BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THIS PUBLIC OFFERING STATEMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE FRANCHISE. THIS PUBLIC OFFERING STATEMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR AN UNDERSTANDING OF ALL RIGHTS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

NEW YORK ADDENDUM TO DISCLOSURE DOCUMENT

In the State of New York only, this Disclosure Document is amended as follows:

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

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR 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, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY ST. 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:

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

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

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

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

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

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

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

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

5. The following is added to the end of the "Summary" sections of Item 17(v), titled "**Choice of forum**", and Item 17(w), titled "**Choice of law**": The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

NORTH DAKOTA ADDENDUM TO DISCLOSURE DOCUMENT

In the State of North Dakota only, this Disclosure Document is amended as follows:

THE SECURITIES COMMISSIONER HAS HELD THE FOLLOWING TO BE UNFAIR, UNJUST OR INEQUITABLE TO NORTH DAKOTA FRANCHISEES (NDCC SECTION 51-19-09):

1. <u>Restrictive Covenants</u>: Franchise disclosure documents that disclose the existence of covenants restricting competition contrary to NDCC Section 9-08-06, without further disclosing that such covenants will be subject to the statute.

2. <u>Situs of Arbitration Proceedings</u>: Franchise agreements providing that the parties must agree to the arbitration of disputes at a location that is remote from the site of the franchisee's business.

3. <u>Restrictions on Forum</u>: Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.

4. <u>Liquidated Damages and Termination Penalties</u>: Requiring North Dakota franchisees to consent to liquidated damages or termination penalties.

5. Applicable Laws: Franchise agreements that specify that they are to be governed by the laws of a state other than North Dakota.

6. Waiver of Trial by Jury: Requiring North Dakota Franchises to consent to the waiver of a trial by jury.

7. Waiver of Exemplary and Punitive Damages: Requiring North Dakota Franchisees to consent to a waiver of exemplary and punitive damage.

8. General Release: Franchise Agreements that require the franchisee to sign a general release upon renewal of the franchise agreement.

9. Limitation of Claims: Franchise Agreements that require the franchisee to consent to a limitation of claims. The statute of limitations under North Dakota law applies.

10. Enforcement of Agreement: Franchise Agreements that require the franchisee to pay all costs and expenses incurred by the franchisor in enforcing the agreement. The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

RHODE ISLAND ADDENDUM TO DISCLOSURE DOCUMENT

In the State of Rhode Island only, this Disclosure Document is amended as follows:

Item 17, summary columns for (v) and (w) are amended to add the following:

> Any provision in the franchise agreement restricting jurisdiction or venue to a forum outside Rhode Island or requiring the application of the laws of a state other than Rhode Island is void as to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

VIRGINIA ADDENDUM TO DISCLOSURE DOCUMENT

In the Commonwealth of Virginia only, this Disclosure Document is amended as follows:

The following statements are added to Item 17(h):

> Under 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 do 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.

> Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to the franchisee under the franchise, that provision may not be enforceable.

Item 17(t) is amended to read as follows:

> 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.

WASHINGTON ADDENDUM TO DISCLOSURE DOCUMENT

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

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

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

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

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.ITEM 5 of the Disclosure Document is amended to add the following:

In lieu of an impound of franchise fees, the Franchisor will not require or accept the payment of any initial franchise fees until the franchisee has (a) received all pre-opening and initial training obligations that it is entitled to under the franchise agreement or offering circular, and (b) is open for business. Because franchisor has material pre-opening obligations with respect to each franchised business Franchisee opens under the Area Development Agreement, payment of the franchise fee will be released proportionally with respect to each franchise outlet opened and until franchisor has met all its pre-opening obligations under the Agreement and Franchisee is open for business with respect to each such location.

EXHIBIT B

FRANCHISE AGREEMENT

FRANCHISE AGREEMENT

FRANCHISE AGREEMENT

This Agreement is made between Parlay, Inc., a California corporation ("PC Franchise"), and ___ ____ ("Franchisee") with a mailing address of ____ effective as of the date signed by PC Franchise (the "Effective Date").

Background Statement:

A. PC Franchise and its affiliate DRM Ventures, Inc. have created and own a system (the "System") for developing and operating a café where people can Work, Meet and Gather under the trade name "Parlay Cafe".

B. The System includes (1) methods, procedures, and standards for developing and operating a Parlay Cafe business, (2) plans, specifications, equipment, signage and trade dress for Parlay Cafe businesses, (3) particular products and services, (4) the Marks, (5) training programs, (6) business knowledge, (7) marketing plans and concepts, and (8) other mandatory or optional elements as determined by PC Franchise from time to time.

C. The parties desire that PC Franchise license the Marks and the System to Franchisee for Franchisee to develop and operate a Parlay Cafe business on the terms and conditions of this Agreement.

ARTICLE 1. DEFINITIONS

"**Action**" means any action, suit, proceeding, claim, demand, governmental investigation, governmental inquiry, judgment or appeal thereof, whether formal or informal.

"**Approved Vendor**" means a supplier, vendor, or distributor of Inputs which has been approved by PC Franchise.

"**Business**" means the Parlay Cafe business owned by Franchisee and operated under this Agreement.

"**Competitor**" means any business which offers a similar combination of services to that of the franchise business in shared workspace and meeting services and coffee retail offerings.

"**Confidential Information**" means all non-public information of or about the System, PC Franchise, and any Parlay Cafe business, including all methods for developing and operating the Business, and all non-public plans, data, financial information, processes, vendor pricing, supply systems, marketing systems, formulas, techniques, designs, layouts, operating procedures, customer data, information and know-how.

"**Gross Sales**" means the total dollar amount of all sales generated through the Business for a given period, including, but not limited to, payment for any services or products sold by Franchisee, whether for cash or credit. Gross Sales does not include (i) bona fide refunds to customers, (ii) sales taxes collected by Franchisee, (iii) sales of used equipment not in the ordinary course of business, or (iv) sales of prepaid cards or similar products (but the redemption of any such card or product will be included in Gross Sales).

"**Input**" means any goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, real estate, or comparable items related to establishing or operating the Business.

"**Location**" means the location selected by Franchisee and approved by Franchisor to operate the Parlay business. The Location will be determined in accordance with Section 6.1.

"**Losses**" includes (but is not limited to) all losses; damages; fines; charges; expenses; lost profits; reasonable attorneys' fees; travel expenses, expert witness fees; court costs; settlement amounts; judgments; loss of PC Franchise's reputation and goodwill; costs of or resulting from delays; financing; costs of advertising material and media time/space and the costs of changing, substituting or replacing the same; and any and all expenses of recall, refunds, compensation, public notices and other such amounts incurred in connection with the matters described.

"**Manual**" means PC Franchise's confidential Brand Standards Manual(s), including any supplements, additions, or revisions from time to time, which may be in any form or media.

"**Marketing Fund**" means the fund established (or which may be established) by PC Franchise into which Marketing Fund Contributions are deposited.

"**Marks**" means the trade names or trademarks associated with the Parlay Cafe System and all other trade names, trademarks, service marks and logos specified by PC Franchise from time to time for use in a Parlay Cafe business.

"**Owner**" means each person or entity which directly or indirectly owns or controls any equity of Franchisee. If Franchisee is an individual person, then "Owner" means Franchisee.

"**Remodel**" means a refurbishment, renovation, and remodeling of the Location to conform to the building design, exterior facade, trade dress, signage, fixtures, furnishings, equipment, decor, color schemes, presentation of the Marks, and other System Standards in a manner consistent with the image then in effect for a new Parlay Cafe business.

"**Required Vendor**" means a supplier, vendor, or distributor of Inputs which PC Franchise requires franchisees to use.

"**System Standards**" means, as of any given time, the then-current mandatory procedures, requirements, and/or standards of the System as determined by PC Franchise, which may include without limitation, any procedures, requirements and/or standards for appearance, business metrics, cleanliness, customer service, design (such as construction, decoration, layout, furniture, fixtures and signs), equipment, inventory, marketing and public relations, operating days, operating hours, presentation of Marks, product and service offerings, quality of products and services (including any guaranty and warranty programs), reporting, safety, technology (such as computers, computer peripheral equipment, smartphones, point-of-sale systems, back-office systems, information management systems, security systems, video monitors, other software, backup and archiving systems, communications systems (including email, audio, and video systems), payment acceptance systems, and internet access, as well as upgrades, supplements, and modifications thereto), uniforms, and vehicles.

"**Territory**" means the address stated in the Location Acceptance Letter attached as Attachment 3 and any territory withing three (3) miles of the agreed upon address.. If no Location Acceptance Letter is attached to this Agreement, then the Territory is determined in accordance with Section 6.1.

"**Transfer**" means for Franchisee (or any Owner) to voluntarily or involuntarily transfer, sell, or dispose of, in any single or series of transactions, (i) substantially all of the assets of the Business, (ii) this Agreement, (iii) any direct or indirect ownership interest in the Business, or (iv) control of the Business.

ARTICLE 2. GRANT OF LICENSE

2.1 Grant. PC Franchise grants to Franchisee the right to operate a Parlay Cafe business solely at the Location. The parties will determine the Location in accordance with Section 6.1. Franchisee shall develop, open and operate a Parlay Cafe business at the Location within the following Development Area for the entire term of this Agreement: ___________________________ ______. The Development Area specified will be exclusive to Franchisee for the period stated in section 6.2, meaning we will not approve any other franchisee location within the Development Area.

2.2 Franchisee Control. Franchisee represents that Attachment 1 (i) identifies each owner, officer and director of Franchisee, and (ii) describes the nature and extent of each owner's interest in Franchisee. If any information on Attachment 1 changes (which is not a Transfer), Franchisee shall notify PC Franchise within 10 days.

2.3 Principal Executive. Franchisee hereby designates _________________________ as the "Principal Executive" and agrees that that person is the executive primarily responsible for the Business and has decision-making authority on behalf of Franchisee. The Principal Executive must have at least 10% ownership interest in Franchisee. The Principal Executive does not have to serve as a day-to-day general manager of the Business, but the Principal Executive must devote substantial time and attention to the Business. If the Principal Executive dies, becomes incapacitated, transfers his/her interest in Franchisee, or otherwise ceases to be the executive primarily responsible for the Business, Franchisee shall promptly designate a new Principal Executive, subject to PC Franchise's reasonable approval.

2.4 Guaranty. If Franchisee is an entity, then Franchisee shall have each Owner sign a personal guaranty of Franchisee's obligations to PC Franchise, in the form of Attachment 3.

2.5 No Conflict. Franchisee represents to PC Franchise that Franchisee and each of its Owners (i) are not violating any agreement (including any confidentiality or non-competition covenant) by entering into or performing under this Agreement, (ii) are not a direct or indirect owner of any Competitor, and (iii) are not listed or "blocked" in connection with, and are not in violation under, any anti-terrorism law, regulation, or executive order.

ARTICLE 3. TERM

3.1 Term. This Agreement commences on the Effective Date and continues for 10 years.

3.2 Successor Agreement. When the term of this Agreement expires, Franchisee may enter into a successor agreement subject to the following conditions prior to each expiration:

(i) Franchisee notifies PC Franchise of the election to renew between 90 and 180 days prior to the end of the term;

(ii) Franchisee (and its affiliates) are in compliance with this Agreement and all other agreements with PC Franchise (or any of its affiliates) at the time of election and at the time of renewal;

(iii) Franchisee has made or agrees to make (within a period of time acceptable to PC Franchise) renovations and changes to the Business as PC Franchise requires (including a Remodel, if applicable) to conform to the then-current System Standards;

(iv) Franchisee and its Owners execute PC Franchise's then-current standard form of franchise agreement and related documents (including personal guaranty), which may be materially different than this form (including, without limitation, higher and/or different fees);

(v) Franchisee pays Franchisor the then current franchise fee; and

(v) Franchisee and each Owner executes a general release (on PC Franchise's then-standard form) of any and all claims against PC Franchise, its affiliates, and their respective owners, officers, directors, agents and employees.

ARTICLE 4. FEES

4.1 Franchise Fee. Upon signing this Agreement, Franchisee shall pay an initial franchise fee in the amount of $30,000. This initial franchise fee is not refundable.

4.2 Site Selection and Development Fee. Upon signing this Agreement, Franchisee shall pay a site selection and development fee in the amount of $5,000. This site selection and development fee is not refundable.

4.3 Training Fee. Upon signing this Agreement, Franchisee shall pay an initial training fee in the amount of $15,000. This initial training fee is not refundable. Franchisee shall also pay this fee if training of a new manager is required.

4.4 Royalty Fee. Franchisee shall pay PC Franchise a weekly royalty fee (the "Royalty Fee") equal to 6% of Gross Sales. The Royalty Fee for any given week is due on the first Tuesday of the following week.

4.5 Marketing Contributions.

(a) Marketing Fund Contribution. Franchisee shall pay PC Franchise a contribution to the Marketing Fund (the "Marketing Fund Contribution") equal to 2% of Franchisee's Gross Sales (or such lesser amount as PC Franchise determines), at the same time as the Royalty Fee.

(b) Market Cooperative Contribution. If the Business participates in a Market Cooperative, then Franchisee shall contribute to the Market Cooperative a percentage of Gross Sales (or other amount) determined by the Market Cooperative, not to exceed 4%.

4.6 Replacement / Additional Training Fee. If Franchisee sends an employee to PC Franchise's training program after opening, PC Franchise may charge its then-current training fee. As of the date of this Agreement, the training fee is $15,000.

4.7 Non-Compliance Fee. PC Franchise may charge Franchisee $500 for any instance of non-compliance with the System Standards or this Agreement (other than Franchisee's non-payment of a fee owed to PC Franchise) which Franchisee fails to cure after 30 days' notice. Thereafter, PC Franchise may charge Franchisee $250 per week until Franchisee ceases such non-compliance. This fee is a reasonable estimate of PC Franchise's internal cost of personnel time attributable to addressing the non-compliance, and it is not a penalty or estimate of all damages arising from Franchisee's breach. The non-compliance fee is in addition to all of PC Franchise's other rights and remedies (including default and termination under Section 14.2).

4.8 Reimbursement. PC Franchise may (but is never obligated to) pay on Franchisee's behalf any amount that Franchisee owes to a supplier or other third party. If PC Franchise does so or intends to do so, Franchisee shall pay such amount plus a 10% administrative charge to PC Franchise within 15 days after invoice by PC Franchise accompanied by reasonable documentation.

4.9 Payment Terms.

(a) Method of Payment. Franchisee shall pay the Royalty Fee, Marketing Fund Contribution, and any other amounts owed to PC Franchise by pre-authorized bank draft or in such other manner as PC Franchise may require. Franchisee shall comply with PC Franchise's payment instructions.

(b) Calculation of Fees. Franchisee shall report weekly Gross Sales to PC Franchise by Tuesday of the following week. If Franchisee fails to report weekly Gross Sales, then PC Franchise may withdraw estimated Royalty Fees and Marketing Fund Contributions equal to 125% of the last Gross Sales reported to PC Franchise, and the parties will true-up the actual fees after Franchisee reports Gross Sales. Franchisee acknowledges that PC Franchise has the right to remotely access Franchisee's point-of-sale system to calculate Gross Sales.

(c) Late Fees and Interest. If Franchisee does not make a payment on time, Franchisee shall pay a $100 "late fee" plus interest on the unpaid amount at a rate equal to 18% per year (or, if such payment exceeds the maximum allowed by law, then interest at the highest rate allowed by law).

(d) Insufficient Funds. PC Franchise may charge $30 for any payment returned for insufficient funds (or, if such amount exceeds the maximum allowed by law, then the fee allowed by law).

(e) Costs of Collection. Franchisee shall repay any costs incurred by PC Franchise (including reasonable attorney fees) in attempting to collect payments owed by Franchisee.

(f) Application. PC Franchise may apply any payment received from Franchisee to any obligation and in any order as PC Franchise may determine, regardless of any designation by Franchisee.

(g) Obligations Independent; No Set-Off. The obligations of Franchisee to pay to PC Franchise any fees or amounts described in this Agreement are not dependent on PC Franchise's performance and are independent covenants by Franchisee. Franchisee shall make all such payments without offset or deduction.

ARTICLE 5. ASSISTANCE

5.1 Manual. PC Franchise shall make its Manual available to Franchisee.

5.2 Assistance in Hiring Employees. PC Franchise shall provide its suggested staffing levels to Franchisee. PC Franchise shall provide suggested guidelines for hiring employees. All hiring decisions and conditions of employment are Franchisee's sole responsibility.

5.3 Assistance in Training Employees. PC Franchise shall, to the extent it deems appropriate, provide programs for Franchisee to conduct training of new employees.

5.4 Pre-Opening Assistance.

(a) Selecting Location. PC Franchise shall provide its criteria for Parlay Cafe locations to Franchisee. PC Franchise will review and advise Franchisee regarding potential locations submitted by Franchisee.

(b) Pre-Opening Plans, Specifications, and Vendors. Within a reasonable period of time after the Effective Date, PC Franchise shall provide Franchisee with (i) PC Franchise's sample set of standard building plans and specifications and/or standard recommended floor plans; (ii) the applicable System Standards, (iii) other specifications as PC Franchise deems appropriate (which may include specifications regarding inventory, supplies, materials, and other matters), and (iv) PC Franchise's lists of Approved Vendors and/or Required Vendors.

(c) Pre-Opening Training. PC Franchise shall make available its standard pre-opening training to the Principal Executive and up to 2 other employees, at PC Franchise's headquarters and/or at a Parlay Cafe business designated by PC Franchise. PC Franchise shall not charge any fee for this training. Franchisee is responsible for its own travel, lodging, meal, and other out-of-pocket expenses. PC Franchise reserves the right to vary the length and content of the initial training program based on the experience and skill level of any individual attending the program.

(d) Market Introduction Plan. PC Franchise shall advise Franchisee regarding the planning and execution of Franchisee's market introduction plan.

(e) On-Site Opening Assistance. PC Franchise shall have a representative support Franchisee's business opening with at least 3-5 days of onsite opening training and assistance.

5.5 Post-Opening Assistance.

(a) Advice, Consulting, and Support. If Franchisee requests, PC Franchise will provide advice to Franchisee (by telephone or electronic communication) regarding improving and developing Franchisee's business, and resolving operating problems Franchisee encounters, to the extent PC Franchise deems reasonable. If PC Franchise provides in-person support in response to Franchisee's request, PC Franchise may charge its then-current fee plus any out-of-pocket expenses (such as travel, lodging, and meals for employees providing onsite support).

(b) Pricing. Upon request, PC Franchise will provide recommended prices for products and services offered by franchisees of the System.

(c) Procedures. PC Franchise will provide Franchisee with PC Franchise's recommended administrative, bookkeeping, accounting, and inventory control procedures. PC Franchise may make any such procedures part of required (and not merely recommended) System Standards.

(d) Marketing. PC Franchise shall manage the Marketing Fund.

(e) Internet. PC Franchise shall maintain a website for Parlay Cafe, which will include Franchisee's location (or territory) and telephone number.

ARTICLE 6. LOCATION, DEVELOPMENT, AND OPENING

6.1 Determining Location.

(a) Franchisee shall find a potential Location. Franchisee shall submit its proposed Location to PC Franchise for acceptance, with all related information PC Franchise may request. If PC Franchise does not accept the proposed Location in writing within 30 days, then it is deemed rejected.

(b) When PC Franchise accepts the Location, it will issue a Location Acceptance Letter in the form of Attachment 3 which states the address of the approved Location.

(c) **PC Franchise's advice regarding or acceptance of a site is not a representation or warranty that the Business will be successful, and PC Franchise has no liability to Franchisee with respect to the location of the Business.**

6.2 Lease.

(a) In connection with any lease between Franchisee and the landlord of the Location: (i) if requested by PC Franchise, Franchisee must submit the proposed lease to PC Franchise for written approval, (ii) the term of the lease (including renewal terms) must be for a period of not less than the term of this Agreement, and (iii) Franchisee shall use commercially reasonable efforts to obtain the landlord's signature to a rider to the lease in the form required by PC Franchise.

(b) If Franchisee does not find a Location that is approved by Franchisor within 6 months of the Effective Date, Franchisor will have the right to terminate this agreement.

6.3 Development. Franchisee shall construct (or remodel) and finish the Location in conformity with PC Franchise's System Standards. If required by PC Franchise, Franchisee shall engage the services of an architect licensed in the jurisdiction of the Location. Franchisee shall not begin any construction or remodeling work without first obtaining PC Franchise's approval of Franchisee's plans. PC Franchise may, but is not required to, inspect Franchisee's construction or remodeling progress at any reasonable time. Franchisee shall not rely upon any information provided or opinions expressed by PC Franchise or its representatives regarding any architectural, engineering, or legal matters (including without limitation the Americans With Disabilities Act) in the development and construction of the Business, and PC Franchise assumes no liability with respect thereto. PC Franchise's inspection and/or approval to open the Business is not a representation or a warranty that the Business has been constructed in accordance with any architectural, engineering, or legal standards.

6.4 New Franchisee Training. Franchisee's Principal Executive must complete PC Franchise's training program for new franchisees to PC Franchise's satisfaction at least four weeks before opening the Business.

6.5 Conditions to Opening. Franchisee shall notify PC Franchise at least 30 days before Franchisee intends to open the Business to the public. Before opening, Franchisee must satisfy all of the following conditions: (1) Franchisee is in compliance with this Agreement, (2) Franchisee has obtained all applicable governmental permits and authorizations, (3) the Business conforms to all applicable System Standards, (4) PC Franchise has inspected and approved the Business, (5) Franchisee has hired sufficient employees, (6) Franchisee's officers and employees have completed all of PC Franchise's required pre-opening training; and (7) PC Franchise has given its written approval to open, which will not be unreasonably withheld.

6.6 Opening Date. Franchisee shall open the Business to the public Within 3 months of the signing of a lease for the Location.

6.7 Right of First Refusal. Franchisee shall have a right of first refusal to open additional locations within 3 miles of their Location. If Franchisor receives interest from a prospective franchisee to open another Parlay Café location within 3 miles of Franchisee's approved Location, Franchisor will provide Franchisee with written notice of such interest. Franchisee will have 15 days to exercise its right to open the additional location. If no written response is received by Franchisor within the 15 day time period, Franchisee will be deemed to have waived this right of first refusal and Franchisor will have the option to sell the additional franchised location to any interested party.

ARTICLE 7. OPERATIONS

7.1 Compliance with Manual and System Standards. Franchisee shall at all times and at its own expense comply with all mandatory obligations contained in the Manual and with all other System Standards.

7.2 Compliance with Law. Franchisee and the Business shall comply with all laws and regulations. Franchisee and the Business shall obtain and keep in force all governmental permits and licenses necessary for the Business.

7.3 Products, Services, and Methods of Sale. Franchisee shall offer all products and services, and only those products and services, from time to time prescribed by PC Franchise in the Manual or otherwise in writing. Franchisee shall make sales only to retail customers, and only at the Location. Unless otherwise approved or required by PC Franchise, Franchisee shall not make sales by any other means, including without limitation by wholesale, by delivery, by mail order or over the internet, or at temporary or satellite locations. Franchisee shall provide all products and perform all services in a high-quality manner that meets or exceeds the customer's reasonable expectations and all applicable System Standards. Franchisee shall implement any guaranties, warranties, or similar commitments regarding products and/or services that PC Franchise may require.

7.4 Prices. PC Franchise may require Franchisee to offer products and services at specific prices determined by PC Franchise if PC Franchise is promoting such products and services on a national, regional, or local market basis, for the duration of the promotion (but only to the extent permitted by applicable law).

7.5 Personnel.

(a) Management. The Business must at all times be under the on-site supervision of the Principal Executive or a general manager who has completed PC Franchise's training program.

(b) Service. Franchisee shall cause its personnel to render competent and courteous service to all customers and members of the public.

(c) Appearance. Franchisee shall cause its personnel to comply with any dress attire, uniform, personal appearance and hygiene standards set forth in the Manual.

(d) Qualifications. PC Franchise may set minimum qualifications for categories of employees employed by Franchisee.

(e) Sole Responsibility. Franchisee is solely responsible for the terms and conditions of employment of all of its personnel, including recruiting, hiring, training, scheduling, supervising, compensation, and termination. Franchisee is solely responsible for all actions of its personnel. Franchisee and PC Franchise are not joint employers, and no employee of Franchisee will be an agent or employee of PC Franchise. Within seven days of PC Franchise's request, Franchisee and each of its employees will sign an acknowledgment form stating that Franchisee alone (and not PC Franchise) is the employee's sole employer. Franchisee will use its legal name on all documents with its employees and independent contractors, including, but not limited to, employment applications, time cards, pay checks, and employment and independent contractor agreements, and Franchisee will not use the Marks on any of these documents.

7.6 Post-Opening Training. PC Franchise may at any time require that the Principal Executive and/or any other employees complete training programs, in any format and in any location determined by PC Franchise. PC Franchise may charge a reasonable fee for any training programs. PC Franchise may require Franchisee to provide training programs to its employees. If a training program is held at a location which requires travel by the Principal Executive or any other employee, then Franchisee shall pay all travel, living and other expenses.

7.7 Software. Without limiting the generality of Section 7.1 or Section 8.1, Franchisee shall acquire and use all software and related systems required by PC Franchise. Franchisee shall enter into any subscription and support agreements that PC Franchise may require. Franchisee shall upgrade, update, or replace any software from time to time as PC Franchise may require. Franchisee shall protect the confidentiality and security of all software systems, and Franchisee shall abide by any System Standards related thereto. Franchisee shall give PC Franchise unlimited access to Franchisee's point of sale system and other software systems used in the Business, by any means designated by PC Franchise.

7.8 Customer Complaints. Franchisee shall use its best efforts to promptly resolve any customer complaints. PC Franchise may take any action it deems appropriate to resolve a customer complaint regarding the Business, and PC Franchise may require Franchisee to reimburse PC Franchise for any expenses.

7.9 Evaluation and Compliance Programs. Franchisee shall participate at its own expense in programs required from time to time by PC Franchise for obtaining customer evaluations, reviewing Franchisee's compliance with the System, and/or managing customer complaints, which may include (but are not limited to) a customer feedback system, customer survey programs, and mystery shopping. PC Franchise shall share with Franchisee the results of these programs, as they pertain to the Business. Franchisee must meet or exceed any minimum score requirements set by PC Franchise for such programs. PC Franchise may set minimum scores that Franchisee must receive from the public on internet review sites (such as Yelp or Google).

7.10 Payment Systems. Franchisee shall accept payment from customers in any form or manner designated by PC Franchise (which may include, for example, cash, specific credit and/or debit cards, gift cards, electronic fund transfer systems, and mobile payment systems). Franchisee shall purchase or lease all equipment and enter into all business relationships necessary to accept payments as required by PC Franchise. Franchisee must at all times comply with payment card industry data security standards (PCI-DSS).

7.11 Gift Cards, Loyalty Programs, and Incentive Programs. At its own expense, Franchisee shall sell or otherwise issue gift cards, certificates, or other pre-paid systems, and participate in any customer loyalty programs, membership/subscription programs, or customer incentive programs, designated by PC Franchise, in the manner specified by PC Franchise in the Manual or otherwise in writing. Franchisee shall honor all valid gift cards and other pre-paid systems, regardless of whether issued by Franchisee or another Parlay Cafe business. Franchisee shall comply with all procedures and specifications of PC Franchise related to gift cards, certificates, and other pre-paid systems, or related to customer loyalty, membership/subscription, or customer incentive programs.

7.12 Maintenance and Repair. Franchisee shall at all times keep the Business in a neat and clean condition, perform all appropriate maintenance, and keep all physical property in good repair. In addition, Franchisee shall promptly perform all work on the physical property of the Business as PC Franchise may prescribe from time to time, including but not limited to periodic interior and exterior painting; resurfacing of the parking lot; roof repairs; and replacement of obsolete or worn out signage, floor coverings, furnishings, equipment and décor. Franchisee acknowledges that the System Standards may include requirements for cleaning, maintenance, and repair.

7.13 Remodeling. In addition to Franchisee's obligations to comply with all System Standards in effect from time to time, PC Franchise may require Franchisee to undertake and complete a Remodel of the Location to PC Franchise's satisfaction. Franchisee must complete the Remodel in the time frame specified by PC Franchise. PC Franchise may require the Franchisee to submit plans for PC Franchise's reasonable approval prior to commencing a required Remodel. PC Franchise's right to require a Remodel is limited as follows: (i) the Remodel will not be required in the first two or last two years of the term (except that a Remodel may be required as a condition to renewal of the term or a Transfer), and (ii) a Remodel will not be required more than once every five years from the date on which Franchisee was required to complete the prior Remodel.

7.14 Meetings. The Principal Executive shall use reasonable efforts to attend all in-person meetings and remote meetings (such as telephone conference calls) that PC Franchise requires, including any national or regional brand conventions. Franchisee shall not permit the Principal Executive to fail to attend more than three consecutive required meetings.

7.15 Insurance.

(a) Franchisee shall obtain and maintain insurance policies in the types and amounts as specified by PC Franchise in the Manual. If not specified in the Manual, Franchisee shall maintain at least the following insurance coverage:

(i) "Special" causes of loss coverage forms, including fire and extended coverage, crime, vandalism, and malicious mischief, on all property of the Business, for full repair and replacement value (subject to a reasonable deductible);

(ii) Business interruption insurance covering at least 12 months of income;

(iii) Commercial General Liability insurance, including products liability coverage, and broad form commercial liability coverage, written on an "occurrence" policy form in an amount of not less than $1,000,000 single limit per occurrence and $2,000,000 aggregate limit;

(iv) Business Automobile Liability insurance including owned, leased, non-owned and hired automobiles coverage in an amount of not less than $1,000,000; and

(v) Workers Compensation coverage as required by state law.

(b) Franchisee's policies (other than Workers Compensation) must (1) list PC Franchise and its affiliates as an additional insured, (2) include a waiver of subrogation in favor of PC Franchise and its affiliates, (3) be primary and non-contributing with any insurance carried by PC Franchise or its affiliates, and (4) stipulate that PC Franchise shall receive 30 days' prior written notice of cancellation.

(c) Franchisee shall provide Certificates of Insurance evidencing the required coverage to PC Franchise prior to opening and upon annual renewal of the insurance coverage, as well as at any time upon request of PC Franchise.

7.16 Payments to Third Parties. Franchisee shall pay all vendors and suppliers in a timely manner. Franchisee shall pay all taxes when due. If Franchisee borrows money, it shall comply with the terms of its loan and make all loan payments when due. If Franchisee leases the Location, Franchisee shall comply with its lease for the Location and make all rent payments when due.

7.17 Public Relations. Franchisee shall not make any public statements (including giving interviews or issuing press releases) regarding Parlay Cafe, the Business, or any particular incident or occurrence related to the Business, without PC Franchise's prior written approval, which will not be unreasonably withheld.

7.18 Association with Causes. Franchisee shall not in the name of the Business (i) donate money, products, or services to any charitable, political, religious, or other organization, or (ii) act in support of any such organization, without PC Franchise's prior written approval, which will not be unreasonably withheld.

7.19 No Other Activity Associated with the Business. Franchisee shall not engage in any business or other activity at the Location other than operation of the Parlay Cafe Business. Franchisee shall not use assets of the Business for any purpose other than the Business. If Franchisee is an entity, the entity shall not own or operate any other business except Parlay Cafe businesses.

7.20 No Third-Party Management. Franchisee shall not engage a third-party management company to manage or operate the Business without the prior written approval of PC Franchise, which will not be unreasonably withheld.

7.21 Identification. Franchisee must identify itself as the independent owner of the Business in the manner prescribed by PC Franchise. Franchisee must display at the Business signage prescribed by PC Franchise identifying the Location as an independently owned franchise.

7.22 Business Practices. Franchisee, in all interactions with customers, employees, vendors, governmental authorities, and other third parties, shall be honest and fair. Franchisee shall comply with any code of ethics or statement of values from PC Franchise. Franchisee shall not take any action which may injure the goodwill associated with the Marks.

ARTICLE 8. SUPPLIERS AND VENDORS

8.1 Generally. Franchisee shall acquire all Inputs required by PC Franchise from time to time in accordance with System Standards. PC Franchise may require Franchisee to purchase or lease any Inputs from PC Franchise, PC Franchise's designee, Required Vendors, Approved Vendors, and/or under PC Franchise's specifications. PC Franchise may change any such requirement or change the status of any vendor. To make such requirement or change effective, PC Franchise shall issue the appropriate System Standards.

8.2 Alternate Vendor Approval. If PC Franchise requires Franchisee to purchase a particular Input only from an Approved Vendor or Required Vendor, and Franchisee desires to purchase the Input from another vendor, then Franchisee must submit a written request for approval and any information, specifications and/or samples requested by PC Franchise. PC Franchise may condition its approval on such criteria as PC Franchise deems appropriate, which may include evaluations of the vendor's capacity, quality, financial stability, reputation, and reliability; inspections; product testing, and performance reviews. PC Franchise will provide Franchisee with written notification of the approval or disapproval of any proposed new vendor within 30 days after receipt of Franchisee's request.

8.3 Alternate Input Approval. If PC Franchise requires Franchisee to purchase a particular Input, and Franchisee desires to purchase an alternate to the Input, then Franchisee must submit a written request for approval and any information, specifications and/or samples requested by PC Franchise. PC Franchise will provide Franchisee with written notification of the approval or disapproval of any proposed alternate Input within 30 days after receipt of Franchisee's request.

8.4 Purchasing. PC Franchise may negotiate prices and terms with vendors on behalf of the System. PC Franchise may receive rebates, payments or other consideration from vendors in connection with purchases by franchisees. PC Franchise has the right (but not the obligation) to collect payments from Franchisee on behalf of a vendor and remit the payments to the vendor and to impose a reasonable markup or charge for administering the payment program. PC Franchise may implement a centralized purchasing system. PC Franchise may establish a purchasing cooperative and require Franchisee to join and participate in the purchasing cooperative on such terms and conditions as PC Franchise may determine.

8.5 No Liability of Franchisor. PC Franchise shall not have any liability to Franchisee for any claim or loss related to any product provided or service performed by any Approved Vendor or Required Vendor, including without limitation defects, delays, or unavailability of products or services.

8.6 Product Recalls. If PC Franchise or any vendor, supplier, or manufacturer of an item used or sold in Franchisee's Business issues a recall of such item or otherwise notifies Franchisee that such item is defective or dangerous, Franchisee shall immediately cease using or selling such item, and Franchisee shall at its own expense comply with all instructions from PC Franchise or the vendor, supplier, or manufacturer of such item with respect to such item, including without limitation the recall, repair, and/or replacement of such item.

ARTICLE 9. MARKETING

9.1 Approval and Implementation. Franchisee shall not conduct any marketing, advertising, or public relations activities (including in-store marketing materials, websites, online advertising, social media marketing or presence, and sponsorships) that have not been approved by PC

Franchise. PC Franchise may (but is not obligated to) operate all "social media" accounts on behalf of the System, or it may permit franchisees to operate one or more accounts. Franchisee must comply with any System Standards regarding marketing, advertising, and public relations, include any social media policy that PC Franchise may prescribe. Franchisee shall implement any marketing plans or campaigns determined by PC Franchise.

9.2 Use by PC Franchise. PC Franchise may use any marketing materials or campaigns developed by or on behalf of Franchisee, and Franchisee hereby grants an unlimited, perpetual, royalty-free license to PC Franchise for such purpose.

9.3 Marketing Fund. PC Franchise may establish a Marketing Fund to promote the System on a local, regional, national, and/or international level. If PC Franchise has established a Marketing Fund:

(a) Separate Account. PC Franchise shall hold the Marketing Fund Contributions from all franchisees in one or more bank accounts separate from PC Franchise's other accounts.

(b) Use. PC Franchise shall use the Marketing Fund only for marketing, advertising, and public relations materials, programs and campaigns (including at local, regional, national, and/or international level), and related overhead. The foregoing includes such activities and expenses as PC Franchise reasonably determines, and may include, without limitation: development and placement of advertising and promotions; sponsorships; contests and sweepstakes; development of décor, trade dress, Marks, and/or branding; development and maintenance of brand websites; social media; internet activities; e-commerce programs; search engine optimization; market research; public relations, media or agency costs; trade shows and other events; printing and mailing; and administrative and overhead expenses related to the Marketing Fund (including the compensation of PC Franchise's employees working on marketing and for accounting, bookkeeping, reporting, legal and other expenses related to the Marketing Fund).

(c) Discretion. Franchisee agrees that expenditures from the Marketing Fund need not be proportionate to contributions made by Franchisee or provide any direct or indirect benefit to Franchisee. The Marketing Fund will be spent at PC Franchise's sole discretion, and PC Franchise has no fiduciary duty with regard to the Marketing Fund.

(d) Contribution by Other Outlets. PC Franchise is not obligated to (i) have all other Parlay Cafe businesses (whether owned by other franchisees or by PC Franchise or its affiliates) contribute to the Marketing Fund, or (ii) have other Parlay Cafe businesses that do contribute to the Marketing Fund contribute the same amount or at the same rate as Franchisee.

(e) Surplus or Deficit. PC Franchise may accumulate funds in the Marketing Fund and carry the balance over to subsequent years. If the Marketing Fund operates at a deficit or requires additional funds at any time, PC Franchise may loan such funds to the Marketing Fund on reasonable terms.

(f) Financial Statement. PC Franchise will prepare an unaudited annual financial statement of the Marketing Fund within 120 days of the close of PC Franchise's fiscal year and will provide the financial statement to Franchisee upon request.

9.4 Market Cooperatives. PC Franchise may establish market advertising and promotional cooperative funds ("Market Cooperative") in any geographical areas. If a Market Cooperative for the geographic area encompassing the Location has been established at the time Franchisee commences operations hereunder, Franchisee shall immediately become a member of such Market Cooperative. If a Market Cooperative for the geographic area encompassing the Location is established during the term of this Agreement, Franchisee shall become a member of such Market Cooperative within 30 days. PC Franchise shall not require Franchisee to be a member of more than one Market Cooperative. If PC Franchise establishes a Market Cooperative:

(a) Governance. Each Market Cooperative will be organized and governed in a form and manner, and shall commence operations on a date, determined by PC Franchise. PC Franchise may require the Market Cooperative to adopt bylaws or regulations prepared by PC Franchise. Unless otherwise specified by PC Franchise, the activities carried on by each Market Cooperative shall be decided by a majority vote of its members. PC Franchise will be entitled to attend and participate in any meeting of a Market Cooperative. Any Parlay Cafe business owned by PC Franchise in the Market Cooperative shall have the same voting rights as those owned by its franchisees. Each Business owner will be entitled to cast one vote for each Business owned, provided, however, that a franchisee shall not be entitled to vote if it is in default under its franchise agreement. If the members of a Market Cooperative are unable or fail to determine the manner in which Market Cooperative monies will be spent, PC Franchise may assume this decision-making authority after 10 days' notice to the members of the Market Cooperative.

(b) Purpose. Each Market Cooperative shall be devoted exclusively to administering regional advertising and marketing programs and developing (subject to PC Franchise's approval) standardized promotional materials for use by the members in local advertising and promotion.

(c) Approval. No advertising or promotional plans or materials may be used by a Market Cooperative or furnished to its members without the prior approval of PC Franchise pursuant to Section 9.1. PC Franchise may designate the national or regional advertising agencies used by the Market Cooperative.

(d) Funding. The majority vote of the Market Cooperative will determine the dues to be paid by members of the Market Cooperative, including Franchisee, but not less than 1% and not more than 5% of Gross Sales.

(e) Enforcement. Only PC Franchise will have the right to enforce the obligations of franchisees who are members of a Market Cooperative to contribute to the Market Cooperative.

(f) Termination. PC Franchise may terminate any Market Cooperative. Any funds left in a Market Cooperative upon termination will be transferred to the Marketing Fund.

9.5 Required Spending. Franchisee shall spend at least 2% of Gross Sales each month on marketing the Business. Upon request of PC Franchise, Franchisee shall furnish proof of its compliance with this Section. PC Franchise has the sole discretion to determine what activities constitute "marketing" under this Section. PC Franchise may, in its discretion, determine that if Franchisee contributes to a Market Cooperative, the amount of the contribution will be counted towards Franchisee's required spending under this Section.

9.6 Market Introduction Plan. Franchisee must develop a market introduction plan and obtain PC Franchise's approval of the market introduction plan at least 30 days before the projected opening date of the Business.

ARTICLE 10. RECORDS AND REPORTS

10.1 Systems. Franchisee shall use such customer data management, sales data management, administrative, bookkeeping, accounting, and inventory control procedures and systems as PC Franchise may specify in the Manual or otherwise in writing.

10.2 Reports.

(a) Financial Reports. Franchisee shall provide such periodic financial reports as PC Franchise may require in the Manual or otherwise in writing, including:

(i) a monthly profit and loss statement and balance sheet for the Business within 30 days after the end of each calendar month;

(ii) an annual financial statement (including profit and loss statement, cash flow statement, and balance sheet) for the Business within 90 days after the end of PC Franchise's fiscal year; and

(iii) any information PC Franchise requests in order to prepare a financial performance representation for PC Franchise's franchise disclosure document.

(b) Legal Actions and Investigations. Franchisee shall promptly notify PC Franchise of any Action or threatened Action by any customer, governmental authority, or other third party against Franchisee or the Business, or otherwise involving the Franchisee or the Business. Franchisee shall provide such documents and information related to any such Action as PC Franchise may request.

(c) Government Inspections. Franchisee shall give PC Franchise copies of all inspection reports, warnings, certificates, and ratings issued by any governmental entity with respect to the Business, within three days of Franchisee's receipt thereof.

(d) Other Information. Franchisee shall submit to PC Franchise such other financial statements, budgets, forecasts, reports, records, copies of contracts, documents related to litigation, tax returns, copies of governmental permits, and other documents and information related to the Business as specified in the Manual or that PC Franchise may reasonably request.

10.3 Initial Investment Report. Within 120 days after opening for business, Franchisee shall submit to PC Franchise a report detailing Franchisee's investment costs to develop and open the Business, with costs allocated to the categories described in Item 7 of PC Franchise's Franchise Disclosure Document and with such other information as PC Franchise may request.

10.4 Business Records. Franchisee shall keep complete and accurate books and records reflecting all expenditures and receipts of the Business, with supporting documents (including, but not limited to, payroll records, payroll tax returns, register receipts, production reports, sales invoices, bank statements, deposit receipts, cancelled checks and paid invoices) for at least three years. Franchisee shall keep such other business records as PC Franchise may specify in the Manual or otherwise in writing.

10.5 Records Audit. PC Franchise may examine and audit all books and records related to the Business, and supporting documentation, at any reasonable time. PC Franchise may conduct the audit at the Location and/or require Franchisee to deliver copies of books, records and supporting documentation to a location designated by PC Franchise. Franchisee shall also reimburse PC Franchise for all costs and expenses of the examination or audit if (i) PC Franchise conducted the audit because Franchisee failed to submit required reports or was otherwise not in compliance with the System, or (ii) the audit reveals that Franchisee understated Gross Sales by 3% or more for any 4-week period.

ARTICLE 11. FRANCHISOR RIGHTS

11.1 Manual; Modification. The Manual, and any part of the Manual, may be in any form or media determined by PC Franchise. PC Franchise may supplement, revise, or modify the Manual, and PC Franchise may change, add or delete System Standards at any time in its discretion. PC Franchise may inform Franchisee thereof by any method that PC Franchise deems appropriate (which need not qualify as "notice" under Section 18.9). In the event of any dispute as to the contents of the Manual, PC Franchise's master copy will control.

11.2 Inspections. PC Franchise may enter the premises of the Business from time to time during normal business hours and conduct an inspection. Franchisee shall cooperate with PC Franchise's inspectors. The inspection may include, but is not limited to, observing operations, conducting a physical inventory, evaluating physical conditions, monitoring sales activity, speaking with employees and customers, and removing samples of products, supplies and materials. PC Franchise may videotape and/or take photographs of the inspection and the Business. PC Franchise may set a minimum score requirement for inspections, and Franchisee's failure to meet or exceed the minimum score will be a default under this Agreement. Without limiting PC Franchise's other rights under this Agreement, Franchisee will, as soon as reasonably practical, correct any deficiencies noted during an inspection. If PC Franchise conducts an inspection because of a governmental report, customer complaint or other customer feedback, or a default or non-compliance with any System Standard by Franchisee (including following up a previous failed inspection), then PC Franchise may charge all out-of-pocket expenses plus its then-current inspection fee to Franchisee.

11.3 PC Franchise's Right to Cure. If Franchisee breaches or defaults under any provision of this Agreement, PC Franchise may (but has no obligation to) take any action to cure the default on behalf of Franchisee, without any liability to Franchisee. Franchisee shall reimburse PC Franchise for its costs and expenses (including the allocation of any internal costs) for such action, plus 10% as an administrative fee.

11.4 Right to Discontinue Supplies Upon Default. While Franchisee is in default or breach of this Agreement, PC Franchise may (i) require that Franchisee pay cash on delivery for products or services supplied by PC Franchise, (ii) stop selling or providing any products and services to Franchisee, and/or (iii) request any third-party vendors to not sell or provide products or services to Franchisee. No such action by PC Franchise shall be a breach or constructive termination of this Agreement, change in competitive circumstances or similarly characterized, and Franchisee shall not be relieved of any obligations under this Agreement because of any such action. Such rights of PC Franchise are in addition to any other right or remedy available to PC Franchise.

11.5 Business Data. All customer data and other non-public data generated by the Business is Confidential Information and is exclusively owned by PC Franchise. PC Franchise hereby licenses such data back to Franchisee without charge solely for Franchisee's use in connection with the Business for the term of this Agreement.

11.6 Innovations. Franchisee shall disclose to PC Franchise all ideas, plans, improvements, concepts, methods and techniques relating to the Business (collectively, "Innovations") conceived or developed by Franchisee, its employees, agents or contractors. PC Franchise will automatically own all Innovations, and it will have the right to use and incorporate any Innovations into the System, without any compensation to Franchisee. Franchisee shall execute any documents reasonably requested by PC Franchise to document PC Franchise's ownership of Innovations.

11.7 Communication Systems. If PC Franchise provides email accounts and/or other communication systems to Franchisee, then Franchisee acknowledges that it has no expectation of privacy in the assigned email accounts and other communications systems, and Franchisee authorizes PC Franchise to access such communications.

11.8 Delegation. PC Franchise may delegate any duty or obligation of PC Franchise under this Agreement to an affiliate or to a third party.

11.9 System Variations. PC Franchise may vary or waive any System Standard for any one or more Parlay Cafe franchises due to the peculiarities of the particular site or circumstances, density of population, business potential, population of trade area, existing business practices, applicable laws or regulations, or any other condition relevant to the performance of a franchise or group of franchises. Franchisee is not entitled to the same variation or waiver.

11.10 Temporary Public Safety Closure. If PC Franchise discovers or becomes aware of any aspect of the Business which, in PC Franchise's opinion, constitutes an imminent danger to the health or safety of any person, then immediately upon PC Franchise's order, Franchisee must temporarily cease operations of the Business and remedy the dangerous condition. PC Franchise shall have no liability to Franchisee or any other person for action or failure to act with respect to a dangerous condition.

ARTICLE 12. MARKS

12.1 Authorized Marks. Franchisee shall use no trademarks, service marks or logos in connection with the Business other than the Marks. Franchisee shall use all Marks specified by PC Franchise, and only in the manner as PC Franchise may require. Franchisee has no rights in the Marks other than the right to use them in the operation of the Business in compliance with this Agreement. All use of the Marks by Franchisee and any goodwill associated with the Marks, including any goodwill arising due to Franchisee's operation of the Business, will inure to the exclusive benefit of PC Franchise.

12.2 Change of Marks. PC Franchise may add, modify, or discontinue any Marks to be used under the System. Within a reasonable time after PC Franchise makes any such change, Franchisee must comply with the change, at Franchisee's expense.

12.3 Infringement.

(a) Defense of Franchisee. If Franchisee has used the Marks in accordance with this Agreement, then (i) PC Franchise shall defend Franchisee (at PC Franchise's expense) against any Action by a third party alleging infringement by Franchisee's use of a Mark, and (ii) PC Franchise will indemnify Franchisee for expenses and damages if the Action is resolved unfavorably to Franchisee.

(b) Infringement by Third Party. Franchisee shall promptly notify PC Franchise if Franchisee becomes aware of any possible infringement of a Mark by a third party. PC Franchise may, in its sole discretion, commence or join any claim against the infringing party.

(c) Control. PC Franchise shall have the exclusive right to control any prosecution or defense of any Action related to possible infringement of or by the Marks.

12.4 Name. If Franchisee is an entity, it shall not use the word[s] "Parlay Cafe" or any confusingly similar words in its legal name.

ARTICLE 13. COVENANTS

13.1 Confidential Information. With respect to all Confidential Information, Franchisee shall (a) adhere to all procedures prescribed by PC Franchise for maintaining confidentiality, (b) disclose such information to its employees only to the extent necessary for the operation of the Business; (c) not use any such information in any other business or in any manner not specifically authorized in writing by PC Franchise, (d) exercise the highest degree of diligence and effort to maintain the confidentiality of all such information during and after the term of this Agreement, (e) not copy or otherwise reproduce any Confidential Information, and (f) promptly report any unauthorized disclosure or use of Confidential Information. Franchisee acknowledges that all Confidential Information is owned by PC Franchise (except for Confidential Information which PC Franchise licenses from another person or entity). This Section will survive the termination or expiration of this Agreement indefinitely.

13.2 Covenants Not to Compete.

(a) Restriction – In Term. During the term of this Agreement, neither Franchisee, any Owner, nor any spouse of an Owner (the "Restricted Parties") shall directly or indirectly have any ownership interest in, lend money or provide financial assistance to, provide any services to, or be employed by, any Competitor.

(b) Restriction – Post Term. For two years after this Agreement expires or is terminated for any reason (or, if applicable, for two years after a Transfer), no Restricted Party shall directly or indirectly have any ownership interest in, lend money or provide financial assistance to, provide any services to, or be employed by, any Competitor within five miles of Franchisee's Territory or the territory of any other Parlay Cafe business operating on the date of termination or transfer, as applicable. If this Agreement is terminated before the Territory is determined, then the area of non-competition will the Development Area and the territory of any other Parlay Cafe business operating on the date of termination.

(c) Interpretation. The parties agree that each of the foregoing covenants is independent of any other covenant or provision of this Agreement. If all or any portion of the covenants in this Section is held to be unenforceable or unreasonable by any arbitrator or court, then the parties intend that the arbitrator or court modify such restriction to the extent reasonably necessary to protect the legitimate business interests of PC Franchise. Franchisee agrees that the existence of any claim it may have against PC Franchise shall not constitute a defense to the enforcement by PC Franchise of the covenants of this Section. If a Restricted Party fails to comply with the obligations under this Section during the restrictive period, then the restrictive period will be extended an additional day for each day of noncompliance.

13.3 General Manager and Key Employees. If requested by PC Franchise, Franchisee will cause its general manager and other key employees to sign PC Franchise's then-current form of confidentiality and non-compete agreement (unless prohibited by applicable law).

ARTICLE 14. DEFAULT AND TERMINATION

14.1 Termination by Franchisee. Franchisee may terminate this Agreement only if PC Franchise violates a material provision of this Agreement and fails to cure or to make substantial progress toward curing the violation within 30 days after receiving written notice from Franchisee detailing the alleged default. Termination by Franchisee is effective 10 days after PC Franchise receives written notice of termination.

14.2 Termination by PC Franchise.

(a) Subject to 10-Day Cure Period. PC Franchise may terminate this Agreement if Franchisee does not make any payment to PC Franchise when due, or if Franchisee does not have sufficient funds in its account when PC Franchise attempts an electronic funds withdrawal, and Franchisee fails to cure such non-payment within 10 days after PC Franchise gives notice to Franchisee of such breach.

(b) Subject to 30-Day Cure Period. If Franchisee breaches this Agreement in any manner not described in subsection (a) or (c), and Franchisee fails to cure such breach to PC Franchise's satisfaction within 30 days after PC Franchise gives notice to Franchisee of such breach, then PC Franchise may terminate this Agreement.

(c) Without Cure Period. PC Franchise may terminate this Agreement by giving notice to Franchisee, without opportunity to cure, if any of the following occur:

(i) Franchisee misrepresented or omitted material facts when applying to be a franchisee, or breaches any representation in this Agreement;

(ii) Franchisee knowingly submits any false report or knowingly provides any other false information to PC Franchise;

(iii) a receiver or trustee for the Business or all or substantially all of Franchisee's property is appointed by any court, or Franchisee makes a general assignment for the benefit of Franchisee's creditors, or Franchisee is unable to pay its debts as they become due, or a levy or execution is made against the Business, or an attachment or lien remains on the Business for 30 days unless the attachment or lien is being duly contested in good faith by Franchisee, or a petition in bankruptcy is filed by Franchisee, or such a petition is filed against or consented to by Franchisee and the petition is not dismissed within 45 days, or Franchisee is adjudicated as bankrupt;

(iv) Franchisee fails to secure a lease for the Location as specified in Section 6.2;

(v) Franchisee fails to open for business as specified in Section 6.6 ;

(vi) Franchisee loses possession of the Location;

(vii) Franchisee or any Owner commits a material violation of Section 7.2 (compliance with laws) or Section 13.1 (confidentiality), violates Section 13.2 (non-compete) or Article 15 (transfer), or commits any other violation of this Agreement which by its nature cannot be cured;

(viii) Franchisee abandons or ceases operation of the Business for more than five consecutive days;

(ix) Franchisee or any Owner slanders or libels PC Franchise or any of its employees, directors, or officers;

(x) Franchisee refuses to cooperate with or permit any audit or inspection by PC Franchise or its agents or contractors, or otherwise fails to comply with Section 10.5 or Section 11.2;

(xi) the Business is operated in a manner which, in PC Franchise's reasonable judgment, constitutes a significant danger to the health or safety of any person, and Franchisee fails to cure such danger within 48 hours after becoming aware of the danger (due to notice from PC Franchise or otherwise);

(xii) Franchisee has received two or more notices of default and Franchisee commits another breach of this Agreement, all in the same 12-month period;

(xiii) PC Franchise (or any affiliate) terminates any other agreement with Franchisee (or any affiliate) due to the breach of such other agreement by Franchisee (or its affiliate) (provided that termination of an Area Developer Agreement with Franchisee or its affiliate shall not give PC Franchise the right to terminate this Agreement);

(xiv) Franchisee or any Owner is charged with, pleads guilty or no-contest to, or is convicted of a felony; or

(xv) Franchisee or any Owner is accused by any governmental authority or third party of any act, or if Franchisee or any Owner commits any act or series of acts, that in PC Franchise's opinion is reasonably likely to materially and unfavorably affect the Parlay Cafe brand.

14.3 Effect of Termination. Upon termination or expiration of this Agreement, all obligations that by their terms or by reasonable implication survive termination, including those pertaining to non-competition, confidentiality, indemnity, and dispute resolution, will remain in effect, and Franchisee must immediately:

(i) pay all amounts owed to PC Franchise based on the operation of the Business through the effective date of termination or expiration;

(ii) return to PC Franchise all copies of the Manual, Confidential Information and any and all other materials provided by PC Franchise to Franchisee or created by a third party for Franchisee relating to the operation of the Business, and all items containing any Marks, copyrights, and other proprietary items; and delete all Confidential Information and proprietary materials from electronic devices;

(iii) notify the telephone, internet, email, electronic network, directory, and listing entities of the termination or expiration of Franchisee's right to use any numbers, addresses, domain names, locators, directories and listings associated with any of the Marks, and authorize their transfer to PC Franchise or any new franchisee as may be directed by PC Franchise, and Franchisee hereby irrevocably appoints PC Franchise, with full power of substitution, as its true and lawful attorney-in-fact, which appointment is coupled with an interest; to execute such directions and authorizations as may be necessary or appropriate to accomplish the foregoing; and

(iv) cease doing business under any of the Marks.

14.4 Remove Identification. Within 30 days after termination or expiration, Franchisee shall at its own expense "de-identify" the Location so that it no longer contains the Marks, signage, or any trade dress of a Parlay Cafe business, to the reasonable satisfaction of PC Franchise. Franchisee shall comply with any reasonable instructions and procedures of PC Franchise for de-identification. If Franchisee fails to do so within 30 days after this Agreement expires or is terminated, PC Franchise may enter the Location to remove the Marks and de-identify the Location. In this event, PC Franchise will not be charged with trespass nor be accountable or required to pay for any assets removed or altered, or for any damage caused by PC Franchise.

14.5 Liquidated Damages. If PC Franchise terminates this Agreement based upon Franchisee's default (or if Franchisee purports to terminate this Agreement except as permitted under Section 14.1), then within 10 days thereafter Franchisee shall pay to PC Franchise a lump sum (as liquidated damages and not as a penalty) calculated as follows: (x) the average Royalty Fees and Marketing Fund Contributions that Franchisee owed to PC Franchise under this Agreement for the 52-week period preceding the date on which Franchisee ceased operating the Business; multiplied by (y) the lesser of (1) 104 or (2) the number of weeks remaining in the then-current term of this Agreement. If Franchisee had not operated the Business for at least 52 weeks, then (x) will equal the average Royalty Fees and Marketing Fund Contributions that Franchisee owed to PC Franchise during the period that Franchisee operated the Business. The "average Royalty Fees and Marketing Fund Contributions that Franchisee owed to PC Franchise" shall not be discounted or adjusted due to any deferred or reduced Royalty Fees and Marketing Fund Contributions set forth in an addendum to this Agreement, unless this Section 14.5 is specifically amended in such addendum. Franchisee acknowledges that a precise calculation of the full extent of PC Franchise's damages under these circumstances is difficult to determine and the method of calculation of such damages as set forth in this Section is reasonable. Franchisee's payment to PC Franchise under this Section will be in lieu of any direct monetary damages that PC Franchise may incur as a result of PC Franchise's loss of Royalty Fees and Marketing Fund Contributions that would have been owed to PC Franchise after the date of termination; however, such payment shall be in addition to all damages and other amounts arising under Section 14.3 and Section 14.4, PC Franchise's right to injunctive relief for enforcement of Article 13, and any attorneys' fees and other costs and expenses to which PC Franchise is entitled under this Agreement. Except as provided in this Section, Franchisee's payment of this lump sum shall be in addition to any other right or remedy that PC Franchise may have under this Agreement or otherwise.

14.6 Purchase Option. When this Agreement expires or is terminated, PC Franchise will have the right (but not the obligation) to purchase any or all of the assets related to the Business, and/or to require Franchisee to assign its lease or sublease to PC Franchise. To exercise this option, PC Franchise must notify Franchisee no later than 30 days after this Agreement expires or is terminated. The purchase price for all assets that PC Franchise elects to purchase will be the lower of (i) the book value of such assets as declared on Franchisee's last filed tax returns or (ii) the fair market value of the assets. If the parties cannot agree on fair market value within 30 days after the exercise notice, the fair market value will be determined by an independent appraiser reasonably acceptable to both parties. The parties will equally share the cost of the appraisal. PC Franchise's purchase will be of assets only (free and clear of all liens), and the purchase will not include any liabilities of Franchisee. The purchase price for assets will not include any factor or increment for any trademark or other commercial symbol used in the business, the value of any intangible assets, or any goodwill or "going concern" value for the Business. PC Franchise may withdraw its exercise of the purchase option at any time before it pays for the assets. Franchisee will sign a bill of sale for the purchased assets and any other transfer documents reasonably requested by PC Franchise. If PC Franchise exercises the purchase option, PC Franchise may deduct from the purchase price: (a) all amounts due from Franchisee; (b) Franchisee's portion of the cost of any appraisal conducted hereunder; and (c) amounts paid or to be paid by PC Franchise to cure defaults under Franchisee's lease and/or amounts owed by Franchisee to third parties. If any of the assets are subject to a lien, PC Franchise may pay a portion of the purchase price directly to the lienholder to pay off such lien. PC Franchise may withhold 25% of the purchase price for 90 days to ensure that all of Franchisee's taxes and other liabilities are paid. PC Franchise may assign this purchase option to another party.

ARTICLE 15. TRANSFERS

15.1 By PC Franchise. PC Franchise may transfer or assign this Agreement, or any of its rights or obligations under this Agreement, to any person or entity, and PC Franchise may undergo a change in ownership and/or control, without the consent of Franchisee.

15.2 By Franchisee. Franchisee acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee and that PC Franchise entered into this Agreement in reliance on Franchisee's business skill, financial capacity, personal character, experience, and business ability. Accordingly, Franchisee shall not conduct or undergo a Transfer without providing PC Franchise at least 60 days prior notice of the proposed Transfer, and without obtaining PC Franchise's consent. In granting any such consent, PC Franchise may impose conditions, including, without limitation, the following:

(i) PC Franchise receives a transfer fee equal to $15,000 plus any broker or attorney fees incurred by PC Franchise;

(ii) the proposed assignee and its owners have completed PC Franchise's franchise application processes, meet PC Franchise's then-applicable standards for new franchisees, and have been approved by PC Franchise as franchisees;

(iii) the proposed assignee is not a Competitor;

(iv) the proposed assignee executes PC Franchise's then-current form of franchise agreement and any related documents, which form may contain materially different provisions than this Agreement (provided, however, that the proposed assignee will not be required to pay an initial franchise fee);

(v) all owners of the proposed assignee provide a guaranty in accordance with Section 2.5;

(vi) Franchisee has paid all monetary obligations to PC Franchise and its affiliates, and to any lessor, vendor, supplier, or lender to the Business, and Franchisee is not otherwise in default or breach of this Agreement or of any other obligation owed to PC Franchise or its affiliates;

(vii) the proposed assignee and its owners and employees undergo such training as PC Franchise may require;

(viii) Franchisee, its Owners, and the transferee and its owners execute a general release of PC Franchise in a form satisfactory to PC Franchise; and

(ix) the Business fully complies with all of PC Franchise's most recent System Standards.

15.3 Transfer for Convenience of Ownership. If Franchisee is an individual, Franchisee may Transfer this Agreement to a corporation or limited liability company formed for the convenience of ownership after at least 15 days' notice to PC Franchise, if, prior to the Transfer: (1) the transferee provides the information required by Section 2.3; (2) Franchisee provides copies of the entity's charter documents, by-laws (or operating agreement) and similar documents, if requested by PC Franchise, (3) Franchisee owns all voting securities of the corporation or limited liability company, and (4) Franchisee provides a guaranty in accordance with Section 2.5.

15.4 Transfer upon Death or Incapacity. Upon the death or incapacity of Franchisee (or, if Franchisee is an entity, the Owner with the largest ownership interest in Franchisee), the executor, administrator, or personal representative of that person must Transfer the Business to a third party approved by PC Franchise (or to another person who was an Owner at the time of death or incapacity of the largest Owner) within nine months after death or incapacity. Such transfer must comply with Section 15.2.

15.5 PC Franchise's Right of First Refusal. Before Franchisee (or any Owner) engages in a Transfer (except under Section 15.3, to a co-Owner, or to a spouse, sibling, or child of an Owner), PC Franchise will have a right of first refusal, as set forth in this Section. Franchisee (or its Owners) shall provide to PC Franchise a copy of the terms and conditions of any Transfer. For a period of 30 days from the date of PC Franchise's receipt of such copy, PC Franchise will have the right, exercisable by notice to Franchisee, to purchase the assets subject of the proposed Transfer for the same price and on the same terms and conditions (except that PC Franchise may substitute cash for any other form of payment). If PC Franchise does not exercise its right of first refusal, Franchisee may proceed with the Transfer, subject to the other terms and conditions of this Article.

15.6 No Sublicense. Franchisee has no right to sublicense the Marks or any of Franchisee's rights under this Agreement.

15.7 No Lien on Agreement. Franchisee shall not grant a security interest in this Agreement to any person or entity. If Franchisee grants an "all assets" security interest to any lender or other secured party, Franchisee shall cause the secured party to expressly exempt this Agreement from the security interest.

ARTICLE 16. INDEMNITY

16.1 Indemnity. Franchisee shall indemnify and defend (with counsel reasonably acceptable to PC Franchise) PC Franchise, its parent entities, subsidiaries and affiliates, and their respective owners, directors, officers, employees, agents, successors and assignees (collectively, "Indemnitees") against all Losses in any Action by or against PC Franchise and/or any Indemnitee directly or indirectly related to, or alleged to arise out of, the operation of the Business. Notwithstanding the foregoing, Franchisee shall not be obligated to indemnify an Indemnitee from Actions arising as a result of any Indemnitee's intentional misconduct or negligence. Any delay or failure by an Indemnitee to notify Franchisee of an Action shall not relieve Franchisee of its indemnity obligation except to the extent (if any) that such delay or failure materially prejudices Franchisee. Franchisee shall not settle an Action without the consent of the Indemnitee. This indemnity will continue in effect after this Agreement ends.

16.2 Assumption. An Indemnitee may elect to assume the defense of any Action subject to this indemnification, and control all aspects of defending the Action, including negotiations and settlement, at Franchisee's expense. Such an undertaking shall not diminish Franchisee's obligation to indemnify the Indemnitees.

ARTICLE 17. DISPUTE RESOLUTION

17.1 Arbitration.

(a) Disputes Subject to Arbitration. Except as expressly provided in subsection (c) and (d), any controversy or claim between the parties (including any controversy or claim arising out of or relating to this Agreement or its formation and including any question of arbitrability) shall be resolved by arbitration administered by the American Arbitration Association in accordance with its Commercial Arbitration Rules, including the Optional Rules for Emergency Measures of Protection. Judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction.

(b) Location. The place of arbitration shall be the city and state where PC Franchise's headquarters are located.

(c) Injunctive Relief. Either party may apply to the arbitrator seeking injunctive relief until the arbitration award is rendered or the controversy is otherwise resolved. Either party also may, without waiving any remedy or right to arbitrate under this Agreement, seek from any court having jurisdiction any interim or provisional injunctive relief.

(d) Intellectual Property Claims. Either party may bring a claim involving an alleged infringement of any of PC Franchise's intellectual property rights in a court authorized to hear such claims under Section 17.5 of this Agreement.

(e) Confidentiality. All documents, information, and results pertaining to any arbitration or lawsuit will be confidential, except as required by law or as required for PC Franchise to comply with laws and regulations applicable to the sale of franchises.

(f) Performance During Arbitration or Litigation. Unless this Agreement has been terminated, PC Franchise and Franchisee will comply with this Agreement and perform their respective obligations under this Agreement during the arbitration or litigation process.

17.2 Damages. In any controversy or claim arising out of or relating to this Agreement, each party waives any right to punitive or other monetary damages not measured by the prevailing party's actual damages, except damages expressly authorized by federal statute and damages expressly authorized by this Agreement.

17.3 Waiver of Class Actions. The parties agree that any claims will be arbitrated, litigated, or otherwise resolved on an individual basis, and waive any right to act on a class-wide basis.

17.4 Time Limitation. Any arbitration or other legal action arising from or related to this Agreement must be instituted within two years from the date such party discovers the conduct or event that forms the basis of the arbitration or other legal action. The foregoing time limit does not apply to claims (i) by one party related to non-payment under this Agreement by the other party, (ii) for indemnity under Article 16, or (iii) related to unauthorized use of Confidential Information or the Marks.

17.5 Venue Other Than Arbitration. For any legal proceeding not required to be submitted to arbitration, the parties agree that any such legal proceeding will be brought in the United States District Court where PC Franchise's headquarters is then located. If there is no federal jurisdiction over the dispute, the parties agree that any such legal proceeding will be brought in the court of record of the state and county where PC Franchise's headquarters is then located. Each party consents to the jurisdiction of such courts and waives any objection that it, he or she may have to the laying of venue of any proceeding in any of these courts.

17.6 Legal Costs. In any legal proceeding (including arbitration) related to this Agreement or any guaranty, the non-prevailing party shall pay the prevailing party's attorney fees, costs and other expenses of the legal proceeding. "Prevailing party" means the party, if any, which prevailed upon the central litigated issues and obtained substantial relief.

ARTICLE 18. MISCELLANEOUS

18.1 Relationship of the Parties. The parties are independent contractors, and neither is the agent, partner, joint venturer, or employee of the other. PC Franchise is not a fiduciary of Franchisee. PC Franchise does not control or have the right to control Franchisee or its Business. Any required specifications and standards in this Agreement and in the System Standards exist to protect PC Franchise's interest in the System and the Marks, and the goodwill established in them, and not for the purpose of establishing any control, or duty to take control, over the Business. PC Franchise has no liability for Franchisee's obligations to any third party whatsoever.

18.2 No Third-Party Beneficiaries. This Agreement does not confer any rights or remedies upon any person or entity other than Franchisee, PC Franchise, and PC Franchise's affiliates.

18.3 Entire Agreement. This Agreement constitutes the entire agreement of the parties and supersedes all prior negotiations and representations. Nothing in this Agreement or in any related agreement is intended to disclaim the representations made by PC Franchise in its franchise disclosure document.

18.4 Modification. No modification or amendment of this Agreement will be effective unless it is in writing and signed by both parties. This provision does not limit PC Franchise's rights to modify the Manual or System Standards.

18.5 Consent; Waiver. No consent under this Agreement, and no waiver of satisfaction of a condition or nonperformance of an obligation under this Agreement will be effective unless it is in writing and signed by the party granting the consent or waiver. No waiver by a party of any right will affect the party's rights as to any subsequent exercise of that right or any other right. No delay, forbearance or omission by a party to exercise any right will constitute a waiver of such right.

18.6 Cumulative Remedies. Rights and remedies under this Agreement are cumulative. No enforcement of a right or remedy precludes the enforcement of any other right or remedy.

18.7 Severability. The parties intend that (i) if any provision of this Agreement is held by an arbitrator or court to be unenforceable, then that provision be modified to the minimum extent necessary to make it enforceable, unless that modification is not permitted by law, in which case that provision will be disregarded, and (ii) if an unenforceable provision is modified or disregarded, then the rest of this Agreement will remain in effect as written.

18.8 Governing Law. The laws of the state of California (without giving effect to its principles of conflicts of law) govern all adversarial proceedings between the parties. The parties agree that any California law for the protection of franchisees or business opportunity purchasers will not apply unless its jurisdictional requirements are met independently without reference to this Section 18.8.

18.9 Notices. Any notice will be effective under this Agreement only if made in writing and delivered as set forth in this Section to: (A) if to Franchisee, addressed to Franchisee at the notice address set forth in this Agreement; and (B) if to PC Franchise, addressed to 49851 Flightline Way, Aguanga CA 92536. Any party may designate a new address for notices by giving notice of the new address pursuant to this Section. Notices will be effective upon receipt (or first rejection) and must be: (1) delivered personally; (2) sent by registered or certified U.S. mail with return receipt requested; or (3) sent via overnight courier. Notwithstanding the foregoing, PC Franchise may amend the Manual, give binding notice of changes to System Standards, and deliver notices of default by electronic mail or other electronic communication.

18.10 Holdover. If Franchisee continues operating the Business after the expiration of the term without a renewal agreement or successor franchise agreement executed by the parties in accordance with Section 3.2, then at any time (regardless of any course of dealing by the parties), PC Franchise may by giving written notice to Franchisee (the "Holdover Notice") either (i) require Franchisee to cease operating the Business and comply with all post-closing obligations effective immediately upon giving notice or effective on such other date as PC Franchise specifies, or (ii) bind Franchisee to a renewal term of 5 years and deem Franchisee and its Owners to have made the general release of liability described in Section 3.2(vi).

18.11 Joint and Several Liability. If two or more people sign this Agreement as "Franchisee", each will have joint and several liability.

18.12 No Offer and Acceptance. Delivery of a draft of this Agreement to Franchisee by PC Franchise does not constitute an offer. This Agreement shall not be effective unless and until it is executed by both Franchisee and PC Franchise.

Agreed to by:

FRANCHISOR:

PARLAY, INC.

By: ____________________________
Name: __________________________
Title: ___________________________
Date: ___________________________

FRANCHISEE:

____

By: ____________________________
Name: __________________________
Title: __________________________
Date: __________________________

Attachment 1 to Franchise Agreement

STATE ADDENDA TO AGREEMENTS

CALIFORNIA RIDER TO FRANCHISE AGREEMENT

This Rider amends the _______________ Agreement dated __________________ (the "Agreement"), between Parlay, Inc., a California corporation ("PC Franchise") and ___________________, a ________ ____________ ("Franchisee").

1. Fee Deferral. All initial fees will be collected by PC Franchise after it has met its pre-opening obligations to Franchisee and Franchisee is opened for business.

2. Effective Date. This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISOR:	FRANCHISEE:
PARLAY, INC.	______________________________
By: __________________________	By: __________________________
Name: ________________________	Name: ________________________
Title: _________________________	Title: _________________________
Date: _________________________	Date: _________________________

ILLINOIS RIDER TO FRANCHISE AGREEMENT

This Rider amends the _______________ Agreement dated __________________ (the "Agreement"), between Parlay, Inc., a California corporation ("PC Franchise") and ___________________, a ________ ____________ ("Franchisee").

1. Definitions. Capitalized terms used but not defined in this Rider have the meanings given in the Agreement. The "Illinois Act" means the Illinois Franchise Disclosure Act of 1987.

2. Governing Law and Jurisdiction. Notwithstanding any provision of the Agreement to the contrary, the Agreement is governed by Illinois law. The parties irrevocably submit to the jurisdiction and venue of the federal and state courts in Illinois, except for matters which the Agreement provides will be resolved by arbitration.

3. Limitation of Claims. No action can be maintained to enforce any liability created by the Illinois Act unless brought before the expiration of 3 years from the act or transaction constituting the violation upon which it is based, the expiration of 1 year after Franchisee become aware of facts or circumstances reasonably indicating that Franchisee may have a claim for relief in respect to conduct governed by the Illinois Act, or 90 days after delivery to the Franchisee of a written notice disclosing the violation, whichever shall first expire.

4. Waivers Void. Notwithstanding any provision of the Agreement to the contrary, any condition, stipulation, or provision purporting to bind Franchisee to waive compliance with any provision of the Illinois Act or any other law of the State of Illinois is void. This Section shall not prevent Franchisee from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of this Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.

5. Effective Date. This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISOR:	FRANCHISEE:
PARLAY, INC.	______________________________
By: ___________________________	By: ___________________________
Name: _________________________	Name: _________________________
Title: __________________________	Title: __________________________
Date: __________________________	Date: __________________________

MARYLAND RIDER TO FRANCHISE AGREEMENT

This Rider amends the _______________ Agreement dated __________________ (the "Agreement"), between Parlay, Inc., a California corporation ("PC Franchise") and ___________________, a ________ ____________ ("Franchisee").

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

1. Fee Deferral. Based upon the financial information submitted, the Commissioner has determined that all fees paid to the franchisor by the franchisee, including payments for goods and services received from the franchisor before the business opens, shall be deferred pending satisfaction of all of the franchisor's pre-opening obligations to the franchisee.

2. Effective Date. This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISOR:	FRANCHISEE:
PARLAY, INC.	______________________________
By: ___________________________	By: ___________________________

Name: ________________________	Name: ________________________
Title: ________________________	Title: ________________________
Date: ________________________	Date: ________________________

NORTH DAKOTA RIDER TO FRANCHISE AGREEMENT

This Rider amends the _______________ Agreement dated __________________ (the "Agreement"), between Parlay, Inc., a California corporation ("PC Franchise") and ___________________, a ________ ____________ ("Franchisee").

1. General Release. The Commissioner has determined that the requirement that franchisee sign a general release upon renewal of the franchise agreement is unfair, unjust and inequitable within the intent of North Dakota Franchise Investment Law section 51-19-09. Therfore, section 15.2(viii) is stricken for all North Dakota franchisees.

2. Liquidated Damagers. The Commissioner has determined that the requirement that franchisee consent to liquidated damages is unfair, unjust and inequitable within the intent of North Dakota Franchise Investment Law section 51-19-09. Therefore, section 14.5 is stricken for all North Dakota franchisees.

3. Site of Arbitration. The Commissioner has determined that the requirement that franchisee submit disputes to arbitration outside of North Dakota is unfair, unjust and inequitable within the intent of North Dakota Franchise Investment Law section 51-19-09. Therefore, section 17.1(b) is amended for all North Dakota franchisees to allow for arbitration at a site that is agreeable to all parties.

4. Site of Litigation. The Commissioner has determined that the requirement that franchisee submit disputes to litigation outside of North Dakota is unfair, unjust and inequitable within the intent of North Dakota Franchise Investment Law section 51-19-09. Therefore, section 17.5 is stricken for all North Dakota franchisees.

5. Choice of Law. The Commissioner has determined that the requirement that disputes over the franchise agreement be construed under California law is unfair, unjust and inequitable within the intent of North Dakota Franchise Investment Law section 51-19-09. Therefore, section 18.8 is stricken for all North Dakota franchisees.

6. Waiver of Damages. The Commissioner has determined that the requirement that franchisee waive exemplary and punitive damages is unfair, unjust and inequitable within the intent of North Dakota Franchise Investment Law section 51-19-09. Therefore, section 17.2 is stricken for all North Dakota franchisees.

6. **Fee Deferral.** Based upon the financial information submitted, the Commissioner has determined that all fees paid to the franchisor by the franchisee, including payments for goods and services received from the franchisor before the business opens, shall be deferred pending satisfaction of all of the franchisor's pre-opening obligations to the franchisee.

7. **Effective Date.** This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISOR:	FRANCHISEE:
PARLAY, INC.	______________________________
By: __________________________	By: __________________________
Name: ________________________	Name: ________________________
Title: _________________________	Title: _________________________
Date: _________________________	Date: _________________________

WASHINGTON ADDENDUM TO THE FRANCHISE AGREEMENT

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

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

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

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

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

In lieu of an impound of franchise fees, the Franchisor will not require or accept the payment of any initial franchise fees until the franchisee has (a) received all pre-opening and initial training obligations that it is entitled to under the franchise agreement or offering circular, and (b) is open for business. Because franchisor has material pre-opening obligations with respect to each franchised business Franchisee opens under the Area Development Agreement, payment of the franchise fee will be released proportionally with respect to each franchise outlet opened and until franchisor has met all its pre-opening obligations under the Agreement and Franchisee is open for business with respect to each such location.

Agreed to by:

FRANCHISOR:	FRANCHISEE:
PARLAY, INC.	______________________________
By: ___________________________	By: ___________________________
Name: _________________________	Name: _________________________
Title: __________________________	Title: __________________________
Date: __________________________	Date: __________________________

Attachment 2 to Franchise Agreement

OWNERSHIP INFORMATION

1. **Form of Ownership.** Franchisee is a (check one):

_____________ *Sole Proprietorship*
_____________ *Partnership*
_____________ *Limited Liability Company*
_____________ *Corporation*

State: ___________________________

2. **Owners.** If Franchisee is a partnership, limited liability company or corporation:

Name	Shares or Percentage of Ownership

3. **Officers.** If Franchisee is a limited liability company or corporation:

Name	Title

Attachment 3 to Franchise Agreement

LOCATION ACCEPTANCE LETTER

To: ______________________________

This Location Acceptance Letter is issued by Parlay, Inc. for your Parlay Cafe franchise in accordance with Section 6.1 of the Franchise Agreement.

1. The Location of the Business is:

____

PARLAY, INC.

By: ___________________________
Name: _________________________
Title: __________________________
Date: __________________________

Attachment 4 to Franchise Agreement

GUARANTY AND NON-COMPETE AGREEMENT

This Guaranty and Non-Compete Agreement (this "Guaranty") is executed by the undersigned person(s) (each, a "Guarantor") in favor of Parlay, Inc., a California corporation ("PC Franchise").

Background Statement: ________________________ ("Franchisee") desires to enter into a Franchise Agreement with PC Franchise for the franchise of a Parlay Cafe business (the "Franchise Agreement"; capitalized terms used but not defined in this Guaranty have the meanings given in the Franchise Agreement). Guarantor owns an equity interest in Franchisee. Guarantor is executing this Guaranty in order to induce PC Franchise to enter into the Franchise Agreement.

Guarantor agrees as follows:

1. Guaranty. Guarantor hereby unconditionally guarantees to PC Franchise and its successors and assigns that Franchisee shall pay and perform every undertaking, agreement and covenant set forth in the Franchise Agreement and further guarantees every other liability and obligation of Franchisee to PC Franchise, whether or not contained in the Franchise Agreement. Guarantor shall render any payment or performance required under the Franchise Agreement or any other agreement between Franchisee and PC Franchise upon demand from PC Franchise. Guarantor waives (a) acceptance and notice of acceptance by PC Franchise of this Guaranty; (b) notice of demand for payment of any indebtedness or nonperformance of any obligations of Franchisee; (c) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; (d) any right Guarantor may have to require that an action be brought against Franchisee or any other person or entity as a condition of liability hereunder; (e) all rights to payments and claims for reimbursement or subrogation which any of the undersigned may have against Franchisee arising as a result of the execution of and performance under this Guaranty by the undersigned; (f) any law which requires that PC Franchise make demand upon, assert claims against or collect from Franchisee or any other person or entity (including any other guarantor), foreclose any security interest, sell collateral, exhaust any remedies or take any other action against Franchisee or any other person or entity (including any other guarantor) prior to making any demand upon, collecting from or taking any action against the undersigned with respect to this Guaranty; and (g) any and all other notices and legal or equitable defenses to which Guarantor may be entitled.

2. Confidential Information. With respect to all Confidential Information Guarantor shall (a) adhere to all security procedures prescribed by PC Franchise for maintaining confidentiality, (b) disclose such information to its employees only to the extent necessary for the operation of the Business; (c) not use any such information in any other business or in any manner not specifically authorized or approved in writing by PC Franchise, (d) exercise the highest degree of diligence and make every effort to maintain the confidentiality of all such information during and after the term of the Franchise Agreement, (e) not copy or otherwise reproduce any Confidential Information, and (f) promptly report any unauthorized disclosure or use of Confidential Information. Guarantor acknowledges that all Confidential Information is owned by PC Franchise or its affiliates (except for Confidential Information which PC Franchise licenses from another person or entity). Guarantor acknowledges that all customer data generated or obtained by

Guarantor is Confidential Information belonging to PC Franchise. This Section will survive the termination or expiration of the Franchise Agreement indefinitely.

3. Covenants Not to Compete.

(a) Restriction - In Term. During the term of the Franchise Agreement, Guarantor shall not directly or indirectly have any ownership interest in, lend money or provide financial assistance to, provide any services to, or be employed by, any Competitor.

(b) Restriction – Post Term. For two years after the Franchise Agreement expires or is terminated for any reason (or, if applicable, for two years after a Transfer by Guarantor), Guarantor shall not directly or indirectly have any ownership interest in, lend money or provide financial assistance to, provide any services to, or be employed by, any Competitor located within five miles of Franchisee's Territory or the territory of any other Parlay Cafe business operating on the date of termination or transfer, as applicable. If the Franchise Agreement is terminated before the Territory is determined, then the area of non-competition will the Development Area and the territory of any other Parlay Cafe business operating on the date of termination.

(c) Interpretation. Guarantor agrees that each of the foregoing covenants is independent of any other covenant or provision of this Guaranty or the Franchise Agreement. If all or any portion of the covenants in this Section is held to be unenforceable or unreasonable by any court or arbitrator, then the parties intend that the court or arbitrator modify such restriction to the extent reasonably necessary to protect the legitimate business interests of PC Franchise. Guarantor agrees that the existence of any claim it or Franchisee may have against PC Franchise shall not constitute a defense to the enforcement by PC Franchise of the covenants of this Section. If Guarantor fails to comply with the obligations under this Section during the restrictive period, then the restrictive period will be extended an additional day for each day of noncompliance.

4. Modification. Guarantor agrees that Guarantor's liability hereunder shall not be diminished, relieved or otherwise affected by (a) any amendment of the Franchise Agreement, (b) any extension of time, credit or other indulgence which PC Franchise may from time to time grant to Franchisee or to any other person or entity, or (c) the acceptance of any partial payment or performance or the compromise or release of any claims.

5. Governing Law; Dispute Resolution. This Guaranty shall be governed by and construed in accordance with the laws of the state of California (without giving effect to its principles of conflicts of law). The parties agree that any California law for the protection of franchisees or business opportunity purchasers will not apply unless its jurisdictional requirements are met independently without reference to this Section 6. The provisions of Article 17 (Dispute Resolution) of the Franchise Agreement apply to and are incorporated into this Guaranty as if fully set forth herein. Guarantor shall pay to PC Franchise all costs incurred by PC Franchise (including reasonable attorney fees) in enforcing this Guaranty. If multiple Guarantors sign this Guaranty, each will have joint and several liability.

Agreed to by:

____
Name: ________________________
Address: ______________________
____
____
Date: _________________________

____
Name: ________________________
Address: ______________________
____
____
Date: _________________________

____
Name: ________________________
Address: ______________________
____
____
Date: _________________________

Attachment 5 to Franchise Agreement

RIDER TO LEASE AGREEMENT

Landlord: ______________________________
Notice Address: ________________________
____
____
Telephone:______________________________

Franchisor: Parlay, Inc.
Notice Address: 49851 Flightline Way, Aguanga CA 92536
Telephone: 808-265-6030

Tenant: ________________________________

Leased Premises: ____

1. Use. Tenant is a franchisee of Franchisor. The Leased Premises shall be used only for the operation of a Parlay Cafe business (or any name authorized by Franchisor).

2. Notice of Default and Opportunity to Cure. Landlord shall provide Franchisor with copies of any written notice of default ("Default") given to Tenant under the Lease, and Landlord grants to Franchisor the option (but not the obligation) to cure any Default under the Lease (should Tenant fail to do so) within 10 days after the expiration of the period in which Tenant may cure the Default.

3. Termination of Lease. Landlord shall copy Franchisor on any notice of termination of the Lease. If Landlord terminates the Lease for Tenant's Default, Franchisor shall have the option to enter into a new Lease with Landlord on the same terms and conditions as the terminated Lease. To exercise this option, Franchisor must notify Landlord within 15 days after Franchisor receives notice of the termination of the Lease.

4. Termination of Franchise Agreement. If the Franchise Agreement between Franchisor and Tenant is terminated during the term of the Lease, then upon the written request of Franchisor, Tenant shall assign the Lease to Franchisor. Landlord hereby consents to the assignment of the Lease to Franchisor.

5. Assignment and Subletting. Notwithstanding any provision of the Lease to the contrary, Tenant shall have the right to assign or sublet the Lease to Franchisor, provided that no such assignment or sublease shall relieve Tenant or any guarantor of liability under the Lease. If Franchisor becomes the lessee of the Leased Premises, then Franchisor shall have the right to assign or sublease its lease to a franchisee of the Parlay Cafe brand. Any provision of the Lease which limits Tenant's right to own or operate other Parlay Cafe outlets in proximity to the Leased Premises shall not apply to Franchisor.

6. Authorization. Tenant authorizes Landlord and Franchisor to communicate directly with each other about Tenant and Tenant's business.

7. Right to Enter. Upon the expiration or termination of the Franchise Agreement or the Lease, or the termination of Tenant's right of possession of the Leased Premises, Franchisor or its designee may, after giving reasonable prior notice to Landlord, enter the Leased Premises to remove signs and other material bearing Franchisor's brand name, trademarks, and commercial symbols, provided that Franchisor will be liable to Landlord for any damage Franchisor or its designee causes by such removal.

8. No Liability. By executing this Rider, Franchisor does not assume any liability with respect to the Leased Premises or any obligation as Tenant under the Lease.

Executed by:

LANDLORD:

____

By: ___________________________
Name: _________________________
Title: __________________________
Date: __________________________

TENANT:

____

By: ___________________________
Name: _________________________
Title: __________________________
Date: __________________________

FRANCHISOR:

PARLAY, INC.

By: ___________________________
Name: _________________________
Title: __________________________
Date: __________________________

Attachment 6 to Franchise Agreement

FORM OF GENERAL RELEASE

[*This is our current standard form of General Release. This document is not signed when you purchase a franchise. In circumstances such as a renewal of your franchise or as a condition of our approval of a sale of your franchise, we may require you to sign a general release.*]

This General Release ("Release") is executed by the undersigned ("Releasor") in favor of Parlay, Inc., a California corporation ("PC Franchise").

Background Statement: [*describe circumstances of Release*]

Releasor agrees as follows:

1. **Release.** Releasor (on behalf of itself and its parents, subsidiaries and affiliates and their respective past and present officers, directors, shareholders, managers, members, partners, agents, and employees (collectively, the "Releasing Parties")) hereby releases PC Franchise, its affiliates, and their respective directors, officers, shareholders, employees, and agents (collectively, the "Released Parties") from any and all claims, causes of action, suits, debts, agreements, promises, demands, liabilities, contractual rights and/or obligations, of whatever nature, known or unknown, which any Releasing Party now has or ever had against any Released Party based upon and/or arising out of events that occurred through the date hereof, including without limitation, anything arising out of the Franchise Agreement (collectively, "Claims"). This general release will not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

2. **Covenant Not to Sue.** Releasor (on behalf of all Releasing Parties) covenants not to initiate, prosecute, encourage, assist, or (except as required by law) participate in any civil, criminal, or administrative proceeding or investigation in any court, agency, or other forum, either affirmatively or by way of cross-claim, defense, or counterclaim, against any Released Party with respect to any Claim.

3. **Representations and Acknowledgments.** Releasor represents and warrants that: (i) Releasor is the sole owner of all Claims, and that no Releasing Party has assigned or transferred, or purported to assign or transfer, to any person or entity, any Claim; (ii) Releasor has full power and authority to sign this Release; and (iii) this Release has been voluntarily and knowingly signed after Releasor has had the opportunity to consult with counsel of Releasor's choice. Releasor acknowledges that the release in Section 1 is a complete defense to any Claim.

4. **Miscellaneous.** If any of the provisions of this Release are held invalid for any reason, the remainder of this Release will not be affected and will remain in full force and effect. In the event of any dispute concerning this Release, the dispute resolution, governing law, and venue provisions of the Franchise Agreement shall apply. Releasor agrees to take any actions and sign any documents that PC Franchise reasonably requests to effectuate the purposes of this Release. This Release contains the entire agreement of the parties concerning the subject matter hereof. This Release shall not apply to any liability under the Maryland Franchise Registration and Disclosure

Law. 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.

Agreed to by:

____
Name: ________________________
Date: _________________________

Exhibit C

PARLAY CAFE Area Developer Agreement

Table of Contents

EXHIBITS

PARLAY CAFE

Area Developer Agreement

Franchisor:
Parlay Inc.
49851 Flightline Way
Aguanga CA 92536

Developer:
____
____
____

This Franchise Agreement is by and between Parlay Inc., a California limited liability company, ("Franchisor"), and ______________________, [an individual residing in [*or*] business entity established in] the State of ____________________ ("Developer") and is for the purpose of establishing the terms by which Developer will develop the Territory

The Franchisor has written this Agreement in plain English to make it easy to read and to help you become thoroughly familiar with all of the important rights and obligations that the Agreement covers before you sign it. In this Agreement, the Franchisor is referred to as "we," "us" or "our." The Developer is referred to as "you" or "your";

Whereas Franchisor and Developer will be signing a Franchise Agreement for Developer's first PARLAY CAFE Outlet concurrently with the signing of this Agreement;

Whereas Franchisor intends to sell and Franchisee intends to purchase, own and operate additional PARLAY CAFE Outlets;

Franchisor and Franchisee, intending to be legally bound, agree as follows:

§1 Appointment of the Developer

1.1 Grant of Area Development Rights

We hereby grant to you the option and right to purchase, and you undertake the obligation to, construct, open and operate Franchised Businesses within the Development Area described in Section 1.2 and in accordance with the Development Schedule stated in Exhibit B subject to the terms in this Agreement. You may exercise these rights by signing our then current Franchise Agreement either yourself or with a new entity that you form and own at least 51% of the voting rights therein.

1.2 Development Area

1.2.1 Your Development Area is described in Exhibit A. All Franchise Businesses you construct and open must be within the Development Area.

1.2.2 While this Agreement remains in effect, we will not enter into Franchise Agreements for the purpose of operating Franchise Businesses in Traditional Sites with any person or business entity other than you within the Development Area, or establish any Company-Owned Units in Traditional Sites within the Development Area, except where it may be necessary to do so to prevent a Competitive Business from being located in the Development Area.

1.3 Development Schedule

You will use your best efforts to comply with the minimum Development Schedule described in Exhibit B. Your compliance will be judged by the current amount of active signed Franchise Agreements at the end of each calendar year. If a Franchise Agreement is terminated, we will deduct that Franchise Business from the number of Operating Franchise Businesses. A Franchise Business remains credited against the Development Schedule if relocated in accordance with its Franchise Agreement. You will maintain sufficient financial resources to construct, open and operate the Franchise Businesses. You will maintain a minimum net worth of $_________________during the Term or have a firm commitment from a lender reasonably satisfactory to us for financing the development of the Franchise Businesses. If you fail to achieve the Development Schedule, we have the right to terminate this Agreement and retain the entire Development Fee. If we terminate this Agreement for your failure to meet the Development Schedule, we may immediately grant other individuals and entities the right to develop and open Franchise Businesses in the Development Area, or ourselves open Company-Owned Units in the Development Area. You will retain all rights under the Franchise Agreements for the Franchise Businesses you have under lease, construction or in operation, provided you are not otherwise in default under the Franchise Agreements.

1.4 Acquisition of a Competitive Business

If Franchisor acquires a Competitive Business and units of the Competitive Business fall within Developer's Development Area, Franchisor will provide Developer with the option to purchase those units or Franchisor will otherwise close those units within one year of its acquisition.

§2 Fees and Payments

2.1 Development Fee

In consideration of the rights granted to you hereunder, you will pay to us a Development Fee of $________________________at the same time this Agreement is signed. This is in addition to the Initial Fees that you pay for your first Franchise Business. The Development Fee is nonrefundable and we fully earn it upon signing this Agreement.

2.2 Initial Training Fee

When you sign the Franchise Agreement for a Franchise Business after the first Franchise Agreement, we may waive the requirement to attend training and/or waiver our then current initial training fee.

§3 Transfer

3.1 Transfer by Franchisor

We have the absolute right to transfer, assign or delegate all or any part of our rights or obligations under this Agreement to any person without your consent.

3.2 Transfer by Developer

The rights and duties in this Agreement are personal to you. We have granted this Agreement in reliance on your business and personal skills, reputation, aptitudes and financial capacity. Accordingly, you agree that you cannot sell, assign, transfer, convey, give or encumber (collectively "transfer") this Agreement without our written consent (which may be granted or withheld by us in our sole and absolute discretion). The transfer of Area Development Rights under this Agreement must include all signed Franchise Agreements, unless we otherwise agree in writing. You may transfer this Agreement to a business entity owned by you but you continue to remain personally liable for all of your obligations under this Agreement. If you intend to transfer this Agreement as part of your sale of all of the assets comprising your Franchise Businesses under construction or in operation, we will consent to the transfer provided you pay us a transfer fee of $10,000 for the transfer of Area Development Rights. Any purported transfer by you, by operation of law or otherwise in violation of this Agreement is ineffective and is a material breach of this Agreement giving us the right to terminate this Agreement without affording you an opportunity to cure.

§4 Term

4.1 Initial Term

The Initial Term of this Agreement is ______ years.

4.2 Continuatin of Development

If at the conclusion of the Term or at any point prior that Developer has fully met its obligations under the Development Schedule for this Agreement, the parties may agree to execute another Development Agreement for the further development of the Development Area, a contiguous territory or a new territory, on such terms as the parties agree to at that time.

§5 Default and Termination

5.1 Termination

If either party believes the other is in material breach of this Agreement, they may give the other party written notice of the nature of the breach. If the party in breach does not cure the breach within 30 days or within a longer reasonable period, if the nature of the breach is such that it cannot be cured within 30 days, then the noticing party will have the right to terminate this Agreement by providing notice of the termination. This Agreement may also be terminated upon the mutual written agreement.

5.2 Effect of Termination

Upon termination or expiration of this Agreement Franchisor is then free to open Company-Owned Units or grant Franchises to others within your former Development Area but outside any Exclusive Territories granted to you under Franchise Agreements for Franchised Units you are currently operating or are under construction.

§6 Definitions

As used in this Agreement, the following terms have the following meanings:

"**Agreement**" means this [Franchise Trade Name] Development Agreement, as it may be amended, supplemented or otherwise modified by a written agreement the parties sign.

"**Area Development Rights**" means the rights granted to you under Section 1 to construct and operate Franchise Businesses in the Development Area under the terms of this Agreement and the Franchise Agreements.

"**Company-Owned Unit**" means a Parlay Cafe business operating pursuant to the Business System owned by us or by any affiliate.

"**Franchise Business**" means the Parlay Cafe franchise we authorize you to establish and operate under a Franchise Agreement.

§7 General

7.1 Amendments

The parties may only amend, supplement or change the provisions of this Agreement by an Amendment to Area Developer Agreement signed by the parties except: (a) we may change the contents of the Operating Manual; (b) we may modify the Business System; and (c) a court may modify any provision of the Development Agreement in accordance with applicable law. Only our President has the authority to sign an Amendment to Area Developer Agreement on our behalf.

7.2 Binding Effect

The provisions of this Agreement bind, benefit and are enforceable by the parties and their respective personal representatives, legal representatives, heirs, successors and permitted assigns.

7.3 Communications and Notices

All notices, requests, consents and other written communications required or permitted under this Agreement should be given by e-mail to the e-mail address below or to another e-mail address that one party provides to the other party except for those matters specifically required to be sent USPS, FedEx or UPS using the addresses at the top of this Agreement

7.4 Headings

The headings and subheadings in this Agreement are for convenience of reference only, are not to be considered a part of this Agreement and do not limit or otherwise affect in any way the meaning or interpretation of this Agreement.

7.5 Severability

7.5.1 If any provision of this Agreement or any other agreement entered into under this Agreement is contrary to, prohibited by or invalid under applicable law or regulation, that term only will be inapplicable and omitted to the extent so contrary, prohibited or invalid. The parties agree that the remainder of this Agreement continues in full effect so far as possible. If any provision of this Agreement can be construed in more than one way, one that renders the term invalid or otherwise voidable or unenforceable, and another that renders the term valid and enforceable, that provision has the meaning that renders it valid and enforceable.

7.5.2 If a law of any applicable jurisdiction requires us to give a greater notice of the termination of or non-renewal of this Agreement (if permitted) than is required under this Agreement, or requires us to take of some other action not required under this Agreement, or if under a law of any applicable jurisdiction, any term of this Agreement or any of our requirements is invalid or unenforceable, the notice and/or other action required by that law will be substituted for the comparable provisions of this Agreement. We have the right, in our sole discretion, to modify any invalid or unenforceable requirement to the extent to make it valid and enforceable. Any modification to this Agreement will be effective only in that jurisdiction, unless we elect to give the modification greater applicability, and this Agreement is enforceable as originally entered into by the parties in all other jurisdictions.

7.6 Waivers

The failure or delay of a party to require performance by another party of any term of this Agreement, even if known, will not affect the right of that party to require performance of that provision or to exercise any right or remedy under this Agreement. Any waiver by any party of a breach of any term of this Agreement is not a waiver of any continuing or later breach of that term, a waiver of the term itself, or a waiver of any right or remedy under this Agreement. No notice to or demand on any party in any case, of itself, entitles that party to any other notice or demand in similar or other circumstances.

7.7 Remedies Cumulative

Except as otherwise stated in this Agreement, no remedy afforded a party in this Agreement is exclusive of any other remedy. Each remedy is cumulative and is in addition to every other remedy, now or later existing, at law, in equity, by statute or otherwise. No single or partial exercise by any party of any right or remedy under this Agreement precludes any other exercise of any other right or remedy.

7.8 Effectiveness Counterparts

This Agreement is not effective or binding and enforceable against us until we accept this Agreement at our home office and our President signs this Agreement. The parties may sign this Agreement in counterparts, each of which is a duplicate original, but together are the same document. Confirmation of signing by sending a PDF version of the signature page by e-mail binds the party to the confirmation.

7.9 Interpretation

Each of the parties agree that he, she or it had the opportunity to have been represented by its own counsel throughout the negotiations and at the signing of this Agreement and all of the other documents signed incidental to this Agreement. You will not, while this Agreement is effective or after its termination or expiration, claim or assert that any term of this Agreement or any of the other document be construed against us.

7.10 Entire Agreement

This Agreement represents the entire understanding and agreement between the parties on the subject matter of this Agreement, and supersedes all other negotiations, understandings and representations, if any, made between the parties. No representations, inducements, promises or agreements, oral or otherwise, if any, not embodied in this Agreement are of any effect. Nothing in the Agreement disclaims the representations we made in the Franchise Disclosure Document and Exhibits that we furnished to you.

7.11 Survival

All obligations of the parties that expressly or by their nature survive the expiration or termination of this Agreement, continue in full force and effect after its expiration or termination and until they are satisfied or by their nature expire.

7.12 Liability of Multiple Developers

If the Developer consists of more than one person, all persons are jointly and individually liable for your obligations under this Agreement.

7.13 Force Majeure

Neither party is liable for loss or damage or is in breach of this Agreement, if the failure to perform his, her or its obligations is based solely from the following causes beyond his, her or its reasonable control: (a) transportation shortages, inadequate supply of equipment, merchandise, supplies, labor, material, or energy; (b) compliance with any applicable law; or (c) war, terrorism, strikes, natural disaster or acts of God. Any delay resulting from any of these causes extends performance accordingly or excuses performance as may be reasonable, except that these causes do not excuse payments of amounts owed to us for any reason.

7.14 Third Parties

Nothing in this Agreement, whether express or implied, confers any rights or remedies under or based on this Agreement on any person other than the parties and their respective personal representatives, other legal representatives, heirs, successors and permitted assigns. Nothing in this Agreement relieves or discharges the obligation or liability of any third persons to any party to this Agreement, nor does any provision give any third person any right of subrogation or action over or against any party to this Agreement.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby have duly executed this Agreement.

Parlay Inc._______________________
Franchisor

____
Signature

____
Name Printed

____
Title:

____
Developer

____
Signature

____
Name Printed

____

Attachment 1 to Area Developer Agreement

STATE ADDENDA

CALIFORNIA RIDER TO AREA DEVELOPER AGREEMENT

This Rider amends the _______________ Agreement dated __________________ (the "Agreement"), between Parlay, Inc., a California corporation ("PC Franchise") and ___________________, a ________ ____________ ("Franchisee").

1. Fee Deferral. All initial fees will be collected by PC Franchise after it has met its pre-opening obligations to Franchisee and Franchisee is opened for business.

2. Effective Date. This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISOR:	FRANCHISEE:
PARLAY, INC.	______________________________
By: ___________________________	By: ___________________________
Name: _________________________	Name: _________________________
Title: __________________________	Title: __________________________
Date: __________________________	Date: __________________________

ILLINOIS RIDER TO AREA DEVELOPER AGREEMENT

This Rider amends the _______________ Agreement dated __________________ (the "Agreement"), between Parlay, Inc., a California corporation ("PC Franchise") and ___________________, a ________ ____________ ("Franchisee").

1. Definitions. Capitalized terms used but not defined in this Rider have the meanings given in the Agreement. The "Illinois Act" means the Illinois Franchise Disclosure Act of 1987.

2. Governing Law and Jurisdiction. Notwithstanding any provision of the Agreement to the contrary, the Agreement is governed by Illinois law. The parties irrevocably submit to the jurisdiction and venue of the federal and state courts in Illinois, except for matters which the Agreement provides will be resolved by arbitration.

3. Limitation of Claims. No action can be maintained to enforce any liability created by the Illinois Act unless brought before the expiration of 3 years from the act or transaction constituting the violation upon which it is based, the expiration of 1 year after Franchisee become aware of facts or circumstances reasonably indicating that Franchisee may have a claim for relief in respect to conduct governed by the Illinois Act, or 90 days after delivery to the Franchisee of a written notice disclosing the violation, whichever shall first expire.

4. Waivers Void. Notwithstanding any provision of the Agreement to the contrary, any condition, stipulation, or provision purporting to bind Franchisee to waive compliance with any provision of the Illinois Act or any other law of the State of Illinois is void. This Section shall not prevent Franchisee from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of this Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.

5. Effective Date. This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISOR:	FRANCHISEE:
PARLAY, INC.	______________________________
By: ___________________________	By: ___________________________
Name: _________________________	Name: _________________________
Title: __________________________	Title: __________________________
Date: __________________________	Date: __________________________

MARYLAND RIDER TO AREA DEVELOPER AGREEMENT

This Rider amends the _______________ Agreement dated __________________ (the "Agreement"), between Parlay, Inc., a California corporation ("PC Franchise") and ___________________, a ________ ____________ ("Franchisee").

1. Fee Deferral. Based upon the financial information submitted, the Commissioner has determined that all fees paid to the franchisor by the franchisee, including payments for goods and services received from the franchisor before the business opens, shall be deferred pending satisfaction of all of the franchisor's pre-opening obligations to the franchisee. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.

2. Effective Date. This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISOR:	FRANCHISEE:
PARLAY, INC.	______________________________
By: ___________________________	By: ___________________________
Name: _________________________	Name: _________________________
Title: __________________________	Title: __________________________
Date: __________________________	Date: __________________________

WASHINGTON ADDENDUM TO THE

MULTI-UNIT DEVELOPMENT AGREEMENT

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

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

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

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

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

The development fee will be prorated and collected as each unit is opened.

Agreed to by:

FRANCHISOR:	FRANCHISEE:
PARLAY, INC.	______________________________
By: ___________________________	By: ___________________________
Name: _________________________	Name: _________________________
Title: __________________________	Title: __________________________
Date: __________________________	Date: __________________________

EXHIBIT D

ITEM 21 FINANCIAL STATEMENTS

PARLAY INC.

Financial Statements For The Year Ended December 31, 2022

TOGETHER WITH INDEPENDENT ACCOUNTANT AUDIT REPORT

TABLE OF CONTENTS

NAPER CPA GROUP

924 W. 75th Street
Suite 120 - 189
Naperville, IL 60565
+1 (815) 348-2421
omar@napercpa.com

INDEPENDENT ACCOUNTANT AUDIT REPORT

To the Management of PARLAY INC.

We have audited the accompanying financial statements of PARLAY INC., which comprise the Balance Sheet as of December 31, 2022, the related Profit & Loss Statement, the related Statement of Cashflows, and the related Statement of Shareholders' Equity for the twelve-month period then ended.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PARLAY INC. as of December 31, 2022, and the results of its operations and its cash flows for the twelve-month period then ended in accordance with accounting principles generally accepted in the United States of America.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Omar Alnuaimi, CPA

Naperville, IL
March 22, 2023

PARLAY INC.
PROFIT & LOSS STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2022

Revenue	
Consulting Revenue	$ 24,037
Cost of Sales	-
Gross Profit	24,037
Operating Expense	
Commissions Expense	30,000
General & Administrative Expense	10,366
Legal & Professional Fees	9,772
Advertising & Marketing Expense	7,128
Total Operating Expense	57,266
Net Income From Operations	(33,229)
Other Income (Expense)	
Total Other Income (Expense)	-
Net Income Before Provision for Income Tax	(33,229)
Provision for Income Taxes	-
Net Income (Loss)	$ (33,229)

See Independent Accountant's Audit Report and accompanying notes, which are an integral part of these financial statements.

PARLAY INC.
BALANCE SHEET
DECEMBER 31, 2022

ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	$ 493
TOTAL CURRENT ASSETS	493
NON-CURRENT ASSETS	
Investment DRM Ventures (100%)	2,200,000
TOTAL NON-CURRENT ASSETS	2,200,000
TOTAL ASSETS	2,200,493
LIABILITIES AND OWNER'S EQUITY	
CURRENT LIABILITIES	
TOTAL CURRENT LIABILITIES	-
NON-CURRENT LIABILITIES	
Deferred Revenue	35,000
TOTAL NON-CURRENT LIABILITIES	35,000
TOTAL LIABILITIES	35,000
OWNER'S EQUITY	
Common Stock (1,000,000 Shares Authorized, 235,250 Shares Issued & Outstanding)	2,352,500
Additional Paid In Capital	150,000
Retained Earnings	(303,778)
Net Income (Loss)	(33,229)
TOTAL SHAREHOLDERS' EQUITY	2,165,493
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$2,200,493

See Independent Accountant's Audit Report and accompanying notes, which are an integral part of these financial statements.

PARLAY INC.
STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

OPERATING ACTIVITIES	
Net Income	$ (33,229)
Non-Cash Adjustments	
Changes in Deferred Revenue	35,000
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,771
INVESTING ACTIVITIES	
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	-
FINANCING ACTIVITIES	
Owner's Contribution (draw)	(1,349)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(1,349)
NET INCREASE (DECREASE) IN CASH	421
CASH AT BEGINNING OF PERIOD	71
CASH AT END OF PERIOD	$ 493

See Independent Accountant's Audit Report and accompanying notes, which are an integral part of these financial statements.

PARLAY INC.
STATEMENT OF SHAREHOLDERS' EQUITY
DECEMBER 31, 2022

	Opening Equity Balance	Yearly Changes	Total
Balance, December 31, 2021	$ 2,200,071	$ -	$2,200,071
Net Income For The Period Ended December 31, 2022	-	(33,229)	(33,229)
Equity Contributions (Distributions)	-	(1,349)	(1,349)
Balance, December 31, 2022	**$ 2,200,071**	**$ (34,578)**	**$2,165,493**

See Independent Accountant's Audit Report and accompanying notes, which are an integral part of these financial statements.

NOTE A – ORGANIZATION AND NATURE OF ACTIVITIES

PARLAY INC. (the "Company") was incorporated under the laws of the State of California for the purpose of offering franchise opportunities to entrepreneurs who want to own their own 'Parlay Café' location, which combines an upscale coffee shop with a shared workspace lounge for members, as a franchise.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). As a result, the Company records revenue when earned and expenses when incurred. The Company has adopted the calendar year as its basis of reporting.

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 the disclosures of contingent assets and liabilities and other items, as well as the reported revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and any cash equivalents include all cash balances, and highly liquid investments with maturities of three months or less when purchased.

Franchisee Receivables

The Company's franchisee receivables primarily result from initial franchise fees, royalty fees, brand development contributions and training fees charged to franchisees. Timing of revenue recognition may be different from the timing of invoicing to customers. The Company records an accounts receivable when revenue is recognized prior to invoicing, or unearned revenue when revenue is recognized after invoicing. The Company reports these receivables at net realizable value.

Management determines the allowance for doubtful accounts based on historical losses, current expectations, and economic conditions. On a continuing basis, management analyzes delinquent accounts receivable and, once these accounts receivable are determined to be uncollectible, they are written off through a charge against an existing allowance account. The allowance account is reviewed regularly and adjusted against earnings as appropriate. The Company determined that an allowance on outstanding franchisee receivables of $0 was necessary as of December 31, 2022. Franchisee bad debt expense was $0 for the year ended December 31, 2022. Franchisee amounts written off were $0 for the year ended December 31, 2022.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Fair Value of Financial Instruments

Financial Accounting Standards Board ("FASB") guidance specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy are as follows:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 primarily consists of financial instruments whose value is based on quoted market prices such as exchange-traded instruments and listed equities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (e.g., quoted prices of similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active).
- Level 3 - Unobservable inputs for the asset or liability. Financial instruments are considered Level 3 when their fair values are determined using pricing models, discounted cash flows or similar techniques and at least one significant model assumption or input is unobservable.

As of December 31, 2022, the carrying amounts of the Company's financial assets and liabilities reported in the balance sheets approximate their fair value.

Revenue Recognition

Revenues are primarily derived from franchise fees (one-time and recurring monthly fees). In accordance with Accounting Standards Codification (ASC) Topic 606, Revenue will be recognized when persuasive evidence of an arrangement exists, delivery has occurred, or services have been rendered, the seller's price to the buyer is fixed or determinable, and collectability is reasonable assured. The determination of whether fees and fixed or determinable and collection is reasonable assured involves the use of assumptions. Arrangement terms and customer information are evaluated to ensure that these criteria are met prior to recognition of revenue.

Specifically for franchisors, The Financial Accounting Standards Board (FASB) has issued an Accounting Standards Update (ASU) to ASC 606, Franchisors—'Revenue from Contracts with Customers (Subtopic 952-606): Practical Expedient' in 2021 which provides a new practical expedient that permits private company franchisors to account for preopening services provided to a franchisee as distinct from the franchise license if the services are consistent with those included in a predefined list within the guidance. The Company has elected to adopt this new standard.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Unearned Revenue

The Company's primarily performance obligation under the franchise agreement mainly includes granting certain rights to access the Company's intellectual property and a variety of activities relating to opening a franchise unit, including initial training and other such activities commonly referred to collectively as "pre-opening activities", which are recognized as a single performance obligation. The Company expects that certain pre-opening activities provided to the franchisee will not be brand specific and will provide the franchisee with relevant general business information that is separate and distinct from the operation of a company-branded franchise unit. The portion of pre-opening activities that will be provided that is not brand specific is expected to be distinct as it will provide a benefit to the franchisee and is expected not to be highly interrelated or interdependent to the access of the Company's intellectual property, and therefore will be accounted for as a separate distinct performance obligation. All other pre-opening activities are expected to be highly interrelated and interdependent to the access of the Company's intellectual property and therefore will be accounted for as a single performance obligation, which is satisfied by granting certain rights to access the Company's intellectual property over the term of each franchise agreement.

The Company estimates the stand-alone selling price of pre-opening activities using an adjusted market assessment approach. The Company will first allocate the initial franchise fees and the fixed consideration, under the franchise agreement to the standalone selling price of the training services that are not brand specific and the residual, if any, to the right to access the Company's intellectual property. Consideration allocated to pre-opening activities, which are not brand specific are recognized ratably as those services are rendered. Consideration allocated to pre-opening activities included under Accounting Standards Update (ASU) to ASC 606, Franchisors—'Revenue from Contracts with Customers (Subtopic 952-606): Practical Expedient' is recognized when the related services have been rendered.

The remaining franchisee fee not allocated to pre-opening activities are recorded as Unearned Revenue and will be recognized over the term of the franchise agreement.

Income Taxes

The Company, with the consent of its shareholders, intends to elect to be an S-Corporation (for tax purposes). In lieu of corporate income taxes, the shareholder(s) of an S-Corporation is taxed based on its proportionate share of The Company's taxable income. Therefore, no provision or liability for income taxes has been included in these financial statements.

Commitments and Contingencies

The Company may be subject to pending legal proceedings and regulatory actions in the ordinary course of business. The results of such proceedings cannot be predicted with certainty, but the Company does not anticipate that the final outcome, if any, arising out of any such matter will have a material adverse effect on its business, financial condition or results of operations. As of December 31, 2022, the Company has not reported any lawsuit or known plans of litigation by or against the Company.

NOTE C – SUBSIDARY OF DRM VENTURES, INC.

For regulatory reporting purposes, the audit is for Parlay Inc. As Parlay Inc. owns 100% DRM Ventures, Inc. The valuation of DRM Ventures, Inc. is founded upon a business valuation by an independent company, valuing DRM at $2,200,000.

NOTE D – CONCENTRATIONS OF RISK

Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents. The Company places its cash and any cash equivalents with a limited number of high-quality financial institutions and do not exceed the amount of insurance provided on such deposits.

NOTE E – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 22, 2023, the date on which the financial statements were available to be issued. Management has determined that none of the events occurring after the date of the balance sheet through the date of Management's review substantially affect the amounts and disclosure of the accompanying financial statements.

PARLAY INC.

REPORT ON AUDIT

December 31, 2021

Parlay Inc.

Table of Contents

John F. Coggin CPA PLLC
3300 E Walnut St. Ste B
Pearland, TX 77581

INDEPENDENT AUDITOR'S REPORT

To the Members and Officers
of Parlay Inc.
Aguanga, CA

Opinion

We have audited the accompanying financial statements of Parlay Inc. (a Texas Limited Liability Company), which comprise the balance sheets as of December 31, 2021, and the related statements of income, member's equity, 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 Parlay Inc. as of December 31, 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 audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Parlay Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Parlay Inc.'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 Parlay Inc.'s ability to continue as a going concern for a reasonable period of time.

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

John F. Coggin, CPA PLLC

Pearland, Tx.

January 31, 2022

PARLAY INC.
BALANCE SHEET
December 31, 2021 and 2020

	2021	2020
ASSETS		
Current Assets		
Checking/Savings	$ 71	$ -
Total Current Assets	71	0
Other Assets/Investments		
Investment DRM Ventures (100%)	2,200,000	2,200,000
TOTAL ASSETS	**2,200,071**	**2,200,000**
LIABILITIES & EQUITY		
Liabilities		
Current Liabilities	-	-
Long Term Liabilities	-	-
Total Liabilities	0	0
Owners' Equity		
Common Stock, 1,000,000 Shares Authorized, 235,250 Share Issued and 235,250 Shares Outstanding	2,352,500	2,352,500
Paid in Capital	150,000	
Retained Earnings	(302,429)	(152,500)
Total Equity	2,200,071	2,200,000
TOTAL LIABILITIES & EQUITY	**2,200,071**	**2,200,000**

The attached notes are an integral part of these financial statements
4

PARLAY INC.
INCOME STATMENT
For the period ended December 31, 2021 and 2020

	2021	2020
Income		
Revenue	$ -	$ -
Expense		
Advertising and Promotion	3,706	-
Automobile Expense	139	-
Bank fees	21	3
Consulting Fees	132,475	152,497
Dues and Subscriptions	3,395	-
Entertainment	541	-
Legal and Professional Fees	1,201	-
Meal Expenses	470	-
Office Expenses	967	-
Parking and Tolls	96	-
Supplies	220	-
Trade Show Expense	5,323	-
Travel Expense	1,376	-
Total Expense	149,929	152,500
Net Loss	(149,929)	(152,500)

The attached notes are an integral part of these financial statements

PARLAY INC.
Statement of Cash Flows
For the Year Ended December 31, 2021 and 2020

		2021		2020
Cash Flows from Operating Activities				
Net Loss	$	(149,929)	$	(152,500)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Changes in operating assets and liabilities:		0		0
Loans from Members				
Increase in Formation Costs		0		0
Net Cash Provided by (Used in) Operating Activities		(149,929)		(152,500)
Net Cash Provided by (Used in) Investing Activities				
Cash Flows from Financing Activities				
Paid in Capital		150,000		152,500
Net Cash Provided by Loans (Used in) Financing Activities-Stock Sale		150,000		152,500
Net Increase (Decrease) in Cash and Cash Equivalents		71		0
Cash and Cash Equivalents, beginning of year		0		0
Cash and Cash Equivalents, end of year		71		0
Supplemental Disclosure of Cash Flow Information				
Cash Paid for Interest		0		0
Cash Paid for Taxes		0		0

The attached notes are an integral part of these financial statements
6

PARLAY INC.
Statement of Cash Flows
For the Year Ended December 31, 2021 and 2020

		2021 Stock	2021 Loss	12/31/2021
Beg Balance	2,200,000			2,200,000
Paid in Capital		150,000		150,000
Net Loss			(149,929)	(149,929)
Ending Balance		**150,000**	**(149,929)**	**2,200,071**

	12/31/2019	2020 Stock	2020 Loss	12/31/2020
Beg Balance	-			
Stock Purchase		152,500		152,500
Stock for Investment		2,200,000		2,200,000
Net Loss			(152,500)	(152,500)
Ending Balance		**2,352,500**	**(152,500)**	**2,200,000**

PARLAY INC.
Statement of Cash Flows
For the Year Ended December 31, 2021 and 2020

1 – NATURE OF ORGANIZATION

Parlay Inc. (The "Company") presently serves as the Franchisor for the Parlay Café concept, which combines an upscale coffee shop with a shared workspace lounge for members. The Company was organized and has been in existence since February 3, 2020. The Company is to be managed by managers.

2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

METHOD OF ACCOUNTING

The Company maintains it books and records, and corresponding financial statements, on the accrual method of accounting in compliance with generally accepted accounting principles recognized in the United States of America.

REVENUE RECOGNITION

Initial franchise fees will be recorded as income when the company provides substantially all the initial services agreed upon in the franchise agreement or when the franchise has commenced operations, whichever comes first. If the fee is received over a period of time and the Company has no reasonable basis for estimating the collectability of the fee, the Company will use the installment method of recognition of the initial fee as revenue.

Monthly royalty fees will be recognized when paid by the franchisees.

CASH AND CASH EQUIVALENTS

Cash equivalents are short term, interest bearing, highly liquid investments with original maturities of three months or less, unless the investments are held for meeting restrictions of a capital nature. Also, certificates of deposit are considered a current asset as they can be converted immediately into cash despite a penalty for early withdrawal.

BALANCE SHEET CLASSIFICATIONS

A one-year time period is used in classifying all current assets and liabilities.

PROGRAMS

The Company offers its clients the complete range of professional consulting services for the formation of Franchise operations.

CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject The Company to credit risk include cash on deposit with a financial institution if they exceed $250,000, the FDIC insured limits.

ESTIMATES

The preparation of the 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 reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Management periodically evaluates estimates used in the preparation of the financial statements for continued reasonableness.Appropriate adjustments, if any, to the estimates used are made prospectively based upon such periodic evaluation. It is reasonably possible that changes may occur in the near term that would affect management's estimates with respect to these estimates. Estimates include the stability in the marketplace, availability of Franchise operations and continued favorable economic conditions.

CONCENTRATIONS

There are concentrations on revenue for the Company. The Company is located in California and is accordingly impacted by the economic environment.

CONTRACT ASSET AND CONTRACT LIABILITY DISCLOSURES

Contract assets — Contract assets include unbilled amounts typically resulting from sales under contracts when revenue recognition is utilized, and revenue recognized exceeds the amount billed to the customer. The amounts may not exceed their estimated net realizable value. Contract assets are classified as current based on our contract operating cycle.

Contract liabilities — Contract liabilities (formerly referred to as customer advances and amounts in excess of costs incurred) include advance payments and billings in excess of revenue recognized. Contract liabilities are classified as current based on our contract operating cycle and reported on a contract-by-contract basis, net of revenue recognized, at the end of each reporting period.

REVENUE RECOGNITION

Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration The Company expect to receive in exchange for those products or services. The Company enter into contracts that can include various combinations of products and services, which are generally capable of being distinct and accounted for as separate performance obligations. Revenue is recognized net of allowances for returns and any taxes collected from customers, which are subsequently remitted to governmental authorities.

SIGNIFICANT JUDGMENTS

Judgment is required to determine the Stand-alone Selling Prices (SSP) for each distinct performance obligation. The Company use a single amount to estimate SSP for items that are not sold separately.

In instances where SSP is not directly observable, such as when The Company do not sell the product or service separately, The Company determine the SSP using information that may include market conditions and other observable inputs.

PRACTICAL EXPEDIENT

The FASB issued ASU 2021-02, which allows a franchisor that is not a public business entity ("private-company franchisor") to use a practical expedient when identifying performance obligations in its contracts with customers (i.e., franchisees) under ASC 606. When using the practical expedient, a private-company franchisor that has entered into a franchise agreement would treat certain preopening services provided to its franchisee as distinct from the franchise license. Under legacy industry guidance in ASC 952-605-25-1, the initial franchise fee is generally recognized "when all material services or conditions relating to the sale have been substantially performed or satisfied by the franchisor" (typically, upon the opening of the franchise location). ASU 2021-02 adds a new Codification subtopic, ASC 952-606, to provide a practical expedient that allows a private-company franchisor that has entered into a franchise agreement to treat certain preopening services provided to a franchisee as distinct from the franchise license. Those preopening services consist of the following activities:

- "Assistance in the selection of a site."
- "Assistance in obtaining facilities and preparing the facilities for their intended use, including related financing, architectural, and engineering services, and lease negotiation."
- "Training of the franchisee's personnel or the franchisee."
- "Preparation and distribution of manuals and similar material concerning operations, administration, and record keeping."
- "Bookkeeping, information technology, and advisory services, including setting up the franchisee's records and advising the franchisee about income, real estate, and other taxes or about regulations affecting the franchisee's business."
- "Inspection, testing, and other quality control programs."

If a private-company franchisor applies the practical expedient, it must disclose that fact. In addition, a private-company franchisor that applies the practical expedient must make a policy election to either (1) apply the guidance in ASC 606 to determine whether the preopening services that are subject to the practical expedient are distinct from one another or (2) account for those preopening services as a single performance obligation. A private-company franchisor that elects to account for those preopening services as a single performance obligation is required to disclose this accounting policy. Further, an entity that applies the guidance in ASU 2021-02 should apply it consistently to contracts with similar characteristics and in similar circumstances. Required to apply (1) identifying other performance obligations (e.g. equipment sales) (2) determining the stand-alone selling prices of the performance obligations, (3) allocating the transaction price to the performance obligations, and (4) determining the timing of revenue recognition. If an entity has already adopted ASC 606, the amendments are effective for fiscal years beginning after December 15, 2020, the following transition disclosures are required in the period of adoption of the ASU:

- "The nature of the change in accounting principle, including an explanation of the newly adopted accounting principle."
- "The method of applying the change."
- "The effect of the adoption on any line item in the statement of financial position as of the beginning of the first period for which [ASU 2021-02] is applied."
- "The cumulative effect of the change on retained earnings or other components of equity in the statement of financial position as of the beginning of the first period for which [ASU 2021-02] is applied."

PROCESS

The process for achieving the core revenue recognition principle can be broken down into five steps:

1. Identify the contract with a customer.
2. Identify the performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations in the contract.
5. Recognize revenue when (or as) the entity satisfies the performance obligation.

PRACTICAL EXPEDIENT

A franchisor that is not as public entity may use this practical expedient to account for initial franchise fees. Initial franchise fees are typically paid by a franchisee in order to obtain certain services related to pre-opening. FASB ASC 606 requires an entity, in this case a franchisor, to determine if there are multiple performance obligations related to pre-opening. If multiple performance obligations are included in the pre-opening activities – typically this is the case – an entity would then have to determine the stand-alone selling prices of those performance obligations. The franchise industry raised questions about the cost and complexity for small franchisors in applying the guidance in FASB ASC 606. FASB ASU No. 2021-02 allows a franchisor that is not a public entity to account for pre-opening activities as a single performance obligation that is distinct from the franchise license.

3 – INCOME TAX

The Company is a Corporation formed in the State of California.

The Company reports annually to the Internal Revenue Service on form 1120S. Accordingly,

the Company is a pass thru entity, no federal taxes are reflected on the financials as such.

The Federal IRS filed returns remain open to potential examination by the IRS for a period of three years after the returns are filed. The current open year is 2021, the year of formation. Any penalties or interest resulting from Federal Taxes are reflected in other expenses.

If it is probable that an uncertain tax position will result in a material liability and the amount of the liability can be estimated, then the estimated liability is accrued. If the Company were to incur any income tax liability in the future, interest on any income tax liability would be reported as interest expense, and penalties on any income tax would be reported as income taxes. The Company's federal and state income tax returns are open for years including and after December 2021. As of December 31, 2021, there were no uncertain tax positions.

4 – RELATED PARTY LOAN PAYABLE

The Company presently has no related party loans.

5 – RELATED PARTY TRANSACTIONS

The Company had no related party transactions.

6 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 31, 2022, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

7 – COMMITMENTS AND CONTINGENCIES

The Company is subject to various claims and legal proceedings covering a wide range of matters that arise in the ordinary course of its business activities. Management believes that any liability that may ultimately result from the resolution on these type matters will not have a material effect on the financial condition or results of operations of the Company. Presently management is of the opinion that there are no pending legal or claim matters.

The sole shareholder personally guarantees certain contracts.

8 – EMPLOYEE BENEFIT PLANS

There are currently no employees of the Company. There are no benefit plans currently in place.

9 - MEMBERS' EQUITY

The Company is structured as a partnership. Each member owns their respective shares per the operating agreement.

10 – LEASES

The Company has no leases in place as of December 31, 2021.

PARLAY INC.
Statement of Cash Flows
For the Year Ended December 31, 2021 and 2020

11 – SUBSIDIARY FINANCIALS

For regulatory reporting purposes, the audit is for Parlay Inc. As Parlay Inc. owns 100% DRM Ventures, Inc. the consolidated financials are reflected below. The valuation of DRM Ventures, Inc. is founded upon a business valuation by an independent company, valuing DRM at $2,200,000.

Description	**Parlay Inc.**	**DRM Ventures, Inc.** UNAUDITED
Assets		
Current Assets	71	310,935
Fixed Assets	-	342,311
Other Assets	2,200,000	362,176
Total Assets	2,200,071	1,015,421
Liabilities and Equity		
Long Term Debt	-	392,116
Equity	2,200,071	623,305
Total Liabilities and Equity	2,200,071	1,015,421
Profit and Loss		
Revenue	-	950,317
Expenses	(149,929)	597,880
Net Loss	(149,929)	352,437

12– DISCLOSURE ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company estimates that the fair value of all financial instruments at December 31, 2021 are recorded in the accompanying balance sheet. The estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies. Considerable judgment is required in interpreting market data to develop the estimates of fair value, and accordingly, the estimates are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

13– FRANCHISE AGREEMENT

The term of the Company's franchise agreement will be as follows:

A. The Company will grant the right to use the Company name, trademark and system in the franchisee's franchise development business.
B. The franchisee is obligated to pay a non-refundable initial franchise fee.
C. The franchisee is obligated to pay a monthly royalty fee. Certain other fees are also outlined in the agreement.

14– RECENTLY ISSUED ACCOUNTING STANDARDS

REVENUE

The Company adopted ASC 606 using the modified retrospective method applied to all contracts not completed for annual reporting periods beginning after December 15, 2019. Results for reporting periods beginning after December 15, 2019 are presented under ASC 606 while prior period amounts continue to be reported in accordance with legacy GAAP. The adoption of ASC 606 did not result in a change to the accounting for any of the in-scope revenue streams; as such, no cumulative effect adjustment was recorded.

Elect not to provide specific disclosures related to the following:

- Quantitative disaggregation disclosures
- Contract balances
- Transaction price allocated to remaining performance obligations
- Information related to significant judgements
- Use of practical expedients
- Certain information related to costs incurred to obtain or fulfill a contract with a customer

Also, performance obligations disclosures components are:

- When the entity typically satisfies its performance obligations (for example, upon shipment, upon delivery, as services are rendered, or upon completion of service)
- The significant payment terms
- The nature of the goods or services
- Obligations for returns, refunds, and
- Types of warranties and related obligations

Concerning the disclosure of significant judgments, there have been no changes in judgments, that significantly affect the determination of the amount and timing of revenue from contracts with customers.

In addition, data used to determine revenue recognition are:

- the timing of the satisfaction of performance obligations, and
- the transaction price and the amounts allocated to performance obligations

An entity should disclose the election to use the practical expedient regarding the following:

- The existence of a significant financing component
- The incremental costs of obtaining a contract

Revenue has not been impacted by economic factors and are consistently recognized as stated above.

We apply a practical expedient to expense costs as incurred for costs to obtain a contract with a customer when the amortization period would have been one year or less. These costs include our internal sales force compensation program and certain partner sales incentive programs as we have determined annual compensation is commensurate with annual sales activities.

LEASES

In February 2016, the FASB issued ASU 2016-02, Leases. This updated requires lessees to recognize at the lease commencement date a lease liability which is the lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and a right of use assets, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. In June 2020, the FASB issued ASU 2020-05, which allowed certain entities that have not yet issued financial statements to defer application of the new recognition guidance by one additional year, making these changes effective for the Company for annual reporting periods beginning after December 15, 2021. The Company elected to defer application and is currently evaluating the impact of the adoption of this standard on its financial statements.

EXHIBIT E

STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

We may register this Disclosure Document 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, the following are the state administrators responsible for the review, registration, and oversight of franchises in each state and the state offices or officials that we will designate as our agents for service of process in those states:

State	State Administrator	Agent for Service of Process (if different from State Administrator)
California	Department of Financial Protection and Innovation 1515 K Street Suite 200 Sacramento, CA 95814-4052 866-275-2677	Commissioner of Financial Protection and Innovation 1515 K Street Suite 200 Sacramento, CA 95814-4052 866-275-2677
Hawaii	Department of Commerce and Consumer Affairs Business Registration Division Commissioner of Securities P.O. Box 40 Honolulu, HI 96810 (808) 586-2722	Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813
Illinois	Franchise Bureau Office of Attorney General 500 South Second Street Springfield, IL 62706 (217) 782-4465	
Indiana	Franchise Section Indiana Securities Division Secretary of State Room E-111 302 W. Washington Street Indianapolis, IN 46204 (317) 232-6681	
Maryland	Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Maryland Commissioner of Securities 200 St. Paul Place Baltimore, MD 21202-2020
Michigan	Michigan Attorney General's Office Consumer Protection Division Attn: Franchise Section 525 W. Ottawa Street Williams Building, 1st Floor Lansing, MI 48933 (517) 373-7117	

State	State Administrator	Agent for Service of Process (if different from State Administrator)
Minnesota	Minnesota Department of Commerce Securities-Franchise Registration 85 7th Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500	Commissioner of Commerce Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500
New York	NYS Department of Law Investor Protection Bureau 28 Liberty St. 21st Floor New York, NY 10005 212-416-8222	Secretary of State 99 Washington Avenue Albany, NY 12231
North Dakota	North Dakota Securities Department 600 East Boulevard Ave., State Capital Fifth Floor, Dept. 414 Bismarck, ND 58505-0510 (701) 328-4712	
Oregon	Department of Consumer & Business Services Division of Finance and Corporate Securities Labor and Industries Building Salem, Oregon 97310 (503) 378-4140	
Rhode Island	Department of Business Regulation Securities Division 1511 Pontiac Avenue John O. Pastore Complex–69-1 Cranston, RI 02920-4407 (401) 462-9527	
South Dakota	Division of Insurance Securities Regulation 124 South Euclid Suite 104 Pierre, SD 57501-3185 (605) 773-3563	
Virginia	State Corporation Commission 1300 East Main Street 9th Floor Richmond, VA 23219 (804) 371-9051	Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219
Washington	Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98507 (360) 902-8760	Department of Financial Institutions Securities Division 150 Israel Rd SW Tumwater, WA 98501 (360) 902-8760
Wisconsin	Division of Securities Department of Financial Institutions Post Office Box 1768 Madison, WI 53701 (608) 266-2801	Securities and Franchise Registration Wisconsin Securities Commission 201 West Washington Avenue, Suite 300 Madison, WI 53703

STATE EFFECTIVE DATES

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	05/02/2023
Hawaii	
Illinois	05/04/2023
Indiana	04/26/2023
Maryland	Pending
Michigan	01/30/2023
Minnesota	05/05/2022
North Dakota	05/30/2023
New York	09/29/2022
Rhode Island	05/30/2023
Virginia	Pending
Washington	Pending
Wisconsin	04/26/2023

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 Parlay, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York requires that you be given this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of any franchise or other agreement, or payment of any consideration that relates to the franchise relationship.

If Parlay, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and any applicable state agency (which are listed in Exhibit A).

The name, principal business address, and telephone number of each franchise seller offering the franchise is:

Name	Principal Business Address	Telephone Number
Donald J Mastrangelo	49851 Flightline Way, Aguanga CA 92536	808-265-6030

Issuance Date: March 23, 2023

I received a disclosure document that included the following Exhibits:

A. State Addenda to Disclosure Document
B. Franchise Agreement (with Guaranty, Non-Compete Agreement and State Addenda)
C. Area Developer Agreement
D. State Administrators and Agents for Service of Process Rider to Lease Agreement

Signature: ____________________________
Print Name: ___________________________
Date Received: ________________________

Keep This Copy For Your Records

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Signature: ___________________________
Print Name: __________________________
Date Received: ________________________

Return This Copy To Us

Parlay, Inc.

49851 Flightline Way, Aguanga CA 92536