

Franchise Disclosure Document

FOR

DiscReplay Worldwide, Inc.

FRANCHISE DISCLOSURE DOCUMENT

Disc Replay Worldwide, Inc.
An Illinois corporation

18287 N. 98th Way
Scottsdale, AZ 85255
Phone (702) 927-4088
www.discreplay.com

Email: dr544@yahoo.com

The Franchisee will operate an independent Disc Replay Worldwide retail outlet (a “Disc Replay Outlet” or “Disc Replay Store”) or a “Super Mega Replay” retail outlet (a “Super Mega Replay Outlet” or “Super Mega Replay Store”). A Disc Replay Outlet specializes in buying and selling used movies, video games, music, electronics and related items, and in electronics repairs. A Super Mega Replay Outlet specializes in buying and selling used electronics, entertainment media, small appliances, home décor, kitchen items, sporting goods, tools, pet supplies and other miscellaneous household items, and in electronics repairs.

The total investment necessary to begin operation of a Disc Replay Outlet is from \$297,000 to \$743,000, which includes \$22,500 to \$32,500 that must be paid to the franchisor. The total investment necessary to begin operation of a Super Mega Replay Outlet is from \$342,000 to \$793,000, which includes \$22,500 to \$32,500 that must be paid to the franchisor.

This Disclosure Document summarizes certain provisions of your Franchise Agreement and other information in plain English. Read the 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 payments to the Franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no government agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats contact John Chesny, President, Disc Replay Worldwide, Inc., 18287 N. 98th Way, Scottsdale, AZ 85255, Phone (702) 927-4088.

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, DC 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: April 25, 2023

STATE COVER PAGES

How to Use This Franchise Disclosure Document

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

| QUESTION | WHERE TO FIND INFORMATION |
|------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| How much can I earn? | Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibits E and F. |
| How much will I need to invest? | Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use. |
| Does the franchisor have the financial ability to provide support to my business? | Item 21 or Exhibit B 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 Disc Replay business in my area? | Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you. |
| Does the franchisor have a troubled legal history? | Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings. |

| | |
|-------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| What's it like to be a Disc Replay franchisee? | Item 20 or Exhibits E and F list 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 development agreement permit you to resolve disputes with the franchisor only by arbitration in the major city nearest where the franchisor's principal business address is then location. Currently, that would be Arizona. Out-of-state arbitration may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate with the franchisor in the Arizona area than in your own state.
2. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the Franchise Agreement, even if your spouse has no ownership interest in the franchise. This Guarantee will place both your and your spouse's marital and personal assets (perhaps including your house) at risk if your franchise fails.

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.

ADDENDUM FOR STATE OF MICHIGAN

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

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

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

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

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

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

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000.00, franchisee has the right to request an escrow arrangement.

Any questions regarding the notice of this Offering should be directed to:

CONSUMER PROTECTION DIVISION
Michigan Attorney General's Office
Attn: Franchise Section
525 W. Ottawa Street
G. Mennen Williams Building, 1st Floor
P.O. Box 30213
Lansing, MI 48909
(517) 335-7567

DISC REPLAY WORLDWIDE, INC.
FRANCHISE DISCLOSURE DOCUMENT

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

To simplify the language in this Franchise Disclosure Document, the "Company," "the Franchisor," "we," "our," or "us" means Disc Replay Worldwide, Inc., the franchisor. "You" means the person who buys the franchise, the franchisee. If the franchisee is a corporation, limited liability company, partnership or other entity, "You" includes the franchisee's owners by virtue of our requirement that all of the franchisee's owners personally guarantee, and be personally bound by, the franchisee's obligations under the Franchise Agreement and the other agreements described in this Disclosure Document. To fully understand all of your and our respective rights and obligations, you must still carefully review the actual agreements you must execute. These agreements will control if there is any dispute between us.

The Franchisor and any Parent

We are a corporation formed under the laws of Illinois on July 31, 2007. We do business under our corporate name and the trade names "Disc Replay", "Mega Replay", and "Super Mega Replay." Our principal business address is 18287 N. 98th Way, Scottsdale, AZ 85255. From January of 2022 to March of 2023 our principal business address was 8805 Tamiami Trail North, Unit 564, Naples, Florida 34108. From December 2020 to January 2022, our principal business address was 17760 North 97th Way, Scottsdale, AZ, 85255. From March 2020 to December 2020 our principal business address was 7582 Las Vegas Blvd. S. #401, Las Vegas, Nevada 89123. From April of 2018 to March of 2020, our principal business address was 3726 Las Vegas Blvd. S. Unit 1908, Las Vegas, NV 89158. From March of 2016 to March of 2018, our principal business address was 3726 Las Vegas Blvd S., Unit 2008, Las Vegas, Nevada 89158. From March of 2015 to March of 2016, our principal business address was 3111 Saganashkee Lane, Naperville, Illinois 60564. From September of 2007 to March of 2015, our principal address was 3720 Tall Grass Drive, Naperville, Illinois 60564. We are not engaged in any business other than the franchising of Disc Replay Outlets and Super Mega Replay Outlets. We have been offering Disc Replay Outlets franchises since in September 2007. We have been offering Super Mega Replay Outlets franchises since April of 2012. We have never offered franchises in any other line of business.

We do not have any parent company.

The Franchisor's Predecessors and Affiliates

Our predecessor is Disc Replay, Inc., an Illinois corporation which existed from 1994 until October of 2007. Disc Replay, Inc. established operated a business known as Disc Replay, at 12 retail locations, 9 in the State of Illinois and 3 in the State of Indiana. It specialized in buying and selling used movies, video games, music, electronics and related items, similar to the business to be conducted by our franchisees. Disc Replay, Inc. developed the Disc Replay System and obtained trademark registration of the name and mark "Disc Replay." Beginning in 2001 and ending in 2007, Disc Replay, Inc. sold 9 of its Illinois outlets to independent 3rd parties who did not become Franchisees. Five of those outlets remain in

business as of the date of this disclosure document. They operate under the name “Disc Replay.” On October 30, 2007, Disc Replay, Inc. sold its 3 Indiana outlets to Disc Replay of Ft. Wayne, Inc. which operated them as well as 3 other outlets it opened. As of December 31, 2018, Disc Replay of Ft. Wayne has sold all of outlets to one of our franchisees and no longer operates any Disc Replay stores. In October of 2007, Disc Replay, Inc. transferred the Disc Replay System and Trademark Registration to Disc Replay Worldwide, Inc. Disc Replay, Inc. then was dissolved.

Neither we nor any affiliate has ever operated a Super Mega Replay Store.

The Franchisor's Business and the Franchises Offered

We offer 2 types of franchises, the Disc Replay outlet and the Super Mega Replay outlet (both of which are referred to as “Outlet” or “Store” in the singular or “Outlets” or “Stores” in the plural).

Disc Replay Outlets

Disc Replay franchisees will operate a retail business under the name “Disc Replay” or “Mega Replay” specializing in buying and selling used movies, video games, music, electronics, and related items, and in electronics repairs. We determine which name you will use for your Store. “Electronics” includes digital cameras, e-readers, flat screen televisions, iPads, iPods, Blu Ray players, and other electronic products that have consumer entertainment use.

In 2 markets (Bloomington, Indiana and Ft. Wayne, Indiana), Outlets that are identical to the “Disc Replay Outlet” except they are larger, operate under the name “Mega Replay.” Your Outlet may be operated under the name “Disc Replay” or “Mega Replay,” depending on the geographic market, the square footage of the Outlet, and the selection of products the Outlet will carry.

Super Mega Replay Outlets

Super Mega Replay franchisees will operate a retail business under the name “Super Mega Replay.” They will buy and sell all the items bought and sold by Disc Replay Outlets, but in addition, they will buy and sell small appliances, home décor, kitchen items, sporting goods, tools, pet supplies and other miscellaneous household items.

The Market and Competition

The Outlet targets its services to the general public. We are a small company, and you will be competing against larger companies. As a small franchisor, Disc Replay Worldwide, does not have the same resources and capabilities of a larger corporation. This could put you at a competitive disadvantage, could be a significant risk factor and should be carefully considered before entering into this franchise agreement.

You may have to compete with other businesses including franchised operations, national chains, and independently owned companies and internet sites offering similar products and services to customers. The market for entertainment products, electronics, and household goods is highly and intensely competitive. Your competition may deliver products and services via alternative distribution channels, which may put you at a competitive disadvantage. You will also face other normal business risks that could have an adverse effect on your Outlet. These may include industry developments, such as pricing policies of competitors, supply and demand, and technology developments that may make our products and services obsolete. You should understand that your investment in a Disc Replay Store or Super Mega Replay Store is a speculative investment involving substantial risk. If you are not comfortable with taking substantial risk, you should not purchase a Disc Replay or Super Mega Replay franchise.

Laws Applicable to the Franchised Business

You must comply with the laws that apply generally to all businesses. There may be laws that place restrictions on the sale of used merchandise. Some states and municipalities regulate and charge fees to stores that sell used merchandise. We recommend that you comply with the same reporting requirements to which pawn shops are subject. In addition, laws may be enacted or changed in the future, which may apply to your business. You should investigate these state and municipal laws before you open your business and continue monitoring new or revised laws in the future.

As a franchisee, you may be subject to general business, employment and other laws and regulations. You should consult with your attorney and local, state and federal government agencies before buying your Franchise to determine all legal requirements and consider their effects on you and cost of compliance. It is your sole responsibility, to investigate, satisfy and remain in compliance with all local, state and federal laws, since they vary from place to place and can change over time.

Other Disclosures

We have engaged and may in the future engage independent business brokers and/or franchise sales referral agents to assist us in finding prospective franchisees in certain geographic areas and we may grant these brokers or agents a percentage of the initial franchise fee and/or a percentage of the ongoing royalty we receive from a franchisee referred by the broker or agent. We may also on occasion pay a referral fee to an existing franchisee who refers a franchisee to us if the referred person signs a Franchise Agreement. The referral fee we pay to an existing franchisee may be a fixed amount, a percentage of the initial franchise fee and/or a percentage of the ongoing royalty paid by the new franchisee. In all cases, we retain the sole right to approve you or any other franchise candidate, and no independent business broker, franchise sales referral agent or franchisee has any right to grant you a franchise.

This Disclosure Document sets forth the terms on which we currently offer Disc Replay and Super Mega Replay Franchises (collectively "Franchises"). We may have offered franchises individually or under multi-unit Agreements in the past, or may currently offer franchises in other states or countries, on

economic and/or other terms which differ from those offered by this Disclosure Document and there may be instances where we have varied, or will vary, the terms on which we offer Franchises to suit the circumstances of a particular transaction. We strongly urge you to carefully review all documents with an independent advisor, such as a lawyer and/or accountant, who can provide legal, business and/or economic guidance.

We retain the right, in our Business Judgment, to award, or not award, a franchise to you, regardless of the stage of the franchise award process, costs expended by you or otherwise.

You should understand that every detail of your Franchise will be important not only to you, but to us and to all Franchisees in order to: (a) maintain high and uniform operating standards based on our core operating values; (b) increase the demand for the products and services sold by our Franchises; and (c) maintain a reputation for offering uniform and high quality products and services, ethical business practices and integrity. A fundamental requirement of your joining and remaining part of the System for Disc Replay Franchisees and Super Mega Replay Franchisees (“System” or “Replay System”) will be your commitment to the operation of your Outlet consistent with the then-current Replay System Standards. During the term of the Franchise Agreement, you must, at all times, develop and operate your Outlet in compliance with all Replay System Standards, as we may modify them in the future.

Agents for Service

Our agents for service of process are disclosed in Exhibit A.

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Item 2. BUSINESS EXPERIENCE

John Chesny: President

From July 2007 to the present, Mr. Chesny has been President of Disc Replay Worldwide, Inc., in Scottsdale, Arizona (prior to March of 2023 it was located in Naples, Florida, prior to 2022 it was located in Scottsdale, Arizona, prior to 2021 it was located Las Vegas, Nevada, prior to 2019, it was located in Scottsdale, Arizona, prior to 2018, it was located in Las Vegas, Nevada, and prior to 2016, it was located in Naperville, Illinois). Mr. Chesny has been President of Disc Replay of Ft. Wayne, Inc. since its formation in October of 2007. From 1994 to 2007, he was President of Disc Replay, Inc., our predecessor, of Naperville, Illinois, which owned and operated retail outlets in Illinois similar to the Disc Replay franchises offered under this Disclosure Document.

Nathan Abner: National Operations Manager

From March 2007 to the present, Mr. Abner, has been National Operations Manager, as a consultant for Disc Replay Worldwide, Inc., in Scottsdale, Arizona (prior to March of 2023 it was located in Naples, Florida, prior to 2022 it was located in Scottsdale, Arizona, prior to 2021 it was located Las Vegas, Nevada, prior to 2019, it was located in Scottsdale, Arizona, prior to 2018, it was located in Las Vegas, Nevada, and prior to 2016, it was located in Naperville, Illinois). From May 2009 to the present, he has been President of Disc Replay Metro, Inc., in Indianapolis, Indiana, which owns and operates 3 Disc Replay Outlets and 1 Super Mega Replay Outlet.

Item 3. LITIGATION

No litigation is required to be disclosed in this Item.

Item 4. BANKRUPTCY

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

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Item 5. INITIAL FEES

You must pay the Company an initial franchise fee of \$12,500 when you sign the Franchise Agreement for either the Disc Replay franchise or the Super Mega Replay franchise. For each subsequent Store you open, you pay an initial franchise fee of \$12,500.

If you do not, within 9 months of the date of your Franchise Agreement, find a site that we approve, we will terminate your Franchise Agreement and refund you ½ of the initial franchise fee. The initial franchise fee is not refundable, either in whole or in part, under any other circumstances.

If you purchase an affiliate-owned Store, the initial franchise fee is \$1,000, payable when you sign the Franchise Agreement.

You do not pay us or our affiliate any other fees or payments for services or goods before your business opens.

We did not vary the franchise fees in our latest fiscal year.

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Item 6. OTHER FEES

| Type of Fee | Amount | Due Date | Remarks |
|--------------------------------------------|---------------------------------------------------------------------------------------------------------------|-----------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Royalty Fee | 2.5% of Gross Sales (Note 1) | Due on the 10 th of each month | |
| Local Advertising | \$1,500/month | Due on the 10 th of each month | Monthly expenditure spent by you on local advertising. (<u>See</u> ITEM 11). |
| Regional Co-operative Advertising | Determined by cooperative; not to exceed \$1,500 per month | Determined by cooperative. | Franchisees, company-owned and/or affiliate-owned Stores may form an advertising cooperative and establish regional advertising fees (up to a maximum of \$1,500). You must participate in any cooperative which has been formed. Payments for regional co-operative advertising will be applied to satisfy Local Advertising requirement |
| National Advertising | 1% of Gross Sales per location per month to be determined at a later date by Franchisor. (Note 1) | Due on the 10 th of each month | To be determined in the future, Franchisor reserves the right to implement a National Advertising Fee. |
| Initial Training for Additional Persons | \$200 per person per day (Note 2) | As incurred | Training for 2 persons is included in the Initial Franchise Fee. |
| Additional Assistance at Your Location | \$500 per day (2 day minimum) plus travel and living expenses (Note 3) | As incurred | Additional charges only incurred for at-location assistance beyond the initial training. |
| Technology Maintenance and Support Fee | Currently \$3,600 per year; in your first year it is prorated at \$300 per month | Due on the 10 th of January each year | This fee is charged by our approved vendor for maintaining and supporting our Proprietary software. We may collect this fee on behalf of our third party vendor |
| Technology Upgrade Fee | Up to \$5,000 | As incurred | Once every 4 years; you pay this fee to us or to our designated vendor to do major improvements to our software program |
| Transfer Fee | \$0 - 9,500. (Note 4) | Prior to acceptance of transfer | Payable before you sell your franchise. |

| Type of Fee | Amount | Due Date | Remarks |
|-------------------------------------------------|------------------------------------------------------------|--------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Audit | Cost of audit plus 1% interest per month on understatement | 30 days after billing | We pay all audit costs unless the audit shows an understatement of at least 2% of Gross Sales for any month, or because the audit is required due to your failure to submit required reports. |
| Interest | 1% per month | 30 days after due date | Franchisees must pay interest on late payments in the amount of 1% per month, or the maximum interest rate allowed by applicable law, whichever is less. |
| Franchise Renewal Fee | \$1,000 | 30 days prior to renewal | Initial franchise term is 20 years. The renewal term is 15 years. |
| Insurance Policies (Note 5) | Will vary by location | Monthly | You must purchase insurance coverage as required by us in the Manual. If you fail to pay the premiums, we have the right to pay them and you must reimburse us. |
| Conference Fee | Varies | 30 days after billing | We may charge you a conference fee to cover our expenses in conducting the conference |
| Marketing Materials | Our duplication costs, plus shipping and handling | 30 days after billing | You will receive one sample of each item of marketing materials. If you want additional copies you must purchase them. See Item 11. |
| Attorneys' Fees and Costs | Varies | As incurred | Payable to us if we prevail in any action. |
| Fee for Non-Compliance with Franchise Agreement | \$10 per day | Upon demand | See Note 6 below |

(1) **“Gross Sales”** means all receipts derived from services performed or products sold by you, whether the receipts are evidenced by cash, credit, checks, gift certificates, scrip, coupons, services, property, or other means of exchange. Gross Sales excludes only sales tax receipts that you must by law collect from customers and that you actually pay to the government, promotional or discount coupons to the extent that Franchisee realizes no revenue, and employee receipt of services or products, if free, or any portion not paid for by an employee.

(2) Training for you and your Manager is included in the Initial Franchise Fee. Additional charges are only applied if you choose to train more than 2 people. Training fees can be increased or decreased by us at any time in our discretion.

- (3) Ongoing assistance by telephone is included. We will charge you the Additional Assistance fee only if you require additional assistance at your location. Fees for additional assistance can be increased or decreased by us at any time in our discretion.
- (4) No Transfer Fee is required if you transfer your Outlet to a corporation in which you are the majority stockholder, or if you transfer the Outlet to your child, parent, sibling, or spouse. You must pay a Transfer Fee of \$2,500 if you transfer the Outlet to another franchisee of ours. In all other cases, you must pay a Transfer Fee of \$9,500.
- (5) You must maintain insurance policies in amounts as specified by us periodically in the Manual. Insurance coverage must include general liability, combined single limit, bodily injury and property damage insurance for premises operations, products liability, and all other occurrences against claims of any person, employee, customer, agent, or otherwise.
- (6) You must pay a \$10 per day fee if you are in default of your Franchise Agreement, including failure to submit reports or non-compliance with operating standards. This fee does not limit or serve as a waiver of our rights and remedies under the Franchise Agreement.
- (7) All fees are uniformly imposed by and payable to us (except for local advertising you conduct or payments you make for regional cooperative advertising), are fully earned when paid, and are non-refundable.

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Item 7. ESTIMATED INITIAL INVESTMENT**YOUR ESTIMATED INITIAL INVESTMENT**

Disc Replay Store

| Category of Investment | Amount (Low) | Amount (High) | Method of payment | When due | To whom paid |
|------------------------------------------------|---------------------|----------------------|--------------------------|----------------------------------------------|---------------------------------|
| Initial Franchise Fee (Note 1) | \$12,500 | \$12,500 | Lump Sum | Note 1 | Disc Replay Worldwide, Inc. |
| Travel and Living Expenses | \$2,500 | \$7,500 | As incurred | During training | Airlines, Hotels, Outlets, etc. |
| Rent or Real Estate and Improvements (Note 2) | \$20,000 | \$130,000 | As determined by Lessor | Prior to opening | Lessor |
| Furniture & Fixtures | \$40,000 | \$90,000 | As determined by Vendors | Prior to opening or as arranged with Vendors | Vendors |
| Signage | \$10,000 | \$20,000 | As determined by Vendors | Prior to opening or as arranged with Vendors | Vendors |
| Equipment | \$22,000 | \$45,000 | As determined by Vendors | Prior to opening or as arranged with Vendors | Vendors |
| Miscellaneous Opening Costs (Note 3) | \$5,000 | \$8,000 | As incurred | Prior to opening | Suppliers, Utilities, etc. |
| Opening Inventory (Note 4) | \$120,000 | \$280,000 | As incurred | Prior to opening | Approved Suppliers |
| Advertising (3 months) | \$25,000 | \$50,000 | As incurred | Prior to opening and during first 3 months | Distribution Service and Media |
| Computer Equipment | \$10,000 | \$20,000 | As determined by Vendors | Prior to opening or as arranged with Vendors | Us; Vendors |
| Additional Funds for Initial 3 Months (Note 5) | \$30,000 | \$80,000 | As incurred | As incurred | Employees, Suppliers, Utilities |
| TOTALS (Note 6) | \$297,000 | \$743,000 | | | |

The chart above describes the estimated initial investment for a single Disc Replay Outlet of approximately 2,200-7,000 square feet.

(1) Your Franchise Fee will be payable when you sign the Franchise Agreement and is fully earned upon payment. If you do not, within nine (9) months of the date of the Franchise Agreement, locate a site that we approve, we will terminate the Franchise Agreement and refund you ½ of the initial franchise fee. We will not refund the Initial Franchise Fee under any other circumstances. We do not finance any fee.

(2) If you do not own adequate property, you must lease the property for your Business. Generally, this will include first and last months' rent, plus a security deposit. Typical locations for Outlets are strip malls, power centers, or commercial streets with moderate traffic and freestanding buildings. The typical size of an Outlet is 2,200-7,000 square feet. The terms and conditions of all agreements relating to the purchase, lease, and alteration of the property will be negotiated solely by you; however, we require you to include certain lease provisions. The costs will vary widely and may be significantly higher than projected in this table depending on such factors as property location, population density, economic climate, prevailing interest rates and other financing costs, conditions of the property and extent of alterations required for the property. You should investigate all of these costs in the area where you wish to establish an Outlet.

(3) Includes other deposits, utility costs, telephone, Internet, and communications costs and incorporation fees.

(4) You must purchase an initial inventory of movies, video games, music, electronics, and entertainment related items. The inventory is all used items that you buy from persons who sell to you for cash.

(5) This estimates your initial start up expenses for an initial 3-month period, not including payroll costs, and does not include any revenue generated by the operation of your Business. These figures are estimates and we cannot guarantee that you will not have additional expenses starting your Business. You should not assume that you will break even by the end of the initial period of operations consisting of a 3 month period, and you may need amounts in excess of the estimated amounts before your business breaks even. And remember your business may never break even or achieve profitability. We advise you not to purchase our franchise if you are not ready to accept that risk.

Your expenses will depend on factors such as: how much you follow our methods and procedures, your management skill, experience and business acumen, local economic conditions (e.g., the local market for our products or services), the prevailing wage rate, competition, the number of hours you work in the Store each week, and the sales level reached during the initial period.

(6) We relied on 18 years of experience in the entertainment industry to compile these estimates. (See ITEM 1). You should review these figures carefully with a business advisor before making any decision to purchase the franchise. We do not provide financing arrangements for you. (See ITEM 10). If you obtain financing from others to pay for some of the expenditures necessary to establish and operate

the franchise, the cost of financing will depend on your creditworthiness, collateral, lending policies, financial condition of the lender, regulatory environment, and other factors.

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Super Mega Replay Store

| Category of Investment | Amount (Low) | Amount (High) | Method of payment | When due | To whom paid |
|------------------------------------------------|------------------|------------------|--------------------------|----------------------------------------------|---------------------------------|
| Initial Franchise Fee (Note 1) | \$12,500 | \$12,500 | Lump Sum | Note 1 | Disc Replay Worldwide, Inc. |
| Travel and Living Expenses | \$2,500 | \$7,500 | As incurred | During training | Airlines, Hotels, Outlets, etc. |
| Rent or Real Estate and Improvements (Note 2) | \$20,000 | \$130,000 | As determined by Lessor | Prior to opening | Lessor |
| Furniture & Fixtures | \$40,000 | \$90,000 | As determined by Vendors | Prior to opening or as arranged with Vendors | Vendors |
| Signage | \$10,000 | \$20,000 | As determined by Vendors | Prior to opening or as arranged with Vendors | Vendors |
| Equipment | \$22,000 | \$45,000 | As determined by Vendors | Prior to opening or as arranged with Vendors | Vendors |
| Miscellaneous Opening Costs (Note 3) | \$5,000 | \$8,000 | As incurred | Prior to opening | Suppliers, Utilities, etc. |
| Opening Inventory (Note 4) | \$160,000 | \$320,000 | As incurred | Prior to opening | Approved Suppliers |
| Advertising (3 months) | \$25,000 | \$60,000 | As incurred | Prior to opening and during first 3 months | Distribution Service and Media |
| Computer Equipment | \$10,000 | \$20,000 | As determined by Vendors | Prior to opening or as arranged with Vendors | Us; Vendors |
| Additional Funds for Initial 3 Months (Note 5) | \$35,000 | \$80,000 | As incurred | As incurred | Employees, Suppliers, Utilities |
| TOTALS (Note 6) | \$342,000 | \$793,000 | | | |

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The chart above describes the estimated initial investment for a single Super Mega Replay Outlet of approximately 8,000-14,000 square feet.

(1) Your Franchise Fee will be payable when you sign the Franchise Agreement and is fully earned upon payment. If you do not, within nine (9) months of the date of the Franchise Agreement, locate a site that we approve, we will terminate the Franchise Agreement and refund you ½ of the initial franchise fee. We will not refund the Initial Franchise Fee under any other circumstances. We do not finance any fee.

(2) If you do not own adequate property, you must lease the property for your Business. Generally, this will include first and last months' rent, plus a security deposit. Typical locations for Outlets are strip malls, power centers, or commercial streets with moderate traffic and freestanding buildings. The typical size of an Outlet is 8,000-14,000 square feet. The terms and conditions of all agreements relating to the purchase, lease, and alteration of the property will be negotiated solely by you; however, we require you to include certain lease provisions. The costs will vary widely and may be significantly higher than projected in this table depending on such factors as property location, population density, economic climate, prevailing interest rates and other financing costs, conditions of the property and extent of alterations required for the property. You should investigate all of these costs in the area where you wish to establish an Outlet.

(3) Includes other deposits, utility costs, telephone, Internet, and communications costs and incorporation fees.

(4) You must purchase an initial inventory of movies, video games, music, electronics, and entertainment related items. The inventory is all used items that you buy from persons who sell to you for cash.

(5) This estimates your initial start up expenses for an initial 3-month period, not including payroll costs, and does not include any revenue generated by the operation of your Business. These figures are estimates and we cannot guarantee that you will not have additional expenses starting your Business. You should not assume that you will break even by the end of the initial period of operations consisting of a 3 month period, and you may need amounts in excess of the estimated amounts before your business breaks even. And remember your business may never break even or achieve profitability. We advise you not to purchase our franchise if you are not ready to accept that risk.

Your expenses will depend on factors such as: how much you follow our methods and procedures, your management skill, experience and business acumen, local economic conditions (e.g., the local market for our products or services), the prevailing wage rate, competition, the number of hours you work in the Store each week, and the sales level reached during the initial period.

(6) We relied on 17 years of experience in the resale industry to compile these estimates. (See ITEM 1). However, we have never operated nor franchised a business of the magnitude of the Super Mega Replay Store. You should review these figures carefully with a business advisor before making any decision to purchase the franchise. We do not provide financing arrangements for you. (See ITEM 10). If you obtain financing from others to pay for some of the expenditures necessary to establish and operate the franchise, the cost of financing will depend on your creditworthiness, collateral, lending policies,

financial condition of the lender, regulatory environment, and other factors.

Item 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

General

We require that you establish and operate your franchised Outlet in compliance with your Franchise Agreement. You must strictly follow our product and service specifications as set forth in the Operations Manual we provide to you or other written materials from us (collectively, the “**Manual**”), which we may modify from time to time, and which may be in print or electronic format. We reserve the right to require you to use an electronic version of the Manual and to require you to access the document using the Internet or an intranet created and supported by us. Our standards and specifications have been prescribed in order to maintain a uniform standard of high quality, value, customer recognition, advertising support and availability to be furnished to the public in connection with our Marks. In operating the Outlet, all products and supplies must conform to our standards and specifications, which have been established through years of experience. In the future, we may modify our product specifications.

Required Purchases

You must purchase our proprietary software from our designated third-party vendor. Additionally, you must purchase the displays and counters used in your Outlet from our approved or designated suppliers. We reserve the right in the future to require you to purchase our products or services from us or our designees. If we do so, we or our designees may derive revenue and profits from said purchases. We also have the right to impose a surcharge on approved suppliers.

There are no other categories of goods and services which we are approved suppliers or the only approved suppliers. However, we reserve the right to require you to purchase additional items from us or our designated sources in the future. We may derive revenue or other material consideration for your purchases from us or our designated source in the future.

We estimate that the cost of the displays and counters that must be purchased from designated or approved suppliers or in accordance with our specifications will represent approximately 20% of your total purchases in connection with the establishment of your business. It will represent 2% of your ongoing expenses, unless you elect to purchase additional or replacement displays and counters.

Although, currently we do not receive revenue or other material consideration from any third-party suppliers as a result of purchases by you or any other franchisee, we retain the right to do so in the future. In our most recent fiscal year ended December 31, 2022, we have not received any revenue or other material consideration, either directly or indirectly, as a result of franchisees’ purchases of goods and/or services.

There are no approved suppliers in which any of our officers or any officers of an Affiliate, or a director of either Franchisor or Affiliate, has an ownership interest.

Approval of Suppliers

If you would like to purchase these items from another supplier, you may request our “Supplier Approval Criteria and Request Form.” Based on the information and samples you supply to us, we will test the items supplied and review the proposed supplier’s business reputation, delivery performance, credit rating and other information. This approval criteria is available to you upon request. We expect to complete our review and advise you of our decision within 30 days after you submit the required information. The specifications and standards for these required purchases are in the Manual. We reserve the right to review and revoke our approval of any items or suppliers. You acknowledge and agree that we may revoke our approval of any item, service or supplier at any time and in our sole discretion by notifying you and/or the supplier.

We do not have any purchasing or distribution cooperatives as of the date of this Disclosure Document. We may negotiate purchase arrangements with other suppliers and distributors for the benefit of our Franchisees in the future and we may receive rebates or volume discounts from our purchase of products that we resell to you. We do not provide or withhold material benefits to you (such as renewal rights of the right to open additional Franchised Businesses) based on whether or not you purchase through the sources we designate or approve, however, purchases of unapproved products from unapproved suppliers in violation of the Franchise Agreement will entitle us, among other things, to terminate the Franchise Agreement.

Computer Equipment

A Point of Sale computer system is part of the standard equipment necessary to open your franchise store. For the hardware, we furnish you the specifications for the components, and you purchase them from any vendor that can meet those specifications. We will assist you in the layout and components of your POS system.

You must obtain our proprietary software from our approved vendor. Our approved vendor will provide you ongoing support, maintenance and upgrades, at your cost. Although we may collect the vendor’s fees on behalf of the vendor, we do not derive revenue (profit) from your purchase of the POS system or obtaining support, maintenance and upgrades. We reserve the right to change the designated supplier for the POS system at any time.

Insurance

You must, at all times, maintain insurance as follows:

- A. Workers' compensation insurance in amounts prescribed by law in your territory;
- B. Fire and lightening, extended coverage, theft, vandalism and malicious mischief, flood (if the Outlet is in a Designated Flood Hazard Area), and sprinkler leakage insurance on the Outlet and all fixtures, equipment, supplies and other property used in the operation of the Outlet, for not less than 100% of the replacement value of the same, except that an appropriate deductible clause will be permitted;
- C. Comprehensive general liability insurance and product liability insurance coverage in such amounts and upon such terms as may from time to time be customary for a business located in your Territory, but not less than \$1,000,000, insuring both you and the Company against all claims, suits, obligations, liabilities and damage, including attorneys' fees, based upon or arising out of actual or alleged personal injuries or property damage relating to the use or condition of the Outlet; and
- D. Such additional insurance as may be required by the terms of any lease or mortgage for the Outlet.

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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 Franchise Agreement | ITEM in Disclosure Document |
|---|-----------------------------------------------------|---------------------------------------|------------------------------------|
| A | Site selection and acquisition/lease if any | Sections 8.02 & 10.02 | ITEM 11 |
| B | Pre-opening purchases/leases | Sections 10.02 & 12.06 | ITEM 11 |
| C | Site development and other pre-opening requirements | Sections 10 & 12 | ITEM 11 |
| D | Initial and ongoing training | Sections 8.04 & 8.05 | ITEM 11 |
| E | Opening | Section 8.06 | Not applicable |
| F | Fees | Section 5 | ITEM 5, 6, & 7 |
| G | Compliance with standards and policies/Manual | Section 7.04, 12.02, 12.03 | ITEM 11 |
| H | Trademarks and proprietary information | Section 6 & 7 | ITEM 13 & 14 |
| I | Restrictions on Products and services offered | Sections 8.03, 12.06 | ITEM 8 & 16 |
| J | Warranty and customer service requirements | Not applicable | Not applicable |
| K | Territorial development and sales quotas | Section 4 and Attachment I | ITEM 11 & 12 |
| L | Ongoing Product and service purchases | Section 12 | ITEM 8 & 16 |
| M | Maintenance, appearance and remodeling requirements | Sections 10.01, 10.04 12.02, 12.03 | Not applicable |
| N | Insurance | Section 12.08 | ITEM 8 |
| O | Advertising | Section 9 | ITEM 11 |
| P | Indemnification | Section 12.14 | Not applicable |
| Q | Owner's participation/management staffing | Sections 12.04 | ITEM 15 |
| R | Records and reports | Section 7 | Not applicable |
| S | Inspection and audits | Section 11 | Not applicable |
| T | Transfer | Section 14 | ITEM 17 |
| U | Renewal | Section 3 | ITEM 17 |
| V | Post-termination obligations | Sections 13.03, 13.04 | ITEM 17 |
| W | Non-competition covenants | Sections 7.05, 16.01 | ITEM 17 |
| X | Dispute resolution | Section 16 | ITEM 17 |

Item 10. FINANCING

We do not offer direct or indirect financing. We do not guarantee your note, lease or obligation. We or our affiliate do not receive any direct or indirect payments or other consideration from any person for any placement of financing with any lender.

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

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

We may delegate to a third party some or all of our pre-opening and ongoing services/obligations as described in this Item 11.

Before you commence operating your Outlet, we will:

1. Within 30 days of signing the Franchise Agreement, designate your Protected Territory in writing and approve, if it meets our standards and specifications for approval, the location selected solely by you to be used for the operation of the Outlet. (See Sections 4 and 10 of the Franchise Agreement);
2. Lend you a copy of our confidential Operations Manual, which contains mandatory and suggested specifications, standards, operating procedures and rules. The Manual is confidential and remains our property. We may modify the Manual from time to time, but the modification will not alter your fundamental status and rights under the Franchise Agreement. (See Section 7.04 of the Franchise Agreement). We have included a copy of the Table of Contents of our Manual as **Exhibit G** to this Franchise Disclosure Document.
3. Provide advice about selecting and analyzing a site for the Outlet. Your site for a Disc Replay Store must be at least 2,200 square feet. Your site for a Super Mega Replay Store must be at least 8,000 square feet. Site selection is your responsibility but we will assist you in the location selection process by considering population density, traffic patterns, and proximity of the proposed site to other Disc Replay Outlets or Super Mega Replay Outlets or any other reasonable criteria. If you and we cannot agree on the selection of your site within 9 months of the date of the Franchise Agreement, we will terminate your Franchise Agreement and refund you ½ of the initial franchise fee. Our assistance with site selection and our approval of your site in no way constitute a representation or warranty with respect to the property. (See Section 8.02 of the Franchise Agreement)
4. Provide you advice about the negotiation of the lease or purchase of a location for your Business, which will be leased or purchased by you from independent third parties. Our assistance in no way constitutes a representation or warranty with respect to the lease or purchase. (See Sections 10.02 and 10.03 of the Franchise Agreement)
5. Approve, if it meets our standards and specifications for approval, plans submitted by you for the design of your Outlet. Construction or build-out, if needed, should begin as soon as possible after signing the Franchise Agreement, but, in any case, must be completed, and you must open for business, within 12 months after the date of your Franchise Agreement. Upon request, we will assist in the development and planning of any construction or build-out with respect to sign specification and colors and Outlet layout and design. You must pay for construction or build-out and all other costs associated

with compliance and permits. Our approval means that the site and plans meet minimum specifications and is not a warranty for their appropriateness. (See Section 10 of the Franchise Agreement.)

6. Within 150 days of signing the Franchise Agreement, and prior to the opening of your Outlet, we will provide and you must attend an initial training course. You and one employee that you designate may attend. The initial training course will be held at 5888 E. 82nd Street, Indianapolis, Indiana 46250, which is a franchise outlet owned by Nathan Abner, or at 11508 Middlebelt Road, Livonia, Michigan 48150, which is a franchise outlet owned by Nick Leja. For Super Mega Replay franchisees, training may be held at 683 N. Green River Road, Evansville, Indiana, the location of the Super Mega Replay Outlet owned by Nathan Abner. The training is usually for 5 days and may average up to 8 hours per day. The duration of your training program may vary depending upon your previous work experience. Training includes the review of the Operations Manual in the management of a Disc Replay Outlet or Super Mega Replay Outlet, and other instruction in the operation and use of an efficient system of bookkeeping and inventory control. You and your designated employee must complete initial training to our satisfaction, through your demonstration of knowledge and understanding of both the Operations Manual and the bookkeeping and inventory control system. You are not required to pay us a separate fee for initial training, but you must pay all of your personal expenses, including, travel, hotel and meals. Instructional materials for the initial training program include the Operations Manual, standard forms and training manuals. The training will be conducted by and under the supervision of John Chesny, the President of the Franchisor, who has 29 years of experience in operating Disc Replay Outlets (see Item 2). Another trainer, Nathan Abner, has 14-1/2 years of experience as Store Manager for our predecessor, Disc Replay, Inc., and 8 years of experience as Operations Manager for our affiliate, Disc Replay of Ft. Wayne, Inc. Nathan Abner is a multi-store franchisee and has owned a unit since May of 2009. Another Trainer, Nick Leja, is a part-owner of multiple franchised outlets in Michigan, and has at least 10 years of experience in operating stores. Based on their experience in operating Disc Replay Outlets, all trainers have knowledge and experience in all the subjects covered in the training. The subjects covered and approximate hours of classroom and on-the-job training are described below.

TRAINING PROGRAM

| Subject | Hours of Classroom Training | Hours of On-the-Job Training | Location |
|----------------------|------------------------------------|-------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|
| Safety and Insurance | Minimum of 2 Hours | Not applicable | 9739 E. Washington, Indianapolis 46229, or at 4664 South US 41, Terre Haute, Indiana 47802, or at 11508 Middlebelt Road, Livonia, Michigan 48150 |
| Orientation | Minimum of 2 Hours | Not applicable | Same |

| Subject | Hours of Classroom Training | Hours of On-the-Job Training | Location |
|--------------------------------------------------------------------------------------------|------------------------------------|-------------------------------------|-----------------|
| Entertainment (for Disc Replay), Product Knowledge (for Super Mega Replay) & Related Items | Minimum of 6 Hours | 6 Hours | Same |
| Marketing and Promotion | Minimum of 2 Hours | Not applicable | Same |
| Basic Management | Minimum of 2 Hours | Not applicable | Same |
| Hiring Practices | Minimum of 2 Hours | Not applicable | Same |
| Operations: Bookkeeping Systems | Minimum of 2 Hours | Not applicable | Same |
| Operations: Pre-Opening, Opening | Minimum of 10 Hours | 6 Hours | Same |
| Operations: Daily Routines, Reporting & Support | Minimum of 10 Hours | 10 Hours | Same |
| TOTALS | Minimum of 38 Hours | 22 Hours | |

7. We will also provide to you on-site initial training at your Outlet and assistance with respect to opening activities within the first 4 weeks of the operation of your Outlet.

During your operation of your franchised business:

1. Offer you a reasonable amount of continuing advisory services by telephone during normal business hours. We may also provide to you visits by our field representative, but any additional on-site consultation or advisory services you request may incur a fee. (See Sections 8.04 and 8.07 of the Franchise Agreement).
2. We may include information about your Outlet on our Web site. (See Section 8.11 of the Franchise Agreement).
3. We may provide to you a toll free support line (See Section 8.06 of the Franchise Agreement).

4. We may implement a centralized purchasing system for you and negotiate prices and terms with suppliers. We may receive rebates from the suppliers for these purchases. We reserve the right to use these funds in our sole discretion. (See Section 8.10 of the Franchise Agreement).
5. We may hold periodic regional or national conferences to discuss on- going changes in the industry, operational techniques, product and service developments, personnel training, bookkeeping, accounting, advertising programs and new service procedures. You must attend these conferences. When we hold mandatory conferences, you will not be required to pay a conference fee, but you must pay all of the travel and living expenses for you and any other employees who attend. These conferences will be held at our corporate headquarters or at another location chosen by us. We may provide other conferences from time to time, and you may be required to pay a conference fee for these additional conferences based upon the direct costs to us of retaining speakers and other direct expenses associated with the conference. We will not receive any net income from these conferences. (See Section 8.05 of the Franchise Agreement).
6. Provide advertising, promotional materials, and services to you. Materials provided may include video and audiotapes, copy-ready print advertising materials, posters, banners and miscellaneous items. You will receive one sample of each at no charge. If you want additional copies you must pay duplication costs, plus shipping and handling. We may use both outside advertising and marketing agencies and internal staff to create advertising. You may develop advertising materials for your own use, at your own cost. We must approve the advertising materials in advance and in writing within 15 days from receipt. We reserve the right to utilize advertising developed by you for the use of all Franchisees without any payment or other compensation to you. (See Section 9.03 of the Franchise Agreement).
7. There are no restrictions on your advertising; except that you may not advertise independently on the World Wide Web or outside your territory, and that your advertising must be approved by us. However, if advertising you conduct is available only on a metropolitan-wide basis (for example, radio), then you may advertise within metropolitan areas in which your Protected Territory is located.

Computer Equipment

We require the use of Point of Sale computer systems (“POS System”). As disclosed in Item 8, we furnish you the specifications for the hardware components, and you purchase them from any vendor that can meet those specifications. We will assist you in the layout and components of your POS system. Your initial investment in computer systems and ancillary items is estimated to be between \$10,000 \$20,000. These items include desktop computers, printers, scanners, and bar code readers.

Our proprietary software system is managed and support services are provided by a third-party vendor. The software will generate daily business reports and cash summaries. The third-party vendor currently charges \$3,600 annually per location for those services. You may be billed directly by the third party vendor, or we may collect that fee and remit it to the vendor on your behalf. That fee may increase

over time, and will be determined by the third party vendor.

Once every 4 years we may levy a technology upgrade fee in the amount of up to \$5,000 to cover the costs of updating our POS system. You may be billed directly by the third party vendor, or we may collect that fee and remit it to the vendor on your behalf.

We will have independent access to all information and data generated on your computer system.

Advertising Programs

Local

You may advertise on a local basis as an individual Business or by local advertising agencies hired by you. You must spend at least \$1,500 per month on local advertising on a monthly basis in your Protected Territory. You must submit reports of your monthly advertising expenses to us by the 10th day of each month for the previous month's expense.

You may not market independently on the Internet or acquire an independent Internet domain name or Web site. All Internet marketing is a part of Multi-Area Marketing Programs, and must be coordinated through and approved by us. We will maintain Disc Replay Outlet and Super Mega Replay Web pages which will include information regarding your Outlet.

Regional Cooperative Advertising

If at the time you sign a Franchise Agreement, a regional advertising cooperative is in existence, or if after you sign a Franchise Agreement, a regional advertising cooperative is formed in the area where your Disc Replay Store or Super Mega Replay Store is to be located, you must participate. We have the authority to require that a regional advertising cooperatives be formed, changed, dissolved or merged. However, we do not control the decisions on expenditures or contributions, other than to cap the contribution to \$1,500 per month per Franchisee. All other aspects of the formation and operation of the cooperative are determined by the members of the cooperative; such aspects include the budget, members' contribution, area, membership of the co-operative, voting rights, responsibility for administration, the governing documents, the preparation of financial statements, and the availability of those statements for review by you. Company-owned or affiliate-owned Stores will participate in the regional advertising cooperative on the same basis as franchised stores.

Contributions for co-operative advertising will be applied to satisfy Local Advertising requirement

National

As of the date of this Franchise Disclosure Document, we have not implemented a National Marketing Program. We reserve the right to do so upon 30 days' notice to you. If implemented, you

must participate in multi-area marketing programs and national advertising. You will be required to pay to us a contribution to the national advertising fund (“**National Marketing Fund**” or “**Fund**”) in an amount equal to 1% of your Gross Sales at the same time and manner as the Royalty Fee. We will hold the National Marketing Fund in a separate bank account, and it will be administered by the Company’s marketing and accounting staff. At our sole option, we may combine or have separate Funds for Disc Replay Stores and Super Mega Replay Stores. All company-owned and affiliate-owned Disc Replay Outlets and Super Mega Replay Outlets will be required to contribute to the Fund on the same basis as Franchisees. We will use the National Marketing Fund for regional, national, or international advertising or marketing, development, and maintenance of any Internet or e-commerce programs, related expenses, and any media or agency costs. We will not derive income from the Fund, but we may reimburse our administrative expenses incurred in administering the National Marketing Fund. Advertising expenditures may or may not be proportionate to your contributions or provide direct benefit to you or any other Franchisee. We will spend the National Marketing Fund in our discretion, and we have no fiduciary duty to you regarding the National Marketing Fund. We may accumulate the amounts in the Fund, and the balance may be carried over to subsequent years. If the National Marketing Fund operates at a deficit or requires additional amounts at any time, we reserve the right to lend such amounts to the National Marketing Fund on any terms we determine. An unaudited annual financial statement of the National Fund will be prepared within 120 days of the close of our fiscal year and will be available to any Franchisee upon request.

Any advertising funds not spent in the fiscal year in which they accrue will be carried over to the next year.

Schedule for Opening

It is estimated that the length of time between the signing of the Franchise Agreement and the opening of your Business will usually be about 4 to 9 months. Factors affecting this length of time include financing arrangements, site selection, negotiating the lease, building acquisition, obtaining general business permits, construction or conversion requirements, zoning and local ordinances, weather conditions, shortages, and installation of equipment, fixtures and signs, and scheduling and completion of the training program. You must locate a site that we approve within 9 months of the date of your Franchise Agreement, and you must open for business within 18 months of the date of your Franchise Agreement.

Item 12. TERRITORY

You will receive an exclusive territory (“**Protected Territory**”) with a minimum radius of 4 miles (as the crow flies) for an urban territory in an area with the population greater than 100,000 people or with a minimum radius of 10 miles for a rural territory in an area with the population less than 100,000 people, as determined by boundary streets, highways, counties, or zip codes. We will determine if your territory is considered urban or rural. You will operate from one location approved by us and must receive our permission before relocating. If you and we cannot agree on the site selection within 9 months

of the date of your Franchise Agreement, we will terminate the Franchise Agreement and refund you ½ of your initial franchise fee.

We will not operate, through our current trademarks of different trademarks, any Disc Replay Outlets or Super Mega Replay Outlets, or grant franchises for a similar or competitive business within your Protected Territory, but we have the right to do so anywhere outside your Territory. Once established, the boundaries of your Protected Territory will not be adjusted without our prior written consent regardless of whether the population of your Protected Territory increases or decreases over time.

Your Protected Territory does not extend to, and you may not advertise independently on, the Internet or World Wide Web. We will maintain Disc Replay Outlet Web pages or Super Mega Replay Outlet Web pages, as applicable, which will include information regarding your Outlet.

You do not receive the right to acquire additional franchises within your area or any contiguous area. Each Franchise Agreement is a separate and distinct transaction between you and us. We intend to develop a strong system of multi-unit owners.

There is no minimum sales quota. Continuation of your territorial exclusivity does not depend on your achieving a certain sales volume, market penetration or other contingency. We cannot modify your territorial rights for any reason. There are no restrictions on your soliciting or accepting orders from outside your Protected Territory.

We reserve the right, among others:

1. to own, franchise, or operate Outlets at any location outside of the Protected Territory regardless of the proximity to your Outlet;
2. to use the Marks and the System to sell any products and services, similar to those which you will sell, through any alternative channels of distribution within or outside of the Protected Territory. This includes, but is not limited to, locations such as television, mail order, catalog sales, telemarketing, wholesale to unrelated Outlets, over the Internet, or other direct marketing sales. We exclusively reserve the Internet as a channel of distribution for us, and you may not independently market on the Internet or conduct e-commerce. We will not pay you for soliciting or accepting orders via the Internet from inside your Protected Territory;
3. to purchase or be purchased by, or merge or combine with, any business, wherever located, including a business that competes directly with your Outlet;
4. to implement multi-area marketing programs which may allow us or others to solicit or sell to customers anywhere. We also reserve the right to issue mandatory policies to coordinate such multi-area marketing programs; and

5. to use alternative channels of distribution to make sales within your Protected Territory of products or services under trademarks different from the Trademarks you will use under the Franchise Agreement, but we and our affiliates have not yet made any sales of this type.

6. to acquire or be acquired by a company establishing businesses identical or similar to your Outlet, even if the other business operates, franchises, and/or licenses competitive businesses anywhere, including in close proximity to your Outlet.

You may not use alternative distribution channels to make sales outside or inside your Territory without our prior written consent, which we may withhold for any reason or no reason.

The remainder of this page is left blank intentionally.

Item 13. TRADEMARKS

Disc Replay Franchisees

We grant you the right to operate a business under our Marks, including the name “Disc Replay.” You may also use our other current or future Marks as we may designate to operate your Business. You must indicate, as required in the Franchise Agreement and specified in the Manual, that you are an independent operator of the Outlet and shall use the appropriate trademark and copyright marks as indicated by us.

The following trademarks were registered on the Principal Register of the United States Patent and Trademark Office (“USPTO”). We have filed all required affidavits and renewals.

| <u>Word Mark</u> | <u>Registration No.</u> | <u>Registration Date</u> |
|-------------------|-------------------------|--------------------------|
| DISC REPLAY | 3,862,481 | October 19, 2010 |
| SUPER MEGA REPLAY | 4,351,386 | June 11, 2013 |

Super Mega Replay Franchisees

We grant you the right to operate a business under our Marks, including the name “Super Mega Replay.” You may also use our other current or future Marks as we may designate to operate your Business. You must indicate, as required in the Franchise Agreement and specified in the Manual, that you are an independent operator of the Outlet and shall use the appropriate trademark and copyright marks as indicated by us.

In 2 markets (Bloomington, Indiana and Ft. Wayne, Indiana), Outlets that are identical to the “Disc Replay Outlet” except they are larger, operate under the name “MEGA REPLAY.” We do not have a state or federal registration for the name “MEGA REPLAY.” By not having a federally registered trademark for this Mark, we do not have certain presumptive legal rights granted by a registration.

You must use all trade names, trademarks, service marks, logotypes and commercial symbols in full compliance with rules established by the Company. You are prohibited from using any name or mark as part of your corporate name or with a prefix, suffix or from modifying words, terms, designs or symbols which may form a part of any of our Marks. In addition, you may not use any of our Marks in connection with the sale of any unauthorized products or services or in any other manner not explicitly authorized by us in writing.

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

interference, opposition, or cancellation proceedings involving any of the above-referenced Trademarks. There are no agreements currently in effect that significantly limit our rights to use or license the use of the Trademarks listed in this section in a manner material to you.

In central Michigan some franchisees operate under the trade name “Disc Traders”. Previously an independent store with an infringing name to the Disc Replay trademark existed. That store has since closed. New franchisees opening in mid-Michigan will have the option of using the Disc Traders or Disc Replay name.

There are no infringing uses, prior rights, or superior previous rights known to us that can materially affect your use of the Trademarks in this state of any other state in which the franchised business is to be located. There is no pending material federal or state court litigation regarding our use or ownership rights in any Trademark.

If there is any infringement of, or challenge to, your use of any of the Marks, you must immediately notify us and we will take such action as we deem appropriate in our sole discretion.

If we determine, in our sole discretion, that it is advisable to modify or discontinue the use of any of the Marks and/or it is advisable to use one or more additional trademarks, service marks, logo types or other commercial symbols, you must do so, and we will be under no obligation whatsoever to reimburse you for any of your costs in complying with this obligation.

You must not directly or indirectly contest our right to use the Marks, or our trade secrets or techniques.

We are not required to defend you against any claim of infringement, unfair competition or any other similar claim respecting your use of the Marks, nor are we obligated to indemnify you or reimburse you for any damages for which you are held liable in connection with any such claim, nor are we obligated to reimburse you for any court costs or attorneys' fees incurred by you in the defense of any such claim.

The Franchise Agreement does not require us to participate in your defense and/or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving a trademark licensed by us to you, or if the proceeding is resolved unfavorably to you.

The remainder of this page is left blank intentionally.

Item 14. PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

There are no patents or copyrights material to the franchise. However, you must operate your Outlet in accordance with our standards, specifications, policies and procedures as set forth in the Operations Manual or as otherwise communicated to you. Updates to your Operations Manual are generally furnished in the form of news bulletins. The Operations Manual is described in Item 11. We have not filed an application for copyright registration of the Operations Manual; however, we claim a copyright and assert that the information in the Operations Manual is proprietary. You must treat the information contained in this Operations Manual and any other manuals or supplemental materials supplied by us as confidential. The Operations Manual is our property and you may not duplicate, copy, disclose or disseminate the contents of the Operations Manual at any time, without our prior written consent. We have the right to modify or supplement the Operations Manual upon notice or delivery to you. You must keep the Operations Manual current at all times, and upon the termination or non-renewal of your franchise return all Operations Manuals to us.

You may not divulge or use any confidential information concerning our methods or procedures during or after the term of the Franchise Agreement. Information made available to you may not be divulged to any person other than your employees who reasonably need access to such information for purposes of fulfilling their employment responsibilities. All employees to whom the information is made available shall be informed of this obligation of confidentiality.

Upon our request, each manager and any other employee who has access to any confidential information must sign a written agreement (on our standard form) imposing an obligation of confidentiality regarding the Operations Manual or other confidential information. If you are a corporation, limited liability company, limited partnership or other entity, we may require your shareholders, members, partners and owners to sign a similar written agreement.

The remainder of this page is left blank intentionally.

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

We do not require you to personally participate in the operation of your Outlet. However, your Outlet must at all times be under the direct, supervision of a manager who has satisfactorily completed the initial training course and devotes his or her full business time, energy and effort to the management and operation of your Outlet. The manager cannot have any interest or business relationship with any of our competitors. The manager is not required to have an ownership interest in a corporate or partnership franchise.

The manager must sign a written agreement to maintain confidentiality of the trade secrets described in Item 14 and to refrain from competing as described in Item 17.

You and your spouse, or, if you are a corporation, limited liability company or other entity, then each person owning an equity or voting interest in the entity, and his or her spouse must sign the Guaranty of Franchise Agreement attached to the Franchise Agreement.

Item 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

We require that you sell only those products and services that we have approved in writing. We have the right to change the types of authorized goods and services in our sole discretion, and there is no limit on our right to make changes. Your inventory is used and is purchased from the customers in your territory as well as from other approved sources. You must offer all the products and services designated as required to be sold by all franchisees. You must at all times maintain an inventory of approved goods sufficient in quantity and type to realize the full potential of your Outlet's location. You are not restricted as to the customers you may serve in your territory. You are prohibited from using the premises for any purpose other than the operation of a Disc Replay Outlet or a Super Mega Replay Outlet.

You may not discriminate in your dealings with clients (in the services or products you provide) on the basis of race, color, religion, age, sex, sexual orientation, gender identity, marital status, national origin or disability, and you must comply with our antidiscrimination standards.

Item 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

This table lists certain important provisions of the Franchise Agreement. You should read these provisions in the agreements attached to this Disclosure Document.

THE FRANCHISE RELATIONSHIP

| | Provision | Section in Franchise Agreement | Summary For Franchise Agreement |
|---|------------------------------------------------|---------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| a | Length of the franchise term | Section 3 | 20 years. |
| b | Renewal or extension of term | Section 3 | If you are in good standing you can add additional terms of 15 years. |
| c | Requirements for Franchisee to renew or extend | Section 3 | Sign new agreement, be current in payments, and pay the Renewal Fee. You may be asked to sign a new Franchise Agreement with materially different terms and conditions than your original contract, but the royalty fee will not be greater than the royalty fee that we then impose on similarly-situated renewing franchisees |
| d | Termination by Franchisee | Section 13.01 | Default by us. |
| e | Termination by Franchisor with cause | Section 13.02 | We can terminate if you commit any one of several violations. |
| f | Termination by Franchisor without cause | Not applicable | Not applicable. |
| g | “Cause” defined – Curable defaults | Section 13.01(a) | You have 10 days to cure non-payment of fees, and 30 days to cure other curable defaults, including failure to comply with the System, and other obligations, failure to comply with federal, state or local laws or regulations. |
| H | “Cause” defined – Non-curable defaults | Section 13.01(b) | Non-curable defaults include misrepresentation by you, failure to complete initial training, bankruptcy, insolvency, or appointment of receiver, repeated defaults even if cured, abandonment, trademark misuses and unapproved transfers. (Termination upon bankruptcy may not be enforceable under U.S. Bankruptcy Law.) |

| | Provision | Section in Franchise Agreement | Summary For Franchise Agreement |
|---|------------------------------------------------------------------------|---------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| i | Franchisee's obligations on termination/nonrenewal | Sections 13.03, 13.04 | Obligations include complete deidentification, non-competition and payment of amounts due. |
| J | Assignment of contract by Franchisor | Section 14 | No restriction on our right to assign. |
| K | "Transfer" by Franchisee – definition | Section 14.03 | Includes transfer of contract or assets or ownership change. |
| L | Franchisor's approval of transfer by Franchisee | Section 14.04-14.06 | We have the right to approve all transfers but will not unreasonably withhold approval. |
| M | Conditions of approval of transfer | Section 14.04 | New Franchisee qualifies, Transfer Fee paid, purchase agreement approved, training arranged, release signed by you, either transferor's existing franchise agreement assumed, or then-current new franchise agreement signed by new Franchisee (at our option), the Outlet must be remodeled to current standards. |
| N | Franchisor's right of first refusal to acquire Franchisee's Business. | Section 14.07 | We can match any offer for your Business. |
| O | Franchisor's option to purchase Franchisee's Business | Section 14.07 | We may purchase your inventory and equipment at fair market value if franchise is terminated for any reason. |
| P | Death or disability of Franchisee | Section 14.06 | Franchise must be assigned by estate to approved buyer within 120 days. |
| Q | Non-competition covenants during the term of franchise | Section 16.01 | No involvement in competing business Anywhere in U.S. |
| R | Non-competition covenants after the franchise is terminated or expires | Section 16.01 | No competing business for 2 years within 50 miles from the boundary of your Protected Territory or from another Disc Replay or Super Mega Replay franchise, or company-owned Outlet (including after assignment). |
| S | Modification of agreement | Sections 7.04, 8.09 | No modifications generally but Manual subject to change. |
| T | Integration/merger clause | Section 19.01 | Only the terms of the Franchise Agreement are binding (subject to state law). Any other promises may not be enforceable. |
| U | Dispute resolution by arbitration or Mediation | Section 16 | Except for certain claims, all disputes must be mediated and then arbitrated. |

| | Provision | Section in Franchise Agreement | Summary For Franchise Agreement |
|---|-----------------|--------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| V | Choice of forum | Section 17.06 | Arbitration and actions for injunctive relief, claims based on the Marks, or on covenants not to compete must be in the State of Arizona (subject to applicable state law) |
| W | Choice of law | Section 17.04 | Arizona law applies (subject to applicable state law). |

Item 18. PUBLIC FIGURES

The Company does not use any public figure to promote its 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 Disc Replay or Super Mega Disc Replay Outlets. We also do not authorize our employees or representatives to make the representations either orally or in writing. If you are purchasing an existing Disc Replay or Super Mega Disc Replay Outlet, however, we may provide you with the actual records of that Disc Replay or Super Mega Disc Replay Outlet. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting John Chesny, President, DiscReplay Worldwide, Inc., 18287 N. 98th Way, Scottsdale, AZ 85255, phone (702-927-4088), the Federal Trade Commission and any appropriate state regulatory agencies (See Exhibit A).

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Item 20. OUTLETS AND FRANCHISE INFORMATION

The first 5 tables are for Disc Replay Stores; following those 5 tables are the tables for the Super Mega Replay Stores.

Table No. 1

**SYSTEMWIDE OUTLET SUMMARY
2020, 2021, and 2022***

| OUTLET TYPE | YEAR | OUTLETS AT THE START OF THE YEAR | OUTLETS AT THE END OF THE YEAR | NET CHANGE* (+ or -) |
|----------------------|-------------|-----------------------------------------------------|-----------------------------------------------|---------------------------------|
| Franchised | 2020 | 30 | 29 | -1 |
| | 2021 | 29 | 29 | 0 |
| | 2022 | 29 | 29 | 0 |
| Company Owned | 2020 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 |
| | 2022 | 0 | 0 | 0 |
| Total Outlets | 2020 | 30 | 29 | -1 |
| | 2021 | 29 | 29 | 0 |
| | 2022 | 29 | 29 | 0 |

* Figures for each year are as of December 31.

Table No. 2

TRANSFER OF OUTLETS FROM FRANCHISEES TO NEW OWNERS**2020, 2021, and 2022***

| STATE | YEAR | NUMBER OF TRANSFERS |
|-----------------|-------------|----------------------------|
| Illinois | 2020 | 0 |
| | 2021 | 0 |
| | 2022 | 0 |
| Indiana | 2020 | 1 |
| | 2021 | 0 |
| | 2022 | 0 |
| Michigan | 2020 | 0 |
| | 2021 | 1 |
| | 2022 | 0 |
| Totals | 2020 | 1 |
| | 2021 | 1 |
| | 2022 | 0 |

* Figures for each year are as of December 31.

Table No. 3
STATUS OF FRANCHISED OUTLETS 2020, 2021, and 2022*

| <u>STATE</u> | <u>YEAR</u> | <u>OUTLETS AT START OF YEAR</u> | <u>NEW OUTLETS OPENED</u> | <u>OUTLETS ACQUIRED FROM FRANCHISOR</u> | <u>TERMINA- TIONS</u> | <u>NON- RENEWALS</u> | <u>REACQUIRED BY FRANCHISOR</u> | <u>CEASED OPERATIONS- OTHER REASONS</u> | <u>OUTLETS AT END OF THE YEAR</u> |
|---------------------|--------------------|----------------------------------------------------|------------------------------------------|------------------------------------------------------------|----------------------------------|---------------------------------|--------------------------------------------|------------------------------------------------------------|--------------------------------------------------|
| Illinois | 2020 | 6 | 0 | 0 | 0 | 0 | 0 | 2 | 4 |
| | 2021 | 4 | 0 | 0 | 0 | 0 | 0 | 1** | 3 |
| | 2022 | 3 | 0 | 0 | 0 | 0 | 0 | 0 | 3 |
| Indiana | 2020 | 11 | 0 | 0 | 0 | 0 | 0 | 0 | 11 |
| | 2021 | 11 | 1** | 0 | 0 | 0 | 0 | 0 | 12 |
| | 2022 | 12 | 0 | 0 | 0 | 0 | 0 | 0 | 12 |
| Iowa | 2020 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| Kentucky | 2020 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| Michigan | 2020 | 11 | 0 | 0 | 0 | 0 | 0 | 0 | 11 |
| | 2021 | 11 | 0 | 0 | 0 | 0 | 0 | 0 | 11 |
| | 2022 | 11 | 0 | 0 | 0 | 0 | 0 | 0 | 11 |
| Ohio | 2020 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| Totals | 2020 | 30 | 1 | 0 | 0 | 0 | 0 | 2 | 29 |
| | 2021 | 29 | 1 | 0 | 0 | 0 | 0 | 1 | 29 |
| | 2022 | 29 | 0 | 0 | 0 | 0 | 0 | 0 | 29 |

Disc Replay

* Figures for each year are as of December 31.

** This franchisee closed their Illinois location and relocated to Indiana

Table No. 4

STATUS OF COMPANY OWNED OUTLETS

2020, 2021, and 2022*

| <u>STATE</u> | <u>YEAR</u> | <u>OUTLETS AT START OF YEAR</u> | <u>OUTLETS OPENED</u> | <u>OUTLETS REACQUIRED FROM FRANCHISEES</u> | <u>OUTLETS CLOSED</u> | <u>OUTLETS SOLD TO FRANCHISEE S</u> | <u>OUTLETS AT END OF THE YEAR</u> |
|--------------|-------------|---------------------------------------------|---------------------------|--------------------------------------------------------|---------------------------|-------------------------------------------------|-------------------------------------------|
| Indiana | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2022 | 0 | 0 | 0 | 0 | 0 | 0 |
| Totals | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2022 | 0 | 0 | 0 | 0 | 0 | 0 |

*Figures for each year are as of December 31.

Table No. 5

PROJECTED OPENINGS AS OF JANUARY 1, 2023

| Column 1 STATE | Column 2 FRANCHISE AGREEMENTS | Column 3 PROJECTED FRANCHISED | Column 4 PROJECTED COMPANY |
|-----------------------|-----------------------------------------|-----------------------------------------|--------------------------------------|
| Illinois | 0 | 1 | 0 |
| Indiana | 0 | 0 | 0 |
| Kentucky | 0 | 0 | 0 |
| Michigan | 0 | 0 | 0 |
| Ohio | 0 | 0 | 0 |
| All Other | 0 | 0 | 0 |
| TOTALS | 0 | 1 | 0 |

The following 5 tables are for the Super Mega Replay Stores.

Table No. 1

SYSTEMWIDE OUTLET SUMMARY
2020, 2021, and 2022*

| OUTLET TYPE | YEAR | OUTLETS AT THE START OF THE YEAR | OUTLETS AT THE END OF THE YEAR | NET CHANGE* (+ or -) |
|----------------------|-------------|-----------------------------------------------------|-----------------------------------------------|--------------------------------------|
| Franchised | 2020 | 1 | 1 | 0 |
| | 2021 | 1 | 1 | 0 |
| | 2022 | 1 | 1 | 0 |
| Company Owned | 2020 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 |
| | 2022 | 0 | 0 | 0 |
| Total Outlets | 2020 | 1 | 1 | 0 |
| | 2021 | 1 | 1 | 0 |
| | 2022 | 1 | 1 | 0 |

* Figures for each year are as of December 31.

Table No. 2

TRANSFER OF OUTLETS FROM FRANCHISEES TO NEW OWNERS
2020, 2021, and 2022*

| STATE | YEAR | NUMBER OF TRANSFERS |
|------------------------------|-------------|----------------------------|
| All States and Totals | 2020 | 0 |
| | 2021 | 0 |
| | 2022 | 0 |

* Figures for each year are as of December 31.

Table No. 3
STATUS OF FRANCHISED OUTLETS
2020, 2021, and 2022*

| <u>STATE</u> | <u>YEAR</u> | <u>OUTLETS AT START OF YEAR</u> | <u>NEW OUTLETS OPENED</u> | <u>OUTLETS ACQUIRED FROM FRANCHISOR</u> | <u>TERMIN- ATIONS</u> | <u>NON- RENEWALS</u> | <u>REACQUIRED BY FRANCHISOR</u> | <u>CEASED OPERATIONS- OTHER REASONS</u> | <u>OUTLETS AT END OF THE YEAR</u> |
|----------------|-------------|-----------------------------------------|-----------------------------------|-----------------------------------------------------|---------------------------|--------------------------|-----------------------------------------|-----------------------------------------------------|-----------------------------------------------|
| Indiana | 2020 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| Totals | 2020 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |

* Figures for each year are as of December 31.

Table No. 4

STATUS OF COMPANY OWNED OUTLETS

2020, 2021, and 2022*

*Figures for each year are as of December 31.

| <u>STATE</u> | <u>YEAR</u> | <u>OUTLETS AT START OF YEAR</u> | <u>OUTLETS OPENED</u> | <u>OUTLETS REACQUIRED FROM FRANCHISEES</u> | <u>OUTLETS CLOSED</u> | <u>OUTLETS SOLD TO FRANCHISEES</u> | <u>OUTLETS AT END OF THE YEAR</u> |
|---------------------|--------------------|--------------------------------------------------------|----------------------------------|---------------------------------------------------------------|----------------------------------|---------------------------------------------------|--------------------------------------------------|
| Indiana | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2022 | 0 | 0 | 0 | 0 | 0 | 0 |
| Totals | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2022 | 0 | 0 | 0 | 0 | 0 | 0 |

Table No. 5

PROJECTED OPENINGS AS OF JANUARY 1, 2023

| Column 1 | Column 2 | Column 3 | Column 4 |
|-----------------|--------------------------------------------------------------------|--------------------------------------------------------------------------|------------------------------------------------------------------------|
| STATE | FRANCHISE AGREEMENTS SIGNED BUT OUTLET NOT | PROJECTED FRANCHISED OUTLETS IN NEXT FISCAL YEAR | PROJECTED COMPANY OWNED OUTLETS IN NEXT FISCAL |
| All States | 0 | 0 | 0 |
| TOTALS | 0 | 0 | 0 |

Attached as Exhibit E is a list of names, addresses and telephone numbers of all of our current franchisees (29) and company or affiliate-owned (0) outlets as of December 31, 2022.

Attached as Exhibit F is a list containing the name, city and state and the current business telephone number (or if unknown, the last known home telephone number) of franchisees who have 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 have not communicated with us within 10 weeks of the date of this offering (0). If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

There have been no agreements containing confidentiality clauses signed with franchisees in the last 3 fiscal years. We have not created, sponsored, or endorsed any franchisee associations. There are no franchisee associations that have asked to be disclosed in our Franchise Disclosure Document.

Item 21. FINANCIAL STATEMENTS

Exhibit B contains our audited financial statements for the periods ended December 31, 2022, December 31, 2021, and December 31, 2020. The Franchisor's fiscal year end is December 31.

The remainder of this page is left blank intentionally.

Item 22. CONTRACTS

Copies of all proposed agreements regarding the franchise offering are attached. These include the following:

Franchise Agreement (Exhibit C) with the following Exhibits:

Authorization Agreement for Pre-Authorized Payment Service
Collateral Assignment of Telephone Numbers, Addresses, and Listings
Lease Assignment Agreement
Guaranty of Franchise Agreement
Rider for Super Mega Replay franchise

Exhibit D – Compliance Questionnaire

Certain states may require amendment to the foregoing agreements. Such amendments are attached to and form part of this documents Exhibit H.

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

Item 23. RECEIPTS

You will find copies of a detachable receipt at the very end of this Disclosure Document.

EXHIBIT A
LIST OF STATE AGENCIES

Listed below are the names, addresses and telephone numbers of the state agencies having responsibility for franchising disclosure/registration laws.

Illinois

Office of the Attorney General
Franchise Division
500 S. 2nd St.
Springfield, IL 62701-1771
(217) 782-4465

Indiana

Indiana Securities Division
Franchise Section
302 W. Washington St., Rm. E111
Indianapolis, IN 46204-2738
(317) 232-6681

Michigan

Michigan Attorney General
Consumer Protection Division
PO Box 30213
Lansing, MI 48909-7713
(517) 373-7117

List of Agents for Service of Process

Illinois

Illinois Attorney General
500 South Second Street
Springfield, IL 62701

Indiana

Secretary of State
201 State House
200 W. Washington Street
Indianapolis, IN 46204

Michigan

Michigan Corporation & Securities Bureau
Department of Commerce
6546 Mercantile Way
Lansing, MI 48911

EXHIBIT B
FINANCIAL STATEMENTS

Exhibit B contains our audited financial statements for the periods ended December 31, 2022, December 31, 2021, and December 31, 2020.

Disc Replay Worldwide, Inc

Financial Statements
And
Independent Auditor's Report

Years ended December 31, 2022 and December 31, 2021

Grant Cooper CPA

115 N First, Dekalb IL
(815) 756 4440

INDEPENDENT AUDITORS REPORT

To the Board of Directors and Shareholder of
Disc Replay Worldwide, Inc.
Naples, Florida

I have audited the accompanying financial statements of Disc Replay Worldwide, Inc., an S corporation, which comprise the balance sheets as December 31, 2022 and December 31, 2021 and the related statements of earnings, retained earnings and cash flows for the years then ended and the related notes to the financials.

Management's Responsibility for the Financial Statement

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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

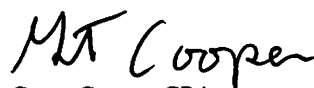
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United State of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, where 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 statement 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, I 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 statement.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of Disc Replay Worldwide, Inc. as of December 31, 2022 and 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.



Grant Cooper CPA
Dekalb Illinois
April 25, 2023

Disc Replay Worldwide Inc

Balance Sheets

December 31, 2022 and 2021

| | 2022 | 2021 |
|-------------------------------------|-------------------|-------------------|
| Assets | | |
| Current assets | | |
| Cash - US Bank | \$ 127,930 | \$ 37,214 |
| Uncollected Royalties | 128,604 | 330,515 |
| Total current assets | <u>256,534</u> | <u>367,729</u> |
| Other assets | | |
| Deposit Professional | 70,000 | 70,000 |
| Total other assets | <u>70,000</u> | <u>70,000</u> |
| Total assets | <u>\$ 326,534</u> | <u>\$ 437,729</u> |
| Liabilities and Equity | | |
| Current liabilities | | |
| Accounts Payable | \$ 30,000 | \$ 30,000 |
| Payroll Liabilities | 16,317 | 1,708 |
| Credit Card | 757 | 3,205 |
| Total Current Liabilities | <u>47,074</u> | <u>34,913</u> |
| Equity | | |
| Capital Stock | 1,000 | 1,000 |
| Retained earnings | 278,459 | 401,814 |
| Total equity | <u>279,460</u> | <u>402,816</u> |
| Total liabilities and equity | <u>\$ 326,534</u> | <u>\$ 437,729</u> |

See Auditors Report and accompanying Financial Statement Notes

Disc Replay Worldwide Inc

Income Statements

For the years ended December 31, 2022 and 2021

| | 2022 | 2021 |
|-------------------------------|--------------------------|--------------------------|
| Operating revenue | | |
| Royalty Revenue | \$ 1,052,616 | \$ 1,024,882 |
| Total income | <u>1,052,616</u> | <u>1,024,882</u> |
| Gross profit | 1,052,616 | 1,024,882 |
| Operating expenses | | |
| Bank Fees | 0 | 60 |
| Meals and Entertainment | 2,927 | 4,736 |
| Miscellaneous Expense | 0 | 284 |
| Payroll Expenses | 21,900 | 23,038 |
| Professional Fees | 34,853 | 17,757 |
| Officer Wages | 128,700 | 128,700 |
| Salaries & Wages | 137,218 | 127,903 |
| Telephone | 6,529 | 5,369 |
| Rent Expense | 30,000 | 2,500 |
| Office Expense | 2,286 | 3,643 |
| Travel Expense | 11,559 | 24,228 |
| Income from operations | <u>676,644</u> | <u>686,664</u> |
| Other income | | |
| PPP Revenue | 0 | 46,182 |
| Total other income | <u>0</u> | <u>46,182</u> |
| Net income (loss) | \$ <u><u>676,644</u></u> | \$ <u><u>732,846</u></u> |

See Auditors Report and accompanying Financial Statement Notes

Disc Replay Worldwide Inc

Statements of Cash Flow For the years ended December 31, 2022 and 2021

| | 2022 | 2021 |
|-----------------------------------------------------|--------------------------|-------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income/(loss) | \$ 676,643 | \$ 732,843 |
| Decrease/(increase) in accounts receivable | 201,911 | (220,010) |
| Increase/(decrease) in other current liabilities | 12,161 | (2,634) |
| Net cash provided by (used in) operating activities | <u>890,715</u> | <u>510,199</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Net cash provided by (used in) investing activities | <u>0</u> | <u>0</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Distributions to owners | (799,999) | (557,174) |
| Net cash provided by (used in) financing activities | <u>(799,999)</u> | <u>(557,174)</u> |
| Net increase/(decrease) in cash | 90,716 | (46,975) |
| Cash at beginning of period | <u>37,214</u> | <u>84,189</u> |
| Cash at end of period | \$ <u><u>127,930</u></u> | \$ <u><u>37,214</u></u> |

Disc Replay Worldwide Inc

Statements of Retained earnings

For the years ended December 31, 2022 and 2021

| | 2022 | 2021 |
|------------------------------|------------------|------------------|
| Retained Earnings, Beginning | \$ 401,084 | \$246,145 |
| Net Income (Loss) | 676,644 | 732,846 |
| Distributions | <u>(800,000)</u> | <u>(577,177)</u> |
| Retained Earnings, Ending | <u>\$278,459</u> | <u>\$401,814</u> |

See Auditors Report and accompanying Financial Statement Notes

Disc Replay Worldwide Inc
Notes to the Financial Statement
December 31, 2022 and 2021

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

Company's Activities

Disc Replay Worldwide, Inc. (the "Company") was organized in Illinois as an S Corporation and began operations in July 31, 2007. The Company operates as a franchisor specializing in the sale of pre-owned video games, systems and related items in the Midwest, specifically in Iowa, Ohio, Illinois, Indiana, Kentucky and Michigan. The stores go by the names Disc Replay or Super Mega Replay. There is currently only one Super Mega Replay.

Use of Estimates

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

Date of Management's Review

Management has evaluated subsequent events through April 25, 2023, which is the date the financial statements were available to be issued.

Cash

The Company classifies all bank deposits as cash.

Income Taxes

The Company is treated as an S Corporation for federal income tax purposes. As a result, shareholders are taxed on the Company's taxable income for federal tax purposes. The Company was subject to a similar provision under the Florida income tax law for 2022 and Arizona for 2021. Consequently, responsibility for all federal and state income tax (if any) is passed through to the shareholder. Therefore, no provision or liability for federal income taxes has been included in the financial statements. No deferred taxes for temporary differences between the carrying

amounts of assets and liabilities reported for financial and tax purposes are provided in the accompanying statements, as the effect is immaterial.

The Company's accounting policy for evaluating uncertain tax positions is to review all tax positions at least annually to determine whether the recording of a liability, including interest and penalties, or additional financial statement disclosure is necessary. The Company would record such liability when it is probable that a loss had been incurred and the amount could be reasonably estimated and would account for any potential interest or penalties related to possible future liabilities for unrecognized income tax benefits as other expenses. Management does not believe the company has any significant unrecognized income tax benefits for the years ended December 31, 2022 and 2021. Management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law, and new authoritative rulings. Generally, the Internal Revenue Service can include returns within the last three years in an audit. If a substantial error were to be identified, the audit could be expanded to include up to six of the proceeding years.

Advertising

The company expenses advertising costs as they are incurred. Advertising expense for the years ended December 31, 2022 and 2021 was \$0 and \$0, respectively.

Revenue Recognition

The company primarily receives revenues thru selling of a franchise or ongoing monthly royalties typically based on sales.

In May 2014, the Financial Standards Board ("FASB") issued Accounting Standards Update ("ASU") No 2014-09, "Revenue from Contracts with Customers (Topic 606) along with amendments issued in 2015 and 2016. During the first quarter 2019, the Company adopted this new revenue standard using the modified retrospective method applied to those contracts which were not completed as of December 30, 2018. The company had no contracts that were not completed as of December 30, 2018. Results for reporting periods beginning after December 30, 2018 are presented under the new revenue standard, while prior period amounts are not adjusted and continue to be reported in accordance with historic Accounting Standards Codifications ("ASC") Topic 605. The impact of adopting the new standard had no impact on the consolidated financial statements.

Revenue is recognized when performance obligations under the terms of the contracts with their customers is satisfied; generally, this occurs with the transfer of control of merchandise or services. Revenue is measured as the amount of consideration we expect to receive in exchange for transferring good or providing services.

The Company does not provide merchandise to its franchisees or typically charge or incur use or sales tax.

The Company sold no new stores or has any deposits for new stores in 2022 and 2021.

The Company has two sources of income: Royalties and Franchise license fees.

Royalties:

The company receives monthly royalties based as a percentage of franchisee gross sales. Monthly sales vary as does the corresponding royalty paid. The royalties represent revenue for the month and no additional service or commitments are expected to be incurred. These royalty revenues are recorded as revenue monthly.

Franchise:

When a new Franchise is sold or occurs, it is anticipated that the revenue will be recognized over the term of the contract in compliance with current recognition rules. Prior to 2019 revenue was recognized when all initial services were performed for a new franchise. This could include training and assistance in opening the store. There have been no renewals in 2022 or 2021. Franchise fees are typically paid at contract inception.

The following table provides a summary of revenue by sales categories:

| | 2022 | 2021 |
|-----------------|--------------------|--------------------|
| Franchise sales | - 0 - | - 0 - |
| Royalties | <u>\$1,052,616</u> | <u>\$1,024,882</u> |
| | <u>\$1,052,616</u> | <u>\$1,024,882</u> |

Royalties Receivable

Royalties receivable are calculated monthly and are due within 30 days of month end. When applicable, the carrying amount of royalties is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. Management individually reviews all royalties' receivable that exceed 90 days from the month end and based on an assessment of current creditworthiness, estimates the portion, if any, that will not be collected. There were no amounts greater than 90 days on December 31, 2022 and 2021. No allowance was necessary as management deemed all royalties' collectible on December 31, 2022 and 2021.

NOTE B — Concentrations

The Company's financial instruments subject to credit risk are primarily cash and royalties' receivable. The Company averts its risk by depositing its excess cash only in high quality financial institutions. Generally, the Company does not require collateral to support royalties' receivable. Management believes any risk of loss is significantly reduced by the close working relationship developed with its franchisees.

The Company maintains its cash in a non-interest-bearing checking account at a National Bank. The checking account is guaranteed up to a maximum of \$250,000 by the Federal Deposit Insurance Corporation ("FDIC") program. The Company has not experienced any loss in this account as of December 31, 2022 and 2021 and does not believe that a significant credit risk exists at this time.

NOTE C - Franchise Stores

The Company has 30 stores "0" of which were closed in 2022 and "0" closed in 2021. The Company added "0" Stores in 2022 and "0" stores in 2021. The stores are located in Illinois, Ohio, Indiana, Michigan, Iowa and Kentucky.

The Company does allow stores to relocate, and one relocation occurred in both 2021 and 2022. With relocation all terms of the original franchise agreement stay intact, and no additional fees charged or services provided.

29 Stores operate under the trade names Disc Replay. One store operates under the trade name Super Mega Replay.

NOTE D- Rental Commitment

The Company has its location in Naples, Florida effective January 1, 2022. It is currently operated out of a location owned by John Chesny, Sole Shareholder, and no rent was charged for the year of 2022 or is anticipated for 2023. There is no lease or amounts due for such.

The Company is anticipating moving it's location to Scottsdale, Arizona during 2023. There is currently no lease or amounts due for such.

The Company was located in Scottsdale, Arizona for the year of 2021 and 2020 and was operated in a location owned by John Chesny, Sole Shareholder, and no rent was charged.

The Company maintains a corporate remote location in Carmel, Indiana on a month-to-month lease and rents from John Chesny for \$2,500 a month. Lease can end with no notice or penalty.

There are no current lease obligations for the next 5 years ending 2026.

NOTE E – Related Party Transactions

The office location in Scottsdale, Arizona, Naples Florida and Carmel Indiana have been provided from John Chesny, Sole Shareholder.

John Chesney has a fifty percent ownership interest in 16 franchised stores.

NOTE F - Significant Event

A deposit and total payment of \$70,000 has been made for software development for a computer system to assist franchisees on the store level. There is no requirement for future payments. If the software is used there would be a fee of approximately \$210 per franchise store. Management is anticipating charging franchises who utilize this software a fee equal to \$210. No franchisee is required to use the software.

There was no implementation of the software as of December 31, 2022 as it is still in development. The software support will last for approximately 84 months from implementation.

Management may at any time discontinue use of the vendor and incur no obligation. The obligation would be \$“0” for each of the next five years.

NOTE G – PPP Loans and accounting treatment.

A PPP loan for \$39,760 was applied for and received in April 20, 2020. A second PPP loan for \$46,182 was applied for and received in February 10, 2021. The PPP loans are from the SBA and maybe forgiven tax free if certain conditions are met. Principally that the money be used towards certain types of expenses such as payroll. The business is still allowed to deduct the expense =for tax purposes and the loan acts like other income. Management believed that they would qualify to have the loan forgiven and received notice of such on Dec 10, 2020 and Feb 11,2021

The PPP loans acts more like a grant/other income despite its name. Management elected to analogize to IAS 20, accounting for Government Grants and Disclosures Assistance.

Under such revenue is recognized as the conditions are fulfilled if any to obtaining the grant.

Management does not believe they have any further obligation and have complied with the SBA guidelines for the PPP loans. The PPP loans are being taken in as income and incurred no expenses outside normal operations to generate the income. There was no interest paid on the SBA loans. SBA does have the right to review forgiven loans.

NOTE I – Covid Virus

Management does not believe operations were significantly affected in 2022 or 2021. It does not currently see its business being materially impacted in 2023.

Disc Replay Worldwide, Inc

Financial Statements
And
Independent Auditor's Report

Years ended December 31, 2021 and December 31, 2020

Grant Cooper CPA
115 N First, Dekalb IL
(815) 756 4440

INDEPENDENT AUDITORS REPORT

To the Board of Directors and Shareholder of
Disc Replay Worldwide, Inc.
Naples, Florida

I have audited the accompanying financial statements of Disc Replay Worldwide, Inc., an S corporation, which comprise the balance sheets as December 31, 2021 and December 31, 2020 and the related statements of earnings, retained earnings and cash flows for the years then ended and the related notes to the financials.

Management's Responsibility for the Financial Statement

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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

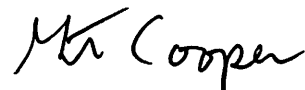
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United State of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, where 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 statement 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, I 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 statement.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of Disc Replay Worldwide, Inc. as of December 31, 2021 and December 31, 2020, 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.



Grant Cooper CPA
Dekalb Illinois
April 26, 2022

Disc Replay Worldwide Inc

Balance Sheets

December 31, 2021 and 2020

| | 2021 | 2020 |
|-------------------------------------|-------------------|-------------------|
| Assets | | |
| Current assets | | |
| Cash | \$ 37,214 | \$ 84,188 |
| Accounts Receivable | 330,515 | 110,505 |
| Total current assets | <u>367,728</u> | <u>194,693</u> |
| Other assets | | |
| Other assets | 70,000 | 70,000 |
| Total other assets | <u>70,000</u> | <u>70,000</u> |
| Total assets | <u>\$ 437,728</u> | <u>\$ 264,693</u> |
| Liabilities and Equity | | |
| Current liabilities | | |
| Accounts payable - trade | \$ 30,000 | \$ 30,000 |
| Other current liabilities | 4,914 | 7,548 |
| Total current liabilities | <u>34,914</u> | <u>37,548</u> |
| Equity | | |
| Equity | 1,000 | 1,000 |
| Retained earnings | 401,814 | 226,145 |
| Total equity | <u>402,814</u> | <u>227,145</u> |
| Total liabilities and equity | <u>\$ 437,728</u> | <u>\$ 264,693</u> |

See Auditors Report and accompanying Financial Statement Notes

Disc Replay Worldwide Inc

Income Statements

For the years ended December 31, 2021 and 2020

| | 2021 | 2020 |
|---------------------------------|--------------------------|--------------------------|
| Operating revenue | | |
| Sales | \$ 1,024,884 | \$ 739,448 |
| Total operating revenue | <u>1,024,884</u> | <u>739,448</u> |
| Gross profit | 1,024,884 | 739,448 |
| Operating expenses | | |
| Advertising | 0 | 1,440 |
| Meals and entertainment | 4,736 | 670 |
| Miscellaneous | 764 | 344 |
| Wages and Payroll Expenses | 150,940 | 141,698 |
| Rental expenses | 2,500 | 0 |
| Officer Compensation | 128,700 | 150,150 |
| Telephone | 5,369 | 0 |
| Office expenses | 3,226 | 6,938 |
| Professional fees | 17,757 | 24,903 |
| Travel expenses | 24,228 | 0 |
| Total operating expenses | <u>338,220</u> | <u>326,144</u> |
| Income from operations | 686,664 | 413,305 |
| Other income | | |
| PPP Forgiven Loans | 46,182 | 39,670 |
| Total other income | <u>46,182</u> | <u>39,670</u> |
| Net income (loss) | \$ <u><u>732,846</u></u> | \$ <u><u>452,975</u></u> |

See Auditors Report and accompanying Financial Statement Notes

Disc Replay Worldwide Inc
Statements of Cash Flow
For the years ended December 31, 2021 and 2020

2021

2020

CASH FLOWS FROM OPERATING ACTIVITIES

| | | |
|------------------------------------------------------------|-----------------------|-----------------------|
| Net income/(loss) | \$ 732,846 | \$ 452,975 |
| Decrease/(increase) in accounts receivable | (220,010) | 70,657 |
| Decrease/(increase) in other current assets | 0 | 8,000 |
| Increase/(decrease) in other current liabilities | <u>(2,634)</u> | <u>6,298</u> |
| Net cash provided by (used in) operating activities | <u>510,203</u> | <u>537,930</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | | |
|------------------------------------------------------------|----------|----------|
| Net cash provided by (used in) investing activities | 0 | 0 |
|------------------------------------------------------------|----------|----------|

CASH FLOWS FROM FINANCING ACTIVITIES

| | | |
|------------------------------------------------------------|-------------------------|-------------------------|
| Distributions to owners | <u>(557,177)</u> | <u>(561,166)</u> |
| Net cash provided by (used in) financing activities | <u>(557,177)</u> | <u>(561,166)</u> |

| | | |
|----------------------------------------|-------------------------|-------------------------|
| Net increase/(decrease) in cash | (46,974) | (23,235) |
| Cash at beginning of period | <u>84,188</u> | <u>107,423</u> |
| Cash at end of period | \$ <u>37,214</u> | \$ <u>84,188</u> |

See Auditors Report and accompanying Financial Statement Notes

Disc Replay Worldwide Inc

Statements of Retained earnings For the year ended December 31, 2021 and 2020

| | 2021 | 2020 |
|------------------------------|-------------------|-------------------|
| Retained earnings, beginning | \$ 226,145 | \$ 334,336 |
| Net income (loss) | 732,846 | 452,975 |
| Distributions | (557,177) | (631,166) |
| Retained earnings, ending | <u>\$ 401,814</u> | <u>\$ 226,145</u> |

See Auditors Report and accompanying Financial Statement Notes

Disc Replay Worldwide Inc
Notes to the Financial Statement
December 31, 2021 and 2020

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

Company's Activities

Disc Replay Worldwide, Inc. (the "Company") was organized in Illinois as an S Corporation and began operations in July 31, 2007. The Company operates as a franchisor specializing in the sale of pre-owned video games, systems and related items in the Midwest, specifically in Iowa, Illinois, Indiana, Kentucky and Michigan.

Use of Estimates

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

Date of Management's Review

Management has evaluated subsequent events through April 26, 2022, which is the date the financial statements were available to be issued.

Cash

The Company classifies all bank deposits as cash.

Income Taxes

The Company is treated as an S Corporation for federal income tax purposes. As a result, shareholders are taxed on the Company's taxable income for federal tax purposes. The Company was subject to a similar provision under the Arizona income tax law for 2021 and 2020. Consequently, responsibility for all federal and state income tax (if any) is passed through to the shareholder. Therefore, no provision or liability for federal income taxes has been included in the financial statements. No deferred taxes for temporary differences between the carrying amounts of assets and liabilities reported for financial and tax purposes are provided in the accompanying statements, as the effect is immaterial.

See Auditor Report and Financial Statements

The Company's accounting policy for evaluating uncertain tax positions is to review all tax positions at least annually to determine whether the recording of a liability, including interest and penalties, or additional financial statement disclosure is necessary. The Company would record such liability when it is probable that a loss had been incurred and the amount could be reasonably estimated and would account for any potential interest or penalties related to possible future liabilities for unrecognized income tax benefits as other expenses. Management does not believe the company has any significant unrecognized income tax benefits for the years ended December 31, 2021 and 2020. Management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law, and new authoritative rulings. Generally, the Internal Revenue Service can include returns within the last three years in an audit. If substantial error were to be identified, the audit could be expanded to include up to six of the proceeding years.

Advertising

The company expenses advertising costs as they are incurred. Advertising expense for the years ended December 31, 2021 and 2020 was \$0 and \$1440, respectively.

Revenue Recognition

The company primarily receives revenues thru selling of a franchise or ongoing monthly royalties typically based on sales.

In May 2014, the Financial Standards Board ("FASB") issued Accounting Standards Update ("ASU") No 2014-09, "Revenue from Contracts with Customers (Topic 606) along with amendments issued in 2015 and 2016. During the first quarter 2019, the Company adopted this new revenue standard using the modified retrospective method applied to those contracts which were not completed as of December 30, 2018. The company had no contracts that were not completed as of December 30, 2018. Results for reporting periods beginning after December 30, 2018 are presented under the new revenue standard, while prior period amounts are not adjusted and continue to be reported in accordance with historic Accounting Standards Codifications ("ASC") Topic 605. The impact of adopting the new standard had no impact on the consolidated financial statements.

Revenue is recognized when performance obligations under the terms of the contracts with their customers is satisfied; generally, this occurs with the transfer of control of merchandise or services. Revenue is measured as the amount of consideration we expect to receive in exchange for transferring good or providing services.

The Company does not provide merchandise to its franchisees or typically charge or incur use or sales tax.

The Company sold no new stores or has any deposits for new stores in 2021 and 2020.

The Company has two sources of income: Royalties and Franchise license fees

Royalties:

See Auditor Report and Financial Statements

The company receives monthly royalties based as a percentage of franchisee gross sales. Monthly sales vary as does the corresponding royalty paid. The royalties represent revenue for the month and no additional service or commitments are expected to be incurred. These royalty revenues are recorded as revenue monthly

Franchise:

When a new Franchise is sold or occurs, it is anticipated that the revenue will be recognized over the term of the contract in compliance with current recognition rules. Prior to 2019 revenue was recognized when all initial services were performed for a new franchise. This could include training and assistance in opening the store. There have been no renewals in 2021 or 2020. Franchise fees are typically paid at contract inception.

The following table provides a summary of revenue by sales categories:

| | 2021 | 2020 |
|-----------------|--------------------|------------------|
| Franchise sales | - 0 - | - 0 - |
| Royalties | <u>\$1,024,889</u> | <u>\$739,447</u> |
| | <u>\$1,024,889</u> | <u>\$739,447</u> |

Royalties Receivable

Royalties receivable are calculated monthly and are due within 30 days of month end. When applicable, the carrying amount of royalties is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. Management individually reviews all royalties' receivable that exceed 90 days from the month end and based on an assessment of current creditworthiness, estimates the portion, if any, that will not be collected. There were no amounts greater than 90 days on December 31, 2021 and 2020. No allowance was necessary as management deemed all royalties' collectible on December 31, 2021 and 2020.

NOTE B — Concentrations

The Company's financial instruments subject to credit risk are primarily cash and royalties' receivable. The Company averts its risk by depositing its excess cash only in high quality financial institutions. Generally, the Company does not require collateral to support royalties' receivable. Management believes any risk of loss is significantly reduced by the close working relationship developed with its franchisees.

The Company maintains its cash in a non-interest-bearing checking account at a National Bank. The checking account is guaranteed up to a maximum of \$250,000 by the Federal Deposit Insurance Corporation ("FDIC") program. The Company has not experienced any loss in this account as of December 31, 2021 and 2020 and does not believe that a significant credit risk exists at this time.

See Auditor Report and Financial Statements

NOTE C - Franchise Stores

The Company has 30 stores “0” of which were closed in 2021 and “0” closed in 2020. The Company added “0” Stores in 2021 and “0” stores in 2020. The stores are located in Illinois, Indiana, Michigan, Iowa and Kentucky.

NOTE D- Rental Commitment

The Company has its location in Naples, Florida effective January 1, 2022. It is currently operated out of a location owned by John Chesny, Sole Shareholder, and no rent is currently or anticipated being charged for the year of 2022.

The Company was located in Scottsdale, Arizona for the year of 2021 and 2020 and was operated in a location owned by John Chesny, Sole Shareholder, and no rent was charged.

The Company maintains a corporate remote location in Carmel, Indiana on a month-to-month lease and rents from John Chesny for \$2,500 a month. Lease can end with no notice or penalty.

There are no current lease obligations for the next 5 years ending 2026.

NOTE E – Related Party Transactions

The office location in Scottsdale, Arizona, Naples Florida and Carmel Indiana have been provided from John Chesny, Sole Shareholder.

NOTE F - Significant Event

A deposit and total payment of \$70,000 has been made for software development for computer system to assist franchisees on the store level. There is no requirement for future payments. If the software is used there would be a fee of approximately \$210 per franchise store. Management is anticipating charging franchises who utilize this software a fee equal to the \$210. No franchisee is required to use the software.

There was no implementation of the software as of December 31, 2021 as it is still in development. The software support will last for approximately 84 months from implementation.

Management may at any time discontinue use of the vendor and incur no obligation. The obligation would be \$“0” for each of the next five years.

NOTE G – PPP Loans and accounting treatment.

A PPP loan for \$39,760 was applied for and received in April 20, 2020. A second PPP loan for \$46,182 was applied for and received in February 10, 2021. The PPP loans are from the SBA and maybe forgiven tax free if certain conditions are met. Principally that the money be used towards certain types of expenses such as payroll. The business is still allowed to deduct the expense =for tax purposes and the loan acts like other income. Management believed that they would qualify to have the loan forgiven and received notice of such on Dec 10, 2020 and Feb 11,2022

The PPP loans acts more like a grant/other income despite its name. Management elected to analogize to IAS 20, accounting for Government Grants and Disclosures Assistance.

Under such you recognize the revenue as the conditions are fulfilled if any to obtaining the grant.

Management does not believe they have any further obligation and have complied with the SBA guidelines for the PPP loans. The PPP loans are being taken in as income and incurred no expenses outside normal operations to generate the income. There was no interest paid on the SBA loan. SBA does have the right to review forgiven loans.

EXHIBIT C
FRANCHISE AGREEMENT

DISCREPLAY WORLDWIDE, INC.

FRANCHISE AGREEMENT

FRANCHISEE: _____

DATED: _____

LOCATION OF STORE: _____

A. The Primary Identifying Brand of the Store is (check one):

- _____ **DISC REPLAY**
- _____ **DISC TRADERS**
- _____ **MEGA REPLAY**
- _____ **SUPER MEGA REPLAY (see Super Mega
Replay Addendum in Exhibit B)**

NOTE: In this document, for convenience sake only, pronouns used in referring to the Franchisee are "he," "him," or "his." Franchisor does not in any manner wish to imply that only males are qualified, suitable, or appropriate for the Franchise described in this Franchise Agreement. Franchisor does not intend by its use of male pronouns to exclude females from consideration, and it encourages applicants of both genders.

DISCREPLAY WORLDWIDE, INC.

| <u>Franchise Agreement</u> | <u>Page</u> |
|--------------------------------------------------|--------------------|
| 1. DEFINITIONS..... | 1 |
| 2. GRANT OF FRANCHISE | 3 |
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Authorization Agreement for Preauthorized Payment Service
Collateral, Assignment of Telephone Numbers, Addresses, and Listings
Lease Assignment Agreement
Guaranty of Franchise Agreement
List of Franchisee’s Equity Owners, Officers and Directors (Exhibit A)
Address of Franchisee’s Disc Replay, Mega Replay or Super Mega Replay Store (Schedule 1(a))
Franchisee’s Exclusive Area (Schedule 1(b)(ii))
Super Mega Replay Addendum (Exhibit B) – applicable only for Super Mega Replay
Franchisees

FRANCHISE AGREEMENT

For DISC REPLAY, MEGA REPLAY or SUPER MEGA REPLAY

THIS FRANCHISE AGREEMENT (“Agreement”) is made and entered into this ____ day of _____, 20____, by and between DISCREPLAY WORLDWIDE, INC., an Illinois corporation, having its principal executive office at 18287 N. 98th Way, Scottsdale, AZ 85255 (the “Company”) and _____, a _____ having its principal executive office at _____ (“Franchisee”).

1. DEFINITIONS

1.01 “**Assets**” means the franchised Business, including all inventories, supplies, furnishings, equipment, fixtures, land, buildings and improvements, and other tangible items.

1.02 “**Business**” means the right which is granted to Franchisee to operate a Disc Replay, Mega Replay, or Super Mega Replay retail outlet as set forth in this Agreement.

1.03 “**Business Records**” means evidence of each business transaction, and all financial, marketing, and other operating aspects of the Business, and all evidence and records with respect to customers, employees, and other service professionals relating the Business including, without limitation, all databases in print, electronic or other form, including all names, addresses, phone numbers, e-mail addresses, customer purchase records, and all other records contained in the database, and all other records created and maintained by Franchisee in operation of the Business.

1.04 “**Confidential Information**” means all methods for establishing, operating and promoting the Business pursuant to the Franchisor’s distinctive business format, plans, methods, data, processes, supply systems, marketing systems, formulas, techniques, designs, layouts, operating procedures, Marks and information and know-how of the Franchisor and such other information as may be further developed periodically by the Franchisor.

1.05 “**Gross Sales**” means the total of all receipts derived from services performed or products sold at the Outlet, whether the receipts are evidenced by cash, credit, checks, gift certificates, scrip, coupons, services, property, or other means of exchange. “Gross Sales” shall exclude only sales tax receipts that Franchisee must by law collect from customers and that Franchisee pays to the government, promotional or discount coupons to the extent that Franchisee realizes no revenue, and employee receipt of services or products, if free, or any portion not paid for by an employee.

1.06 “**Manual**” means Franchisor’s operations manual and other written materials, including information posted on Franchisor’s Web site and information sent to or

accessed by Franchisee in print or electronic form, manuals, written procedures, memoranda and their supplements loaned to Franchisee by Franchisor.

1.07 **“Marketing Fund”** means the separate bank account used by Franchisor for the purposes specified in this Franchise Agreement. The Marketing Fund is not a trust or escrow account, and is managed by Franchisor in its sole discretion.

1.08 **“Marks”** means Franchisor’s trade names, trademarks, service marks, logos, decor, trade dress, lay out, and commercial symbols, and similar and related words or symbols, now or in the future associated with Franchisor, the System or the franchised Business, whether or not they are registered, including, but not limited to, “Disc Replay,” “Disc Traders,” “Mega Replay,” or “Super Mega Replay.”

1.09 **“Multi-Area Marketing Programs”** means regional, national, or international programs designed to increase business, such as marketing to multi-area customers, Internet, shows, events, yellow pages, directories, affinity marketing, vendor programs, and co-branding programs. Such programs may require Franchisee’s cooperation and participation, including refraining from certain channels of marketing and distribution, and payment of commissions or referral fees. Franchisee must also adhere to maximum pricing to the extent permitted by law. All such programs are proprietary trade secrets of Franchisor.

1.10 **“Outlet”** means the Disc Replay Store, Mega Replay Store, or Super Mega Replay Store which Franchisee is granted the right to operate in conformity with the requirements of this Agreement.

1.11 **“Premises”** means the one location within the Protected Territory and as described in **Attachment I** at which Franchisee may operate the franchised Business using the System.

1.12 **“Primary Identifying Brand”** means the name and mark which identifies the Store, as noted on the cover page of this Agreement. It will be one and only one of the following: “DISC REPLAY,” “DISC TRADERS,” “MEGA REPLAY,” or “SUPER MEGA REPLAY.” For “DISC REPLAY,” “DISC TRADERS,” and “MEGA REPLAY,” the only significant difference in the Store design of the aforementioned brands will be its primary exterior sign, which identifies the Primary Identifying Brand, and the size of the Store. All 3 Stores will carry the same variety of products and services, specifically used movies, video games, music, electronics, and related items, and performing electronics repairs. MEGA REPLAY Stores are larger in size than DISC REPLAY Stores. The selection of the Primary Identifying Brand is made by Franchisor, based on the location of Franchisee’s Store, its size, and the variety of products offered. If Franchisee’s Store is in a market in the State of Michigan where there is an infringing “Disc Replay” store, Franchisee’s Store will be identified by the name and mark DISC TRADERS. Otherwise, Franchisee’s Store will be identified by the name and mark DISC REPLAY, MEGA REPLAY, or SUPER MEGA REPLAY, depending on its size, location, and variety of products offered. A SUPER MEGA REPLAY Store will be a larger store

and will offer and sell a wider variety of items. A Super Mega Replay Franchisee will execute the Super Mega Replay Addendum attached as Exhibit B to this Agreement.

1.13 **“Protected Territory”** means the territory described in **Attachment I** to this Agreement, subject to any reservations or exceptions contained in this Agreement.

1.14 **“System” or “Replay System”** means, collectively, Franchisor’s valuable know how, information, trade secrets, methods, Manuals, standards, designs, methods of trademark usage, copyrightable works, products and service sources and specifications, proprietary software, confidential electronic and other communications, methods of Internet usage, marketing programs, and research and development connected with the operation and promotion of the franchised Business, as modified by Franchisor at any time. The System applies to both Disc Replay Franchisees and Super Mega Replay Franchisees.

1.15 **“Trade Secret”** is the whole or any portion of know-how, knowledge, methods, specifications, processes, procedures, and improvements regarding the System that is valuable and secret in the sense that it is not generally known to competitors of Franchisor.

1.16 **“Transfer”** means to voluntarily or involuntarily transfer, assign, sell, or encumber any interest in or ownership or control of, the franchised Business, substantial assets of the franchised Business, or of this Agreement. The following shall be deemed to be transfers requiring consent under this Agreement: (a) any transfer to a corporation, partnership, limited liability company, or other entity or any conversion of an entity to a different form of entity; (b) if Franchisee is a corporation or limited liability company, (i) any conversion, dissolution, merger, consolidation, or other reorganization, (ii) any issuance, sale, or other transfer of any shares or membership units in an amount sufficient to affect voting control or to a person or entity that is not an existing shareholder or member, (iii) any sale of assets not in the ordinary course of business, or (iv) any change in the chief executive, operating, or financial officer or any manager; (c) if Franchisee is a partnership, any change in or withdrawal of any partner or conversion, merger, consolidation, or other reorganization or any dissolution of the partnership; and (d) if Franchisee consists of more than one person, any transfer from one person to any other.

2. GRANT OF FRANCHISE

2.01 Grant of License. Subject to the terms and conditions of this Agreement, Franchisor grants to Franchisee an exclusive license to operate an outlet at the Premises, using the Primary Identifying Brand noted on the cover page, and as designated in this Agreement and described in Section 4, using the System and the Marks for the term of this Agreement. Franchisee may use the Marks and System only in accordance with the terms and conditions of this Agreement.

2.02 Modification of System. Franchisor reserves the right to periodically change, improve, or further develop the System, or any part of the System.

Franchisee must promptly accept and comply with any change to the System and make any reasonable expenditure as necessary to comply.

3. TERM AND RENEWALS

3.01 Term of Agreement. This Agreement begins on the date executed by both parties, and will continue for a period of twenty (20) years, unless earlier terminated as provided under this Agreement.

3.02 Rights Upon Expiration. At the end of the term of this Agreement, Franchisee may renew its license for successive periods of fifteen (15) years, provided Franchisor does not exercise its rights of refusal as set forth below.

3.03 Right of Refusal to Renew. Franchisor may refuse, in Franchisor's sole discretion, to renew Franchisee's license if Franchisee:

- a. fails to remedy, in the time frame set forth in this Agreement, any breach of this Agreement specified by Franchisor in a written notice;
- b. has committed two (2) or more material breaches of this Agreement in the preceding twenty four (24) months prior to expiration;
- c. fails to give notice of Franchisee's intent to renew at least six (6) months, but no more than twelve (12) months, prior to the expiration of this Agreement. Failure to give timely notice will be considered an election not to renew this Agreement; or
- d. is not current in payment obligations to Franchisor or its subsidiaries and affiliates and to trade creditors, landlords, or mortgage holders at the time Franchisee delivers its notice of renewal or on the date this Agreement is scheduled to expire.

3.04 Renewal Agreement. Franchisee must execute a renewal franchise agreement and all other legal agreements in Franchisor's then-current form for new franchisees. These agreements may vary in material aspects from this Agreement, including, but not limited to, higher royalty and advertising fees. Franchisee must also make capital expenditures that are reasonably required for the renovation and modernization of the Outlet, signs, or any other required equipment to reflect the then-current image of Franchisor.

3.05 Renewal Fee. Upon signing a renewal franchise agreement, Franchisee will not be required to pay another Initial Franchise Fee, but will be required to pay the renewal fee of One Thousand Dollars (\$1,000).

4. TERRITORY

4.01 Location. Franchisee may operate the franchised Business only at the Premises and may not relocate the Premises without Franchisor's prior written approval, which may be withheld for any reason.

4.02 Protected Territory. During the term of this Agreement and any extensions, Franchisor will not own, operate or franchise a fixed location for the operation of any other Disc Replay, Mega Replay, or Super Mega Replay Outlet within Franchisee's Protected Territory as designated in this Agreement. Franchisee will also have the right to service any persons residing in the Protected Territory, regardless of the method of sales, subject to Franchisor's express reservation of rights set forth in Section 4.04. Once established, the boundaries of Franchisee's Protected Territory will not be adjusted without Franchisor's written consent regardless of whether the population of Franchisee's Protected Territory increases or decreases over time.

4.03 Soliciting Outside the Protected Territory and Using Alternative Distribution Channels. Subject to the requirements of Sections 9.01 and 9.02, Franchisee may not solicit or advertise to people who reside outside the Protected Territory without the express written permission of Franchisor. Franchisee may not use alternative distribution channels (as described in Paragraph 4.04.b) to make sales outside or inside the Protected Territory, without Franchisor's prior written consent, which Franchisor may withhold for any reason or no reason.

4.04 Reservation of Rights. Franchisor reserves the rights, among others:

- a. to own, franchise, or operate Outlets at any location outside of the Protected Territory, regardless of the proximity to the Premises;
- b. to use the Marks and System to sell any products and services, similar to those which Franchisee will sell, through alternative channels of distribution within or outside of the Protected Territory, other than through the Outlet at the Premises. This includes, but is not limited to, locations such as television, mail order, catalog sales, telemarketing, wholesale to unrelated Outlets, over the Internet, or other direct marketing sales. The Internet is a channel of distribution reserved exclusively to Franchisor, and Franchisee may not independently market on the Internet or conduct e-commerce;
- c. to purchase or be purchased by, or merge or combine with, any businesses wherever located, including a business that competes directly with Franchisee's Outlet;
- d. to implement multi-area marketing programs which may allow Franchisor or others to solicit or sell to customers anywhere, as set forth in Section 9. Franchisee will still have the option of

servicing any customer within its Protected Territory. Franchisor also reserves the right to issue mandatory policies to coordinate such multi-area marketing programs; and

- e. to use alternative channels of distribution to make sales within Franchisee's Protected Territory of products or services under trademarks different from the Trademarks Franchisee will use under this Agreement.
- f. to acquire or be acquired by a company establishing business identical or similar to the Outlet, even if the other business operates franchises and/or licenses competitive businesses anywhere, including in close proximity to the Outlet.

5. **FEES AND ROYALTIES**

5.01 Payment of Fees and Royalties. All payments required under this Section are imposed by and payable to Franchisor, and are non-refundable except as expressly provided below. All payments must be made by any method Franchisor reasonably specifies, including check, cash, certified check, money order, credit or debit card, automatic pre-authorized payment plan, electronic funds transfer, or payment in advance. Franchisee must sign an Authorization for Electronic Withdrawal, and Franchisor may require Franchisee to submit any payments electronically. All payments to Franchisor and dollar amounts stated in this Agreement are in U.S. dollars unless otherwise expressed. Franchisor will not require Franchisee to deposit all Franchisee's revenue into an account that Franchisor controls, or from which withdrawals may be made only with Franchisor's consent, except to secure a loan or financing arrangement by Franchisor.

5.02 Initial Franchise Fee. Franchisee must pay an initial franchise fee ("**Initial Franchise Fee**") of Twelve Thousand Five Hundred Dollars (\$12,500). The Initial Franchise Fee is due upon signing of the Franchise Agreement. If Franchisee does not, within nine (9) months of the date of this Franchise Agreement, locate a site that is approved by Franchisor, Franchisor will terminate this Franchise Agreement and refund Franchisee one-half (½) of the initial franchise fee. The Initial Franchise Fee is fully earned upon payment, and is non-refundable under any other circumstances.

5.03 Royalties. Franchisee must pay to Franchisor a monthly royalty in the amount of two and one-half percent (2.5%) of Gross Sales for the preceding calendar month. The royalty payment is due to Franchisor, without notice from Franchisor, on the 10th day of each month. Royalties must be reported in a form specified by Franchisor.

5.04 Late Charges and Other Fees. Unless otherwise stated, Franchisee must pay interest at the rate of one percent (1%) per month for any late payments due under this Agreement, or the maximum interest rate allowed by applicable law, whichever is less. Franchisee must pay any damages, expenses through appeal, collection costs, and reasonable attorneys' fees Franchisor incurs in connection with Franchisee's failure to make any required payments.

5.05 Taxes and Debts. Franchisee will promptly pay when due all taxes, fees, debts, expenses, and assessments of the franchised Business, including payroll taxes. Franchisee will not permit a tax sale, seizure, levy, execution, and bankruptcy, assignment of assets for or by creditors, or similar action to occur.

5.06 Technology Fee. Franchisee shall pay to Franchisor a technology fee in an amount determined by Company. Technology fees paid by franchisees shall be used to cover the Company's cost of technology development, maintenance, and usage for the franchise system, which may include, but not be limited to, subscription and license fees paid by Company in order for franchisees to have access to and use certain technology tools and development and maintenance of its POS System. The technology fee shall be paid at times, in the manner, and in amounts as designated by the Company. Company will give Franchisee at least sixty (60) days prior notice before changing the amount of the technology fee.

6. MARKS

6.01 Marks. Franchisee must only use the Marks in the conduct of the Business as specified in this Agreement. Any unauthorized use of the Marks by Franchisee will constitute a breach of this Agreement and an infringement on Franchisor's rights in and to the Marks. At the Franchisor's sole option, Franchisor may pursue the remedies available under trademark counterfeiting laws, in addition to or instead of trademark infringement. As between Franchisor and Franchisee, Franchisor has a prior and superior claim to the Marks, and 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.

6.02 Authorized Marks. Franchisee shall use no trademarks other than "Disc Replay," "Mega Replay," "Super Mega Replay," or any other Marks that Franchisor may specify for use in the identification, marketing, promotion, or operation of the Business, as indicated on the cover page of this Agreement. If Franchisee cannot lawfully use the Marks in the Protected Territory, Franchisee must obtain Franchisor's written approval to use other marks. Franchisee must also follow the copyright guidelines as specified by Franchisor in the Manual.

6.03 Change of Marks. Franchisor may add, modify, or discontinue any Marks to be used under the System. Within a reasonable time of receiving written notification of any change, Franchisee must comply with the change, at Franchisee's sole expense.

6.04 Limitations on Franchisee's Use of the Marks. Franchisee must use the Marks as the sole identification of the Business, but must also identify itself as the independent owner of the Business in the manner prescribed by Franchisor. All Marks must be displayed in the manner prescribed by the Franchisor. Franchisee may not use the Marks, or any words or symbols similar to the Marks, alone or with any prefix, suffix, modifying words, terms, designs, or symbols:

- a. as part of any entity or business name;

- b. in conjunction with any documents, contracts, licenses, permits and other official documents. Any reference to the Marks in any document must state that Franchisee's use of the Marks is limited by this Agreement;
- c. in any form on the Internet, including, but not limited to, addresses, domain names, links, metatags, locators, and search techniques;
- d. in connection with the performance or sale of any unauthorized services or products; or
- e. in any other manner not expressly authorized by Franchisor.

6.05 Marks on the Internet. Franchisor retains the sole right to use the Marks and market on the Internet, including all use of Web sites, domain names; URL's, linking, advertising, and co-branding arrangements. Franchisee may not establish a presence on the Internet except as Franchisor may specify, and only with Franchisor's prior written consent. Franchisee will provide Franchisor with content for Franchisor's Internet marketing, and Franchisee must sign the Internet and intranet usage agreements when developed by Franchisor. Franchisor retains the right to approve any linking to or other use of the Disc Replay or Super Mega Replay Web site.

6.06 Marks in Advertising. Subject to Section 9.03, Franchisee must obtain Franchisor's prior written approval for any use of any item of printed, audio, visual, Internet, electronic media, or multimedia material of any kind bearing any of the Marks, unless supplied by Franchisor. Franchisee must indicate that it is "independently owned and operated."

6.07 Goodwill. All usage of the Marks by Franchisee and any goodwill associated with the Marks, including any goodwill that might be deemed to have arisen through Franchisee's operation of the Business or other activities will inure to the exclusive benefit of Franchisor.

6.08 Infringement. Franchisee must notify Franchisor in writing within three (3) days of obtaining knowledge of any possible infringement or illegal use by others of a trademark which is the same as or confusingly similar to the Marks. Franchisor may, in its sole discretion, commence or join any claim against the infringing party, and bear the reasonable costs associated with the action.

6.09 Signage. As specified by Franchisor, Franchisee must display signage bearing the Marks and identifying the Premises as an outlet, and signage indicating that the Business is independently owned and operated as a franchised Business. All signage must remain current with the System's standards as Franchisor may modify periodically.

7. MANUAL AND CONFIDENTIAL INFORMATION

7.01 Confidential Information. The System, the Manual, and other Confidential Information are proprietary, involve trade secrets of Franchisor, and are disclosed to Franchisee solely on the express condition that Franchisee agrees, and Franchisee does hereby agree to:

- a. fully and strictly adhere to all security procedures prescribed by Franchisor, in its sole discretion, for maintaining the proprietary information as confidential;
- b. disclose such information to its employees only to the extent necessary to market products and services and for the operation of the Business in accordance with this Agreement;
- c. not use any such information in any other business or in any manner not specifically authorized or approved in writing by Franchisor; and
- d. exercise the highest degree of diligence and make every effort to maintain the absolute confidentiality of all such information during and after the term of this Agreement, and follow Franchisor's security procedures, which include the execution of approved nondisclosure agreements, and intranet, extranet and Internet usage agreements when developed by Franchisor, by Franchisee and any employee or agent who is allowed access.

7.02 Standards and Authorized Use. Franchisee must maintain strict compliance with the Manual as presently set forth and as subsequently amended and revised.

7.03 Unauthorized Use. Franchisee must not copy or otherwise reproduce any Confidential Information, and must establish procedures to prevent unauthorized use by any other person. Unauthorized use of the Manual or the System will constitute a breach of this Agreement and an infringement of Franchisor's proprietary rights, including trade secrets and copyrights. Franchisee must promptly report any unauthorized use of the Manual or other Confidential Information.

7.04 Manual. Franchisor will lend to Franchisee during the term of the franchise one (1) copy of Franchisor's confidential Operations Manual, which may be in print, on an access code-protected company intranet or extranet, or through other media. Franchisor reserves the right to require Franchisee to use the Manual in only an electronic format. The Manual will at all times remain the property of Franchisor, and Franchisee must immediately return the Manual to Franchisor upon expiration, termination, or Transfer of this Agreement. Franchisor may periodically update and revise the Manual. Franchisee acknowledges that its entire knowledge of the operation of the Business is and shall be derived from information disclosed to Franchisee by Franchisor and that certain of such information is proprietary, confidential and a Trade Secret of Franchisor. Franchisee shall maintain the absolute confidentiality of all such Trade Secrets during and after the

term of this Agreement, and shall not use any such information in any other business or in any manner not specifically authorized or approved in writing by Franchisor. Franchisee is bound by the standards for maintaining the privacy of the Manual in the same manner as all other Confidential Information set forth above.

7.05 Ownership of Business Records. Franchisee acknowledges and agrees that the Franchisor has access to all Business Records with respect to customers, employees, and other service professionals of, and related to, the franchised Outlet including, without limitation, all databases (whether in print, electronic or other form), including all names, addresses, phone numbers, e-mail addresses, customer purchase records, and all other records contained in the database, and all other Business Records created and maintained by Franchisee. Franchisee further acknowledges and agrees that, at all times during and after the termination, expiration or cancellation of this Agreement, Franchisor may access such Business Records, and may utilize, transfer, or analyze such Business Records as Franchisor determines to be in the best interest of the System, in Franchisor's sole discretion.

8. FRANCHISOR'S DUTIES

8.01 Services Provided by Franchisor. Franchisor will provide initial and continuing services as it deems necessary or advisable in furthering Franchisee's Business and the business of the System as a whole and in connection with protecting the Marks and goodwill of Franchisor. Provision of services by Franchisor, either initial or continuing, is independent from the payment of the Initial Franchise Fee or the continuing royalty fees. Franchisor will provide the services listed below on a continuing basis

8.02 Site Selection. Franchisee is solely responsible for locating a site for the Business and negotiating a lease for the property. Franchisee agrees that the location of the Outlet is a factor in the potential for success of the Business and Franchisor may reject any location in its sole discretion, but consent will not be unreasonably withheld. However, Franchisor's assistance in no way constitutes a representation or warranty with respect to the property or the lease. If Franchisee and Franchisor cannot, within nine (9) months of the date of this Agreement, agree on the selection of Franchisee's site, Franchisor will terminate this Agreement and refund Franchisee one-half (1/2) of the initial franchise fee paid.

8.03 Equipment, Inventory, Advertising and Services. Franchisor will specify or approve certain equipment, inventory, and supplies used in the Business, as provided elsewhere in this Agreement. Franchisor may negotiate marketing programs with suppliers and obtain advertising allowances or rebates for doing so, and may utilize such allowances or rebates in any manner in which Franchisor elects, in its sole discretion.

8.04 Initial Training. Franchisor will provide initial and ongoing training and assistance, as Franchisor may reasonably determine to be appropriate, within one hundred and fifty (150) days of signing this Agreement. Franchisor will provide the initial training program at its corporate headquarters, or at another location designated by Franchisor, to Franchisee and one designated Manager or other employee. Franchisee and

a designated manager must attend and satisfactorily complete the initial training program. The training program lasts for approximately five (5) days, and consists of a discussion of the System, techniques, procedures, and methods of operation, hiring employees, customer service, ordering, sales, procedures, accounting, support procedures and instructions on quality standards and practical experience in the operation of the Outlet. Franchisee is responsible for personal travel, accommodation, and other costs of its employees while attending training. Franchisee will be charged Franchisor's current training fee for any additional persons attending training.

8.05 Ongoing Training. Franchisor reserves the right to hold and require Franchisee to attend annual conferences to discuss on-going changes in the industry, sales techniques, personnel training, bookkeeping, accounting, inventory control, performance standards, and advertising programs. Franchisee may be required to pay Franchisor a conference fee, as well as all personal travel and living expenses for all of its employees attending the conference. Conferences will be held at Franchisor's corporate headquarters or at an alternate location chosen by Franchisor.

8.06 Opening and Continuing Assistance. Franchisor will provide on-site assistance in connection with initial training during the opening of the Outlet. Franchisor will also provide reasonable ongoing assistance by telephone, email, or other form of communication to Franchisee during normal business hours. If Franchisee requires additional on-site assistance, Franchisee will be charged Franchisor's then-current additional assistance fee per day, plus travel and living expenses for Franchisor's representative.

8.07 Advertising and Promotional Programs. Franchisor will provide advertising and promotional programs as set forth in Section 9.

8.08 Development of Programs. Franchisor may develop new products and service methods, as Franchisor deems beneficial to the System. Franchisor will offer such new products and service methods to Franchisee on terms reasonably determined by Franchisor.

8.09 Modification of System. Franchisor may periodically continue to improve, make reasonable modifications, and revise the Manual and the specifications, standards, and operating procedures and rules of the System, as set forth in Sections 2.02 and 7.04. No such modification shall alter Franchisee's fundamental rights under this Agreement.

8.10 Central Purchasing. Franchisor reserves the right to implement a centralized purchasing system for franchisees and negotiate prices and terms with suppliers and to receive rebates from such purchases by Franchisees. Franchisor may utilize such rebated funds in any manner it chooses in Franchisor's sole discretion.

8.11 Web Site. Franchisor will provide information regarding Franchisee's Business on its Web site, as set forth in Section 9.02.

8.12 Delegation. Franchisee agrees that Franchisor shall have the right to delegate to third- party designees, whether Franchisor's agents or independent contractors with whom Franchisor has contracted, the performance of any portion or all of Franchisor's obligations under this Agreement, and any right Franchisor has under this Agreement. If Franchisor does so, such third-party designees will be obligated to perform the delegated functions for Franchisor in compliance with this Agreement.

9. SOLICITATION AND ADVERTISING

9.01 Solicitation. Except as stated in this paragraph, Franchisee may not directly market to or solicit customers who reside outside the Protected Territory. However, Franchisee may conduct advertising within the metropolitan area in which Franchisee's Protected Territory is located, if such advertising is available only on a metropolitan-wide basis. In addition, Franchisee will have the exclusive right to service customers within the Protected Territory generated by Multi-Area Marketing Programs except through the Internet.

9.02 Franchisee Advertising.

a. Local Advertising. Franchisee will be required to spend at least One Thousand Five Hundred Dollars (\$1,500) on advertising and promotion each month. The Gross Sales report is due to Franchisor by the 10th day of each month for the previous month's expenses.

b. Multi-Area Marketing. Franchisee must also participate, at Franchisee's expense, in any Multi-Area Marketing Programs as determined by Franchisor. All expenditures will be reported to Franchisor at such times and in such manner as Franchisor specifies, including by electronic means. Franchisee may not advertise in any media with a primary circulation outside Franchisee's Protected Territory, except with Franchisor's written consent and with the consent of any franchisee whose territory is reached by the media. However, Franchisee may advertise in media whose circulation is primarily inside Franchisee's Protected Territory, even if it also reaches outside Franchisee's Protected Territory. All Internet marketing is a part of Multi-Area Marketing Programs, and must be coordinated through and approved by Franchisor. Franchisee may not market independently on the Internet or acquire an independent Internet domain name or Web site, but Franchisor will include Franchisee's Outlet on its Web site.

c. Regional Cooperative Advertising. Franchisee shall join any regional advertising co-operative which has been or may be formed consisting of franchisees and/or Franchisor-owned or Affiliate-owned Stores in his area. Franchisor assumes no direct or indirect liability or obligation to Franchisee or to any regional co-operative with respect to the maintenance, direction, or administration of the co-operative, including

without limitation, any failure by any franchisees to make any contributions to the co-operative.

9.03 Advertising and Marketing Materials. Franchisor will provide Franchisee with one sample each of advertising and marketing materials which may include, but are not limited to, video and audiotapes, multimedia, print-ready advertising materials, posters, banners, and other items. Franchisee must purchase any additional copies of advertising and marketing materials. Franchisee may develop and produce additional advertising and marketing materials, at Franchisee's own expense, but any advertising and marketing materials must be approved in writing by Franchisor in advance of Franchisee's use of such materials. Franchisor will approve or disapprove of materials submitted by Franchisee within fifteen (15) days of receipt. Franchisor also reserves the option of utilizing the advertising, without cost, developed by Franchisee and providing the advertising to other franchisees.

9.04 National Marketing Fund. As of the date of this Franchise Agreement, the Franchisor has not implemented a National Marketing Program. Franchisor reserves the right to do so upon thirty (30) days' notice to Franchisee. If implemented, Franchisee will have to pay a fee into the National Marketing Fund to advertise the System on a regional, national, or international level. Franchisee will pay a National Marketing Fund contribution equal to one percent (1%) of Franchisee's Gross Sales at the same time and in the same manner as the royalty fee. At Franchisor's sole option, there may be one combined Fund or separate Funds for Disc Replay Stores, Mega Replay Stores, and Super Mega Replay Stores. Franchisor will hold the National Marketing Fund contributions in a separate bank account. Franchisor will use the National Marketing Fund for regional, national, Internet, or international advertising or marketing, development and maintenance of any Internet or e-commerce programs, related expenses, and any media or agency costs. Franchisor may also use the National Marketing Fund to attend franchise trade shows and other events. Franchisee acknowledges and agrees that expenditures from the National Marketing Fund may or may not be proportionate to contributions made by Franchisee or provide a direct or any benefit to Franchisee. The National Marketing Fund will be spent at Franchisor's sole discretion, and Franchisor has no fiduciary duty with regard to the National Marketing Fund. Franchisor may accumulate the amounts in the Fund, and the balance may be carried over to subsequent years. If the National Marketing Fund operates at a deficit or requires additional funds at any time, Franchisor reserves the right to lend such amounts to the National Marketing Fund on any terms Franchisor determines. Franchisor may also utilize the National Marketing Fund to reimburse itself for administrative expenses incurred in administering the National Marketing Fund. An unaudited annual financial statement of the National Marketing Fund will be prepared within one hundred twenty (120) days of the close of Franchisor's fiscal year and will be available to Franchisee upon request.

10. CONSTRUCTION AND MAINTENANCE OF OUTLET

10.01 Outlet Construction. Franchisee must construct or build-out a building (leased or purchased) and equip the Outlet, at Franchisee's expense, in a good and workmanlike manner as specified by Franchisor. All construction or build-out work must

be completed in accordance with the standards and specifications of Franchisor, and must conform to all applicable zoning and other requirements of local authorities. Construction or build-out must be completed and Franchisee must open for business within eighteen (18) months from the date of this Agreement. In the event Franchisee does not open for business within said 12-month period, Franchisor may terminate this Franchise Agreement, in which event Franchisee is not entitled to any refund of the initial franchise fee.

10.02 Property. Franchisee may purchase or lease the required real property and improvements from any source upon terms approved by Franchisor in writing. Proposals for location of the Outlet must be submitted to Franchisor within nine (9) months of the execution of this Agreement, or Franchisor shall have the right to terminate this Agreement. Franchisee must deliver to Franchisor any traffic, competition, and demographic and similar location information relating to any proposed site, that Franchisor reasonably requests, for review at least twenty (20) days before any proposed lease signing date. Franchisee must deliver to Franchisor a copy of the proposed lease and an option to assume the lease signed by the lessor in favor of Franchisor in a form acceptable to Franchisor. Franchisor will provide Franchisee with standard sample floor layouts and architectural plans, but all final plans must be approved by Franchisor.

10.03 Lease Riders. If Franchisee leases the Premises, the lease must contain the following provisions:

- a. on termination of this Agreement for any reason, Franchisor or its designee will have the option for thirty (30) days to assume Franchisee's remaining lease obligations without accruing any liability regarding the lease prior to the effective date of any assignment; or Franchisor will have the right to execute a new lease for the remaining term on the same terms and conditions;
- b. all notices of default to Franchisee under the lease must be sent contemporaneously to Franchisor;
- c. in the event Franchisee defaults under the lease, Franchisor or its designee will have an opportunity, but not the obligation, to cure such default and to assume Franchisee's remaining obligations under the lease, but will not have any obligation to do so; and
- d. a provision reserving to Franchisor the right, at Franchisor's sole and absolute election, to receive an assignment of the leasehold interest from Franchisee upon termination or expiration of the initial term or any renewal term, or any termination of Franchisee, and the right to reassign the lease without becoming liable on the lease and without further approval from the landlord or additional charge.

10.04 Maintenance and Upgrades. Subject to the terms of this Section, Franchisee must at all times comply with Franchisor's standards, specifications, processes,

procedures, requirements and instructions regarding the Outlet's physical facilities, including the layout of furnishings and fixtures. Franchisee must maintain the Outlet and any parking areas in good and safe condition, as specified in the Manual. Franchisee must remodel or upgrade the Outlet at its own cost in accordance with Franchisor's reasonable standards and requests.

11. RECORDS AND REPORTS

11.01 Records. Franchisee must keep and transmit complete and accurate Business Records on a current basis relating to the Business in the form, time, and manner that Franchisor prescribes. Franchisee must provide Franchisor with all hard copies, and access to electronic reports, as reasonably prescribed. Franchisee must maintain an accounting system, which accurately reflects all operational aspects of the Outlet including uniform reports as may be required by Franchisor. Franchisee must submit to Franchisor current financial statements and other reports as Franchisor may reasonably request to evaluate or compile research data on any operational aspect of the Outlet. Franchisor reserves the right to require that Franchisee make available its sales records and files by way of an Internet connection. Business Records will specifically also include:

- a. tax returns;
- b. daily reports;
- c. statements of Gross Sales and expenses, to be prepared each month for the preceding month;
- d. profit and loss statements, to be prepared at least quarterly and by an independent Certified Public Accountant annually; and
- e. balance sheets, to be prepared at least annually by an independent Certified Public Accountant.

Franchisee must keep accurate records relating to the franchised Business for a period of six (6) years after the termination or expiration of this Agreement.

11.02 Records Standards. Franchisee must prepare all financial reports in accordance with generally accepted accounting principles, consistently applied, in a form approved by Franchisor. Franchisee must periodically deliver to Franchisor copies of accounting, tax and other documents and information, within ten (10) business days of Franchisor's requests. Franchisee must provide Franchisor with a copy of its annual financial statements including a profit and loss statement and a balance sheet containing complete notes and disclosures. Such statements must be compiled by an independent Certified Public Accountant, and be delivered to Franchisor within ninety (90) days after Franchisee's fiscal year end.

11.03 Audits. Franchisee must provide Franchisor or its agent's access to Franchisee's Business and computer systems to examine or audit Franchisee's Business,

at any reasonable time without notice. Franchisor will bear the cost of the audit, unless Franchisee fails to report as required or understates Gross Sale by two percent (2%) or more for any reported time period, in which case Franchisee will pay the audit cost plus interest on understated costs of one percent (1%) per month. Franchisee must immediately pay to Franchisor all sums owed in addition to any other remedies provided in this Agreement or by law.

12. FRANCHISEE'S DUTIES

12.01 Compliance with Applicable Laws. Franchisee agrees to (i) comply with all applicable laws, ordinances and regulations or rulings, or licensing requirements, of every nature whatsoever which in any way regulate or affect the operation of its Business, (ii) pay promptly all taxes and business expenses, and (iii) comply with all laws covering occupational hazards, accommodations for the disabled, including without limitation, the Americans with Disabilities Act, if applicable, health, workers' compensation insurance and unemployment insurance. Franchisee agrees, at its expense, to modify its Outlet, if necessary, to comply with any such applicable laws or regulations. Franchisee shall not engage in any activity or practice that result, or may reasonably be anticipated to result, in any public criticism of the System or any part thereof.

12.02 System Compliance. Franchisee must comply with the System, the Manual, systems, procedures and forms, as in effect from time to time. All mandatory, specifications, standards, and operating procedures prescribed by Franchisor in the Manual, or otherwise communicated to Franchisee in writing, shall constitute provisions of this Agreement as if fully set forth herein. Accordingly, all references in this Agreement to Franchisee's obligations under this Agreement, including to the Outlet, equipment, procedures, products and materials, shall include such mandatory specifications, standards, and operating procedures. Franchisor may require Franchisee to add additional products or concepts to the Business in the future, at Franchisee's expense.

12.03 Uniformity and Image. In order to maintain uniform standards of quality, appearance, and marketing, it is essential that Franchisee conform to Franchisor's standards and specifications. While Franchisee will manage its own operations and employees, Franchisee must agree and conform to all the requirements of this Section. Franchisee must enforce all dress and appearance standards for employees that Franchisor may establish. Franchisee must verify that its employees meet all state and local requirements for certification and meet all prerequisites for employment in the United States.

12.04 Operations and Personnel. Franchisee must operate the Business in accordance with the System and Manual, as amended by Franchisor in Franchisor's discretion. Franchisee or a fully trained and qualified manager ("**Manager**") approved by Franchisor must participate personally and full-time in the Business. Franchisee or his manager shall hire all employees of the Store and shall be exclusively responsible for the hiring, retention, firing, scheduling, wages, benefits, vacations, discipline, performance evaluations, awards, promotions, demotions, work assignments, time off, and all other terms of their employment and compensation and for the proper training of such employees. Franchisee shall notify and communicate clearly with its employees in all

dealings, including without limitation, its employment applications, written and electronic correspondence, paychecks, employee handbooks, employment policies and procedures, other materials, that Franchisee (and only Franchisee) is their employer and that Franchisor is not their employer. Franchisee must, on all employment applications he gives out to employee applicants, have printed on said applications: *“You are applying for a job to work for an independently owned Franchisee and not for the Franchisor.”*

12.05 Right of Entry and Inspection. Franchisee must permit Franchisor or its authorized agent or representative to enter the Premises during normal business hours and to reasonably inspect the operations of the franchised Business. Without any liability to Franchisee, Franchisor may confiscate any materials which Franchisor, in its reasonable judgment, determines to be either illegal or in violation of this Agreement. Franchisor shall have the right to observe Franchisee and its employees rendering services, to confer with Franchisee’s employees and customers and to generally review the Business operations for compliance with the standards and procedures set forth in the Manual.

12.06 Restrictions on Services and Products. Franchisee is prohibited from offering or selling any services or products not authorized by Franchisor as being a part of the System. Franchisee shall purchase all products, equipment, services, supplies and materials required for the operation of the Business from suppliers designated or approved by Franchisor. However, if Franchisee proposes to offer, conduct or utilize any services, products, materials, forms, items, supplies or services for use in connection with or sale through the Business which are not previously approved by Franchisor as meeting its specifications, Franchisee shall first request approval in writing from Franchisor. Franchisor may, in its sole discretion, for any reason whatsoever, elect to withhold such approval; however, in order to make such determination, Franchisor may require submission of specifications, information or samples of such products, services, materials, forms, items or supplies. Franchisor will advise Franchisee within a reasonable time whether such products, services, materials, forms, items or supplies meet its specifications. Approved product descriptions and supplier contact information are prescribed in the Manual. If there is no designated or approved supplier for particular items, Franchisee may purchase from suppliers approved in advance by Franchisor who meet all of Franchisor’s specifications and standards as to quality, composition, finish, appearance and service, and who shall adequately demonstrate their capacity and facilities to supply Franchisee’s needs in the quantities, at the times, and with the reliability requisite to an efficient operation of the Business. Franchisee acknowledges that Franchisor has the right to require that Franchisee purchase other products or services exclusively from Franchisor or its designees. In that event Franchisor or its designees may derive revenue and profits from said purchases. Franchisor also has the right to impose a surcharge on approved suppliers.

12.07 Limitations on Supply Obligations. Nothing in this Agreement shall be construed to be a promise or guarantee by Franchisor as to the continued existence of a particular product, nor shall any provision herein imply or establish an obligation on the part of Franchisor and its affiliates to sell products to Franchisee if Franchisee is in arrears on any payment to Franchisor or otherwise in default under this Agreement. If Franchisee fails to pay in advance in full for each shipment of products purchased,

Franchisor shall not be obligated to sell products to Franchisee. In addition, Franchisor may impose interest on any late payments on the terms described in Section 5.04.

12.08 Insurance. Franchisee must keep in force insurance policies as prescribed by Franchisor in the Manual by an insurance company acceptable to Franchisor at all times during the term of this Agreement and any renewals. Insurance coverage must include general liability, combined single limit, bodily injury and property damage insurance for premises operations, products liability and all other occurrences against claims of any person, employee, customer, and agent or otherwise in an amount per occurrence of not less than such amount set forth in the Manual and adjusted by Franchisor from time to time. Insurance policies must insure both Franchisee and Franchisor, its officers and directors, as additional named insured against any liability which may accrue against them by reason of the ownership, maintenance or operation by Franchisee of the Business. The policies must also stipulate that Franchisor shall receive a thirty (30) day prior written notice of cancellation. Original or duplicate copies of all insurance policies, certificates of insurance or other proof of insurance acceptable to Franchisor shall be furnished to Franchisor together with proof of payment within thirty (30) days of issuance thereof. In the event Franchisee fails to obtain the required insurance and keep the same in full force and effect, Franchisee shall pay Franchisor upon demand the premium cost thereof, which Franchisor shall then forward to the insurance carrier. Notwithstanding the foregoing, failure of Franchisee to obtain insurance constitutes a material breach of this Agreement entitling Franchisor to terminate this Agreement pursuant to the provisions of this Agreement. Franchisee will also procure and pay for all other insurance required by state or federal law, including, without limitation, workers' compensation and unemployment insurance.

12.09 Appearance and Customer Service. Franchisee shall (i) maintain a clean and attractive appearance, (ii) give prompt, courteous and efficient service to the public, and (iii) otherwise operate the Business in strict compliance with the policies, practices and procedures contained in the Manual so as to preserve, maintain and enhance the reputation and goodwill of the System. Franchisee may not alter, change, or modify the System, including the Outlet or products, in any way without the prior written consent and approval of Franchisor.

12.10 Signs. All signs to be used on or in connection with the Business must be approved in writing by Franchisor prior to their use by Franchisee.

12.11 Training. Franchisee or its designated Manager must complete Franchisor's initial training program described in Section 8.04 above. Franchisee shall train its employees according to standards and procedures established by Franchisor.

12.12 Correction of Defects. Should Franchisor notify Franchisee at any time of defects, deficiencies or unsatisfactory conditions in the appearance or conduct of the Business, Franchisee shall correct immediately any such items. Franchisee shall establish and maintain an image and reputation for the Business consistent with the standards set forth in this Agreement, the Manual, or as otherwise specified by Franchisor. Franchisee shall keep its Outlet clean and in good order and repair at all times.

12.13 Indemnification. Franchisee will, and hereby does, indemnify and defend Franchisor and its Affiliates and their respective officers, directors, owners, agents, representatives, employees, successors and assigns, from and against all losses, costs, liabilities, damages, claims, and expenses of every kind, including allegations of negligence by Franchisor and its Affiliates and their officers, employees, and agents, to the fullest extent permitted by Applicable Law, and including reasonable attorneys' fees, arising out of, resulting from or related to: (i) the unauthorized use of the Trademarks; (ii) the violation of applicable law; and (iii) the construction, renovation, upgrading, alteration, remodeling, repair, operation, ownership and use of the Disc Replay Stores, Mega Replay Stores, or Super Mega Replay Store. Franchisee must promptly give notice to Franchisor of any action, suit, proceeding, claim, demand, inquiry, or investigation related to the foregoing. Franchisor will have the right, through counsel of its choice, at Franchisee's expense, to control the defense and response to any such action, and such undertaking by Franchisor will not, in any manner, diminish Franchisee's obligations to Franchisor. Under no circumstances will Franchisor or a person indemnified be required to seek recovery from third parties or mitigate its losses in order to maintain a claim for indemnification against Franchisee under this Agreement, and the failure to pursue such recovery or mitigate a loss will in no way reduce the amounts recoverable from Franchisee by a person indemnified. Franchisee's obligations under this Section will survive the termination or expiration of this Agreement.

12.14 Computer Systems. Franchisee must acquire all computer, information processing and communication systems, including all applicable hardware, software, a POS System, and Internet and other network access providers, and Web site vendors, as prescribed in the Manual. Franchisee must comply with any separate software or other license agreement that Franchisor or its designee uses in connection with providing these services. Neither Franchisor, nor any affiliate or third party, is required to provide maintenance, repairs, or updates to the computer system.

12.15 Email Systems. Franchisor has the absolute right to monitor, access, collect, and use any information sent, received, and stored through the system. Franchisees has no expectation of privacy in their use of email systems.

12.16 Computer Problems, Viruses, and Attacks. Franchisee acknowledges and understands that computer systems are vulnerable to computer viruses, bugs, power disruptions, communication line disruptions, Internet access failures, Internet content failures, date-related problems, and attacks by hackers and other unauthorized intruders. Franchisor has taken reasonable steps so that these problems will not materially affect the System. Franchisor does not guarantee that information or communication systems supplied by Franchisor or its suppliers will not be vulnerable to these problems. Franchisee acknowledges and agrees that Franchisee is solely responsible for protecting itself from these problems. Franchisee must also take reasonable steps to verify that Franchisee's suppliers, lenders, landlords, customers, and governmental agencies on which Franchisee relies, are reasonably protected. This may include taking reasonable steps to secure Franchisee's systems, including, but not limited to, firewalls, access code protection, anti-virus systems, and use of backup systems.

12.17 Customer Payment Methods. Franchisee shall make arrangements for and accept payments systems which Company designates from time to time, as part of the operation of the Franchised Business, including but not limited to credit card payments through Visa, MasterCard, and other credit card and debit card issuers and sponsors, check verification services, electronic funds transfer systems, mobile payment systems, and system-wide gift card programs. Franchisee's point-of-sale system and related payment processing systems must be compliant with current Payment Card Industry Data Security standards, all applicable data privacy laws, and any procedures required by the Operations Manual to prevent credit card fraud. Franchisee shall defend at its own cost and indemnify and hold harmless Company, its shareholders, directors, officers, employees and agents, from and against any and all loss, costs, expenses (including attorneys' fees), taxes, damages and liabilities, however caused, resulting directly or indirectly from Franchisee's failure to comply with Payment Credit Industry Data Security Standards or data privacy laws.

12.18 Pricing. Franchisee acknowledges and agrees that Franchisor reserves the right, to the fullest extent allowed by applicable law, to establish maximum, minimum, or other pricing requirements with respect to the prices Franchisee may charge for products and services, and Franchisee will comply with Franchisor's pricing requirements.

12.19 Antidiscrimination. Franchisee shall not discriminate against Customers (in the products or services that Franchisee provides) on the basis of race, color, religion, age, sex, sexual orientation, gender identity, marital status, national origin, or disability, and Franchisee will further comply with any anti-discrimination policies in our Operations Manual and/or System Standards.

12.20 Ownership of Franchisee. Prior to the opening of the Outlet, any individual signing as a franchisee shall establish a corporation, limited liability company, general partnership, or limited partnership ("Entity"), to own and operate the Outlet and shall assign this Agreement to the Entity. The transfer fee required by this Agreement shall not apply to such assignment to the Entity. Franchisee's owners, shareholders, officers, directors, members, managers and partners (or persons holding comparable positions in non-corporate entities) shall be referred to herein as owners. Franchisee must complete and update throughout the Term, as necessary, the "Guaranty of the Franchise Agreement", and:

- (a) All persons who own any interest in the Entity or their spouse must guaranty Franchisee's performance under this Agreement by signing the "Guaranty of the Franchise Agreement" attached;
- (b) Franchisee shall provide to Franchisor a resolution signed by all shareholders, directors, members, managers or partners, as appropriate, designating the principal contact for the Entity and Franchisee. This principal contact must be a controlling shareholder, managing member or general partner. This representative shall have the authority to speak for and bind

Franchisee in all matters pertaining to this Agreement, and all matters regarding the Outlet;

- (c) The Entity shall engage in no other business than the operation of the Outlet unless Franchisor approves such other business in writing. Franchisor may, in its sole discretion, for any reason, elect to withhold approval;
- (d) Franchisee shall furnish to Franchisor, upon execution or any subsequent transfer of this Agreement, a copy of Franchisee's articles of incorporation, articles of organization, bylaws, operating agreement, partnership agreement or equivalent governing document, as applicable, and shall thereafter promptly furnish Franchisor with a copy of any and all amendments or modifications thereto;
- (e) Franchisee shall promptly furnish Franchisor, on a regular basis, with certified copies of such Entity records material to the Outlet as Franchisor may require from time to time in the Operations Manual or otherwise in writing; and
- (f) Franchisee shall maintain transfer restrictions on its records, of any securities with voting rights, subject to the restrictions of this Agreement, and each certificate of Franchisee representing ownership or equity interests in the Entity, shall have conspicuously endorsed upon it the following legend:

The transfer of this [stock/membership interest/ownership interest] is subject to the terms and conditions of a Franchise Agreement with DiscReplay Worldwide, Inc. dated [date]. Reference is made to the provisions of said Franchise Agreement and to the governing documents of [name of Franchisee Entity].

13. DEFAULT AND TERMINATION

13.01 Termination by Franchisee. Franchisee may terminate this Agreement if Franchisor violates a material provision of this Agreement and fails to remedy or to make substantial progress toward curing the violation within ninety (90) days after receiving written notice from Franchisee detailing the alleged default. Termination by Franchisee is effective ten (10) days after Franchisor receives written notice of termination. If Franchisee terminates this Agreement under this provision, Franchisee must comply with the post-termination obligations set forth in Section 13.03 below.

13.02 Termination by Franchisor. Subject to applicable law to the contrary, Franchisor may, at its option, terminate this Agreement before its expiration as set forth below:

- a. With Notice of 30 Days. Except for a shorter notice period expressly provided, this Agreement will terminate thirty (30) days after Franchisor gives written notice to Franchisee and Franchisee fails to cure the defect within the 30-day period, in the event that:
- i. Franchisee fails or refuses to maintain and operate the Business in compliance with this Agreement, the System, or the Manual;
 - ii. Franchisee, within ten (10) days after notice from Franchisor, fails to pay Franchisor or its affiliates or suppliers for obligations under this Agreement;
 - iii. Franchisee fails to comply with any material federal, state, or local law or regulation applicable to the operation of the Business;
 - iv. Franchisee is in breach of any other term, condition, or provision of this Agreement; or
 - v. Franchisee fails to open for business within eighteen (18) months of the date of this Agreement.
- b. Without Notice. This Agreement and license will immediately terminate without notice in the event that:
- i. Franchisee misrepresented or omitted material facts which induced Franchisor to enter into this Agreement;
 - ii. Franchisee fails to complete the required initial training or has failed to designate an acceptable site pursuant to Section 10;
 - iii. A permanent or temporary receiver or trustee for the Outlet or all or substantially all of Franchisee's property is appointed by any court, or any such appointment is consented to or not opposed through legal action by Franchisee, or Franchisee makes a general assignment for the benefit of Franchisee's creditors or Franchisee makes a written statement to the effect that Franchisee is unable to pay its debts as they become due, or a levy or execution is made on the license, or an attachment or lien remains on the Outlet for thirty (30) days unless the attachment or lien is being duly contested in good faith by Franchisee and Franchisor is advised in writing;
 - iv. Franchisee loses possession or the right of possession of all or a significant part of the Outlet through condemnation,

casualty, lease termination or mortgage foreclosure and the Outlet is not relocated or reopened as provided in Section 4.02;

- v. Franchisee contests the validity of, or Franchisor's ownership of, any of the Marks in any court or proceeding;
- vi. Franchisee makes an unauthorized Transfer;
- vii. Franchisee is a business entity and any action is taken which purports to merge, consolidate, dissolve or liquidate the entity without Franchisor's prior written consent.
- viii. Franchisee voluntarily abandons or ceases operation of the Business for more than five (5) consecutive days; or
- ix. The Franchisee or any owner of greater than twenty percent (20%) of the Franchisee entity or operator is charged or convicted of a felony, a crime involving moral turpitude, or any crime or offense that is reasonably likely, in the sole opinion of the Franchisor, to materially and unfavorably affect the Replay System, Marks, goodwill or reputation.

13.03 Effect of Termination. Upon any 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, and indemnity, will remain in effect, and Franchisee must immediately:

- a. promptly pay all amounts owed to Franchisor based on the operation of the Outlet through the effective date of termination;
- b. return to Franchisor all copies of the Manual, customer lists, records, files, instructions, brochures, advertising materials, agreements, Confidential Information and any and all other materials provided by Franchisor 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;
- c. cancel or assign within five (5) days all registrations relating to its use of any of the Marks, in Franchisor's sole and absolute discretion. Franchisee must notify the telephone, Internet, email, electronic network, directory, and listing entities of the termination or expiration of the Franchisee's right to use any numbers, addresses, domain names, locators, directories and listings associated with any of the Marks, and must authorize their transfer to the Franchisor or any new franchisee as may be directed by the Franchisor. The Franchisee acknowledges as between the

Franchisor and the Franchisee, the Franchisor has the sole rights to, and interest in, all numbers, addresses, domain names, locators, directories and listings used by Franchisee to promote the System. The Franchisee hereby irrevocably appoints the Franchisor, 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 prudent to accomplish the foregoing;

- d. cease doing business under any of the Marks, cancel any assumed name registration that includes any of the Marks, assign all domain names and Internet directory listings that contain the Marks to Franchisor, and refrain from identifying itself as a Disc Replay or a Super Mega Replay franchisee;
- e. allow Franchisor or representatives access to the Business and the computer systems to verify and secure Franchisee's compliance with the obligations under this Agreement;
- f. allow Franchisor to make a final inspection and audit of Franchisee's computer system, books, records and accounts; and
- g. abide by the terms of the required noncompetition covenant.

13.04 Failure to Cease or Remove Identification. If, within thirty (30) days after expiration or termination of this Agreement for any reason, Franchisee fails to remove all displays of the Marks from the Outlet which are identified or associated with the System, Franchisor may enter the Outlet to effect removal. In this event, Franchisor will not be charged with trespass nor be accountable or required to pay for any displays or materials. If, within thirty (30) days after expiration or termination of this Agreement, Franchisee has not taken all steps necessary to amend or terminate any registration or filing of any fictitious name or any other registration or filing containing the Marks, Franchisee hereby irrevocably appoints Franchisor as Franchisee's true and lawful attorney for Franchisee, for the purpose of amending or terminating all registrations and filings, this appointment being coupled with an interest to enable Franchisor to protect the System.

13.05 Other Claims. Expiration or termination of this Agreement will not affect, modify or discharge any claims, rights, causes of action or remedies, which Franchisor may have against Franchisee, whether such claims or rights arise before or after expiration or termination.

14. TRANSFER

14.01 Prohibited Acts. Any unauthorized Transfer or other conveyance, by operation of law or otherwise, or any attempt to do so, shall be deemed void, a breach of this Agreement, and grounds for termination of this Agreement by Franchisor.

14.02 Transfer by Franchisor. Franchisor's obligations under this Agreement are not personal, and Franchisor can unconditionally assign and transfer, in its sole and absolute discretion, this Agreement to another person or business entity at any time. Franchisor does not need permission of Franchisee for the transfer, and may transfer free of any responsibility or liability whatsoever to the Franchisee, provided the transferee assumes the Franchisor's material obligations. Franchisor may also:

- a. sell or issue its stock, other ownership interests, or assets, whether privately or publicly;
- b. merge with, acquire, or be acquired by another entity, including an entity that competes directly with Franchisee; or
- c. undertake a refinancing, recapitalization, leveraged buyout, or other economic or financial restructuring.

14.03 Transfer by Franchisee. Franchisee's obligations under this Agreement are personal and may not be voluntarily or involuntarily sold, pledged, assigned, transferred, shared, subdivided, sub franchised, encumbered or transferred in any way without the prior express written approval of Franchisor. Franchisor will not unreasonably withhold its consent so long as the proposed transfer meets the requirements set forth in Section 14.04 below.

14.04 Conditions for Transfer or Assignment. No Transfer of this Agreement will be approved by Franchisor or be effective unless and until:

- a. Franchisee is under no default in the performance or observance of any of its obligations under this Agreement or any other agreement with Franchisor at the time Franchisee requests permission to assign this Agreement or at the time of the assignment;
- b. Franchisee has settled all outstanding accounts with Franchisor, and Franchisee, and every principal of Franchisee's entity, have executed a general release of Franchisor and all principals of Franchisor from all claims that may be brought by Franchisee or any principal;
- c. the proposed transferee pays Franchisor a fee to transfer the Business (the "**Transfer Fee**") in the amount of Nine Thousand Dollars (\$9,000.00) unless the transferee is:
 - i. a corporation of which Franchisee is the majority stockholder, or a child, parent, sibling or spouse of Franchisee, in which case no Transfer Fee will be required, or
 - ii. another franchisee of DiscReplay, in which case the Transfer Fee will be \$2,500.00;

- d. at Franchisor's sole discretion, sole discretion, the transferee executes and agrees to be bound by: (i) an assignment and assumption agreement satisfactory to the Franchisor, whereby the transferee assumes the obligations of Franchisee under this Agreement; or (ii) Franchisor's then-current form of Franchise Agreement, for a new term (not equal to the remaining term of the assignor's franchise), which may provide for a different rate for royalty fees and advertising payments and contributions required hereunder;
- e. the proposed transferee pays for, attends, and satisfactorily completes the training program for new franchisees unless:
 - i. the transferee is a current franchisee in good standing in the System, or
 - ii. the transferee is and has been a Manager for a period of one year or more of an outlet in good standing;
- f. the individual proposed transferee, or the stockholders, partners, members, or trustees and beneficiaries of a proposed entity transferee, each execute a personal guarantee, jointly and severally guaranteeing the performance of the proposed transferee's obligations;
- g. the proposed transferee demonstrates to Franchisor's satisfaction that it, in all respects, meets Franchisor's standards applicable to new franchisees regarding experience, personal and financial reputation and stability, willingness and ability to devote his or her full time and best efforts to the operation of the franchised Business, and any other conditions as Franchisor may reasonably apply in evaluating new franchisees. Franchisor must be provided all information about the proposed transferee as it may reasonably require. Because of the confidential information available to a franchisee, no assignment to a competitor of the System will be permitted;
- h. the purchase agreement is accepted by Franchisor; and
- i. the transferee (or transferor) agrees to remodel the DiscReplay Outlet, Mega Replay Outlet, or Super Mega Replay Outlet to meet then-current standards.

14.05 Transfer to an Entity. Notwithstanding the preceding section, Franchisee may Transfer its rights and obligations under this Agreement without Franchisor's consent, to an entity in which Franchisee owns one hundred percent (100%) of the outstanding stock, provided:

- a. Franchisee remains on the Agreement as a party and the entity is added as a co-party;
- b. Franchisee, or Franchisee's operational partner or Manager approved by Franchisor, continues to devote full time and best efforts to manage the daily operations of the Business;
- c. the entity's activities are confined exclusively to operating the franchised Business; and
- d. the entity assumes joint and several liability with Franchisee.

14.06 Franchisor's Right to Divulge Information to Prospective Transferees. In the event Franchisee proposes to transfer his or her franchised business, Franchisee authorizes Franchisor the right to divulge information regarding the selling franchisee or its business to a prospective transferee, if the Franchisor believes transferee does not have all the information needed in order to make a reasonable decision, or if the Franchisor believes the information furnished by the selling franchisee to the transferee is inconsistent with the information the Franchisor has about the selling franchisee.

14.07 Death of Franchisee. Upon the death of an individual Franchisee, the rights granted by this Agreement may pass (without payment of any Transfer Fee) to the next of kin or legatees, provided that Franchisee's legal representatives will within one hundred twenty (120) calendar days of Franchisee's death apply in writing to Franchisor for the right to transfer to the next of kin or legatee Franchisee's rights under this Agreement. Franchisor will not unreasonably withhold permission so long as the proposed transferees meet each of the then-current requirements of franchisees.

14.08 Right of First Refusal. Franchisee grants Franchisor the right to purchase the Business on the same terms and conditions specified in a bona fide written offer from a qualified third party. Within seven (7) days after receipt of the bona fide offer acceptable to Franchisee to transfer all or part of the Business, Franchisee must forward a signed copy of the written offer to Franchisor. Franchisor will then have access to all Franchisee's Business Records in order to evaluate the offer, and may purchase the Business upon notification to Franchisee within sixty (60) days.

14.09 Election of Right / Set Offs. If Franchisor elects to exercise its option to purchase under this Agreement, Franchisor will have the right to set off against any payment all amounts due from Franchisee under this Agreement and the cost of the appraisal, if any.

14.10 Rights After Refusal. If Franchisor does not exercise its right to purchase within the required timeframe, Franchisee may transfer the Business to the third party, but not at a lower price or on more favorable terms than disclosed to Franchisor in writing. Such transfer remains subject to Franchisor's prior written approval and other conditions specified in this Agreement. If Franchisor does not transfer the franchised

Business to the transferee on the same terms offered to Franchisor, then Franchisee must again extend the right of first refusal to Franchisor in the manner described above, before another desired transfer.

15. FEES FOR NON-COMPLIANCE.

15.01 Monetary Fees. If Franchisee commits any of the defaults described in this Section 15, Franchisor may impose monetary fees on Franchisee, in addition to the other remedies set forth in this Section 15 and elsewhere in this Agreement. The imposition of a fee in no manner limits Franchisor's right to exercise any other remedy available under this Agreement or in law.

15.02 Failure to Report Gross Sales and to Furnish Reports, Financial Statements or Tax Returns. Franchisee shall pay Franchisor a fee of Ten Dollars (\$10.00) per day, beginning on the seventh (7th) day after Franchisor has given Franchisee notice of the default, beginning on the fifteenth (15th) day from the date performance is due, up through and including the day the default is cured, if Franchisee fails to report the Gross Sales of the Store, or to furnish the reports, financial statements and/or tax returns, as required in Paragraph 11.01 by the stated deadlines.

15.03 Failure to Comply With System Standards. Franchisee shall pay Franchisor a fee of Ten Dollars (\$10.00) for each and every day, beginning on the seventh (7th) day after Franchisor has given Franchisee notice of the default, up through and including the day the default is cured, that Franchisee's Store fails to comply with the Franchisor's System Standards as required in Paragraph 12.04.

15.04 Failure to Comply With Cleanliness and Customer Service Standards. Franchisee shall pay Franchisor a fee of Ten Dollars (\$10.00) for each and every day, beginning on the seventh (7th) day after Franchisor has given Franchisee notice of the default, up through and including the day the default is cured, that Franchisee's Store fails to comply with the Franchisor's Cleanliness and Customer Service Standards as required in Paragraph 12.09.

16. GENERAL PROVISIONS

16.01 Covenants Not to Compete. During the term of this Agreement and for a period of two (2) years after termination, transfer, or expiration of this Agreement for any reason, neither Franchisee, nor persons associated with Franchisee, may participate or serve in any capacity, directly or indirectly, as an owner, director, officer, manager, employee, consultant, representative, agent, lender, lessor, or otherwise, in any business that buys and sells used electronics, entertainment media, small appliances, home décor, kitchen items, sporting goods, tools, pet supplies and other miscellaneous household items, or does electronics repairs. This covenant not to compete applies: (i) during the term of the Agreement, within any state in which Franchisor, Franchisor's affiliates, or franchisees do business (whether as Disc Replay, Disc Trader, Mega Replay, or Super Mega Replay); and, for a period of two (2) years following termination, within a

fifty (50) mile radius from the boundary of Franchisee's Protected Territory, and from any franchised, Franchisor-owned or affiliated company-owned premises (whether as Disc Replay, Disc Trader, Mega Replay, or Super Mega Replay); (ii) on the Internet; and (iii) on any other Multi-Area Marketing channels used by Franchisor. Franchisee acknowledges that the prohibited geographic area may be greater as of the date this covenant not to compete becomes applicable, than as of the date of this Agreement, if other Disc Replay, Disc Trader, Mega Replay or Super Mega Replay businesses open subsequent to the date of this Agreement and after the Franchisee's business opens.

This covenant not to compete is given in part in consideration for training and access to Franchisor's Trade Secrets, and which, if used in a competitive business without paying royalties and other payments, would give Franchisee an unfair advantage over Franchisor and Franchisor's franchisees and affiliates. The unenforceability of all or part of this covenant not to compete in any jurisdiction will not affect the enforceability of this covenant not to compete in other jurisdictions, or the enforceability of the remainder of this Agreement. The Franchisee acknowledges that they possess job skills that would allow for them to succeed in another line of work during this period, thus the terms of this non-compete agreement would not create an undue hardship.

16.02 Stock Ownership. Nothing in this Section will prevent any active officer of Franchisee or member of Franchisee's family either individually or collectively, from owning not more than a total of five percent (5%) of the stock of any company, which is subject to the reporting requirements of Sections 11 or Subsection 14(d) of the Securities and Exchange Act of 1934.

17. DISPUTE RESOLUTION

17.01 Negotiation and Notice. The parties agree that they shall first attempt to resolve any dispute relating to or arising out of this Agreement by direct negotiation. Franchisor may provide a procedure for such direct negotiations in the Manual, and this procedure may be revised periodically in Franchisor's discretion. Franchisee shall give Franchisor written notice of Franchisee's intent to file arbitration or litigation against Franchisor at least fourteen (14) days prior to filing such arbitration or litigation.

17.02 Mediation. Except as otherwise provided herein, before initiating any litigation or arbitration with respect to any dispute arising out of or under this Agreement, the parties agree to first participate in non-binding mediation in Phoenix, Arizona, provided, however, that nothing in this Section shall prohibit the Franchisor from seeking a preliminary injunction, temporary restraining order, or other extraordinary relief as otherwise provided, or from commencing arbitration proceedings for the purposes of tolling any statute of limitations, or otherwise preserving any of its legal or equitable rights. Except as set forth herein, the mediation shall be in accordance with CPR Dispute resolution mediation procedures. Mediation shall be initiated by one (1) party by the submission to CPR of a written request for mediation, which shall contain the mediation

requirements contained in this Agreement, and shall satisfy the requirements of the applicable CPR Rules, a copy of which request shall be delivered to the other party. Unless otherwise mutually agreed, mediation shall commence within two (2) weeks after the selection of the mediator. Mediation shall continue until the parties agree to terminate the process, the mediator determines that the process is not working (i.e., has reached an impasse), or ten (10) business days have elapsed since the commencement of mediation and the parties do not by mutual agreement extend the process. Any recommendation or decision by the mediator shall be non-binding and confidential. The fees and expenses of the mediator shall be shared equally by the parties, and each party shall bear its own costs otherwise. In the event the dispute is not resolved through mediation under this Section, either party may proceed immediately to arbitration concerning the dispute as prescribed in Subsection 17.03.

Each party hereby agrees that all statements made in the course of mediation shall be strictly confidential, and shall not be disclosed to or shared with any third parties, other than the mediator. Each party also agrees that any documents or data specifically prepared for use in good faith negotiations and/or mediation shall not be disclosed to or shared with any third party except those parties whose presence is necessary to facilitate the mediation process. The parties agree not to make copies of any such documents, and to return them to the other party upon the conclusion of the mediation. Each party agrees and acknowledges that no statements made in, or evidence specifically prepared for mediation shall be admissible for any purpose in any subsequent proceedings.

17.03 Arbitration.

- a. SUBJECT TO THOSE PRIOR PROVISIONS REGARDING DIRECT NEGOTIATIONS, AND MEDIATION, any and all disputes or controversies between or among the parties to this Agreement and their respective directors, officers, shareholders, owners, affiliates, employees, agents, or guarantors including, without limitation, any disputes or controversies based on, arising out of, or in any way related to this Agreement, any agreements ancillary to this Agreement, the relationship created under this Agreement, the offer or sale of the Franchise, or the operation or management of the Franchise, will be resolved in accordance with the rules for Non-Administered Arbitration, of the CPR Institute for Dispute Resolution (“CPR”). The hearings will be held in Phoenix, Arizona. A single arbitrator shall be appointed pursuant to those Rules, and the decision of the arbitrator shall be final and binding upon the parties, and either party shall have the right to seek to enforce judicially any order or award which may be issued by the arbitrator in a court of competent jurisdiction. The arbitrator shall have the power to order discovery on the basis of what is likely to produce material and relevant information in the proceeding. The prevailing party in any such arbitration proceeding shall be entitled to receive full reimbursement for all attorneys’ fees and costs reasonably incurred by the prevailing party with regard to the

arbitration proceedings, not to include reimbursement for any fees or costs attributable to mediation proceedings provided for herein. Each party must submit or file any claim that would constitute a compulsory counterclaim (under the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any such claim that is not submitted will be forever barred.

- b. Franchisor and Franchisee agree that no arbitration, and no other form of proceeding permitted hereby, will be maintained by any party to enforce any liability or obligation of the other party, whether arising from this Agreement or otherwise, unless brought before the expiration of the earlier of:

- (i) one (1) year after the date of discovery of the facts resulting in such alleged liability or obligation; or

- (ii) two (2) years after the date of the first act or omission giving rise to such alleged liability or obligation, except that where state or federal law mandates or makes possible by notice or otherwise a shorter period, such shorter period shall apply; provided that an action to enforce a judgment obtained in any arbitration or other proceeding permitted hereby may be brought as permitted by law.

- c. Except as expressly provided herein, all claims by Franchisor or Franchisee seeking temporary, preliminary, permanent or any other form of mandatory or prohibitory injunctive relief, or any other extraordinary remedy, shall be submitted in the arbitration proceedings to be conducted pursuant to this Section, it being acknowledged that such relief is available in such proceedings when appropriate. Franchisor and Franchisee agree to each use their best efforts to expedite consideration of any form of preliminary injunctive requests which may be made in such proceedings. However, it is specifically agreed and understood that Franchisor may bring an action in any court of competent jurisdiction for injunctive or other extraordinary relief, without the necessity of posting any bond (and if bond shall nevertheless be required by a court of competent jurisdiction, the parties agree that the sum of ONE HUNDRED DOLLARS (\$100) shall be sufficient bond), as Franchisor deems necessary or appropriate:

- (i) respecting the use or display of the service marks of Franchisor; or

- (ii) to otherwise compel Franchisee to take steps reasonably necessary to preserve Franchisor's reputation, goodwill and proprietary rights. Franchisee acknowledges that it is one (1) of a

number of licensed franchisees using Franchisor's service marks, and that failure on its part to comply fully with any of the terms of this Agreement respecting the foregoing obligations will cause irreparable damage to Franchisor or other licensed franchisees of Franchisor. Therefore, Franchisor shall have the immediate right to seek a preliminary order or injunction enforcing the foregoing obligations during the pendency of all arbitration, mediation or other proceedings, without the necessity of posting a bond. This covenant shall be independent, severable and enforceable notwithstanding any other rights or remedies which Franchise may have.

d. **Discovery Limits.** The parties agree to limit discovery as follows:

(i) For disputes involving monetary claims less than Fifty Thousand Dollars (\$50,000), no discovery is allowed other than the voluntary exchange of exhibits prior to the arbitration hearing;

(ii) For disputes involving monetary claims equal to or greater than Fifty Thousand Dollars (\$50,000), but less than Two Hundred Fifty Thousand Dollars (\$250,000), the parties may take one single representative deposition of the other side and serve a document request of up twenty-five (25) documents; and

(iii) For disputes involving monetary claims equal to or greater than Two Hundred Fifty Thousand Dollars (\$250,000), the parties may take up to five (5) depositions of the other side and serve a document request of an unlimited number of documents.

e. **Notwithstanding any language to the contrary in the contract documents, the parties hereby agree: that the Underlying Award may be appealed pursuant to the AAA's Optional Appellate Arbitration Rules ("Appellate Rules"); that the Underlying Award rendered by the arbitrator(s) shall, at a minimum, be a reasoned award; and that the Underlying Award shall not be considered final until after the time for filing the notice of appeal pursuant to the Appellate Rules has expired. Appeals must be initiated within thirty (30) days of receipt of an Underlying Award, as defined by Rule A-3 of the Appellate Rules, by filing a Notice of Appeal with any AAA office. Following the appeal process the decision rendered by the appeal tribunal may be entered in any court having jurisdiction thereof.**

e. **The arbitrator in the underlying proceeding must issue a reasoned award explaining the bases for the decision. In addition, the parties agree that there shall be a record of the arbitration proceeding.**

17.04 Venue and Choice of Law. Franchisee acknowledges that this Agreement is entered into in Arizona, and that any proceeding commenced, or brought by

either party, including judicial proceedings, or mediation and arbitration proceedings provided for herein, must be brought in Phoenix, Arizona, or the court situated in Maricopa County, Arizona. The parties hereby waive all questions of personal jurisdiction or venue for the purposes of carrying out this provision. Franchisee further agrees that the state or federal courts situated in Maricopa County (for state court) or the City of Phoenix (for federal court) in the State of Arizona are the exclusive venues where Franchisee may bring litigation (subject to the arbitration clause). The parties further agree that, in the event of such litigation, they will not contest or challenge the jurisdiction or venue of the Arizona courts. The exclusive choice of jurisdiction and venue does not preclude or restrict the ability of the parties to confirm or enforce arbitration awards in any appropriate jurisdiction. The parties acknowledge that this venue provision has been fully disclosed and agreed to by the franchisee. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other federal law, this Agreement and the Franchise shall be governed by the laws of the State of Arizona without reference to its choice of law principles.

17.05 No Punitive or Exemplary Damages. Franchisee and Franchisor each waive, to the fullest extent permitted by law, any right or claim for any punitive or exemplary damages against the other, and agree that if there is a dispute with the other, each will be limited to the recovery of actual damages sustained by it, including reasonable legal fees and costs as may be otherwise provided for in this Agreement.

17.06 Waiver of Jury Trial; No Class Actions. Franchisee and Franchisor each irrevocably waive any right either of them may otherwise have to trial by jury in any action or proceeding, whether at law or equity, brought by either of them. Additionally, the franchisee hereby irrevocably waives and releases any right it may otherwise have to bring, or participate in, any class or group action, claim or arbitration against the franchisor, or to seek the approval of any class for the purpose of seeking to pursue or enforce alleged claims against the franchisor. All claims of the franchisee shall therefore be brought on an individual basis only.

FRANCHISEE EXPRESSLY ACKNOWLEDGES THAT FRANCHISEE HAS READ THE TERMS OF THIS DISPUTE RESOLUTION PROVISION, AND SPECIFICALLY AFFIRMS THAT THIS PROVISION IS ENTERED INTO WILLINGLY AND VOLUNTARILY AND WITHOUT ANY FRAUD, DURESS OR UNDUE INFLUENCE ON THE PART OF FRANCHISOR OR ANY OF FRANCHISOR'S AGENTS OR EMPLOYEES.

18. RELATIONSHIP OF THE PARTIES

18.01 Independent Contractor. Franchisee is an independent contractor and is not an agent, partner, joint venture, or beneficiary of Franchisor, nor is Franchisor a fiduciary of Franchisee. Neither party will be bound or obligated by the other, except as set forth in this Agreement. Franchisee may not act as an agent in the Franchisor's name or on behalf of the Franchisor for any purpose whatsoever.

18.02 Operations and Identification. Franchisee must conspicuously identify itself in all dealings with the public as “independently owned and operated” separate from Franchisor. Franchisee’s employees are employees of the Franchisee alone and are not, for any purpose, considered employees under the control of Franchisor. Franchisor and Franchisee must file separate tax, regulatory, and payroll reports for each party’s own operations, and must indemnify the other for any liability arising from the other’s reports.

18.03 Responsibility for Employees. Franchisee has sole responsibility for complying with all employment laws and for all employment decisions and functions related to the franchised business, including hiring, firing, compensation, benefits, work hours, work rules, recordkeeping, supervision and discipline of employees.

18.04 No Employer Relationship. Franchisee expressly acknowledges that Company is not Franchisee’s employer or an employer of any of Franchisee’s employees. In addition, Company is not a joint employer with Franchisee. Franchisee acknowledges that Company’s training, guidance, advice and assistance, the Franchisee’s obligations under this Agreement and the standards and specifications required by Company hereunder and in the Operations Manual are imposed not for the purpose of exercising control over Franchisee but rather for the limited purpose of protecting the Marks and System, goodwill and brand consistency. Franchisee is solely responsible for the management of the Franchised Business as an independent franchise owner/operator.

19. MISCELLANEOUS

19.01 Entire Agreement. This Agreement, together with all written related agreements, exhibits and attachments, constitutes the entire understanding of the parties and supersedes all prior negotiations, commitments, and representations. Provided, however, nothing in this Agreement or in any related agreement is intended to disclaim Franchisor’s representations made in the franchise disclosure document.

19.02 Modification. No modifications of the terms of this Agreement shall be valid unless made in writing and executed by both Franchisor and Franchisee. However, the Manual may be periodically modified by Franchisor and shall be fully enforceable against Franchisee.

19.03 Waiver. Franchisor’s waiver of any particular right by Franchisee will not affect or impair Franchisor’s rights as to any subsequent exercise of that right of the same or a different kind; nor will any delay, forbearance or omission by Franchisor to execute any rights affect or impair Franchisor’s rights as to any future exercise of those rights.

19.04 Severability. If any part of this Agreement, for any reason, is declared invalid by an arbitrator or court, the declaration will not affect the validity of any remaining portion. The remaining portion will remain in force and effect as if this Agreement were executed with the invalid portion eliminated or curtailed. All partially

valid and enforceable provisions shall be enforced to the extent that they are valid and enforceable.

19.05 Conflict with Local Law. If any provision of this Agreement is inconsistent with a valid applicable law, the provision will be deemed amended to conform to the minimum standards required. The parties may execute an Addendum setting forth certain of these amendments applicable in certain jurisdictions, which will apply only so long as and to the extent that then applicable laws referred to in the addendum remain validly in effect.

19.06 Section Headings. Titles of articles and sections are used for convenience of reference only and are not part of the text, nor are they to be construed as limiting or affecting the construction of the provisions.

19.07 Legal Costs. If either party institutes a legal proceeding, including court proceeding and arbitration, and prevails entirely or in part in any action at law or in equity against the other party based entirely or in part on the terms of this Agreement, the prevailing party shall be entitled to recover from the losing party, in addition to any judgment, reasonable attorneys' fees, court costs, witnesses' fees, and all of the prevailing party's expenses in connection with any action at law. The term "prevailing party" means that the party obtained substantially the relief sought, whether by compromise, settlement or judgment, or that the party successfully defended the action brought by the other party.

19.08 Obligations. Franchisor has no liability for Franchisee's obligations to any third party whatsoever.

19.09 Continuation of Agreement. The provisions of this Agreement, which by their terms or by reasonable implication require performance by Franchisee after assignment, expiration or termination, remain enforceable notwithstanding the assignment, expiration or termination of this Agreement, including those pertaining to non-competition, intellectual property protection, confidentiality and indemnity. This Agreement inures to the benefit of and is binding on the respective heirs, legal representatives, successors, and permitted assigns of the parties.

19.10 Delivery. All notices and other communications required by this Agreement must be in writing and must be delivered in person, sent by Federal Express or U.S. Mail overnight delivery, or by registered or certified mail, return receipt requested, or in any other manner Franchisor may designate. Communications sent to Franchisor must be sent to the attention of the Chief Executive Officer at Franchisor's address or at any other address Franchisor designates in writing. Communications to Franchisee will be sent to Franchisee at Franchisee's last known business address, or at any other address Franchisee designates in writing. Any notice is considered given and received, when delivered in person, or on the third business day following the mailing, if mailed.

19.11 Joint and Several Liability. If two or more persons or entities or any combination sign this Agreement, each will have joint and several liability. All owners

and controllers of an entity or association which comprise the Franchisee are jointly and severally liable for the obligations of the Franchisee under this Agreement.

19.12 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.

19.13 Set Off. Franchisee may not set off any amounts owed to Franchisor under this Agreement nor may Franchisee withhold any amounts owed to Franchisor due to any alleged non-performance by Franchisor under this Agreement. Franchisee waives any right to set off.

19.14 Completion of Agreement. The parties agree to acknowledge, execute and deliver all further documents, instruments or assurances and to perform all further acts or deeds as may be reasonably required to carry out this Agreement.

19.15 Franchisor's Judgment. Whenever this Agreement or any related agreement grants, confers or reserves to Franchisor the right to take action, refrain from taking action, grant or withhold Franchisor's consent or grant or withhold Franchisor's approval, unless the provision specifically states otherwise, Franchisor will have the right to engage in such activity at Franchisor's option taking into consideration Franchisor's assessment of the long term interests of the System overall. Franchisee and Franchisor recognize, and any court or judge or arbitrator is affirmatively advised, that if those activities and/or decisions are supported by Franchisor's business judgment, neither said court, said judge, said arbitrator, nor any other person reviewing those activities or decisions will substitute his, her or its judgment for Franchisor's judgment. When the terms of this Agreement specifically require that Franchisor not unreasonably withhold Franchisor's approval or consent, if Franchisee is in default or breach under this Agreement, any withholding of Franchisor's approval or consent will be considered reasonable.

19.16 Beneficiaries. The parties intend to confer no benefit or right on any person or entity not a party to this Agreement and no third parties shall have any right or claims, benefit, or right as a third-party beneficiary under this Agreement or any provision hereof. Similarly, Franchisee is not entitled to claim any rights or benefits including those of a third-party beneficiary, under any contract, understanding or agreement between Franchisor and any other person or entities, unless that contract, understanding or agreement specifically refers to Franchisee by name or to a class which Franchisee belongs and specifically grants rights or benefits to Franchisee or to the concerned class.

20. ACKNOWLEDGMENT

BY SIGNING THIS AGREEMENT, FRANCHISEE ACKNOWLEDGES THAT:

(i) FRANCHISEE IS NOT A PARTY TO OR SUBJECT TO AGREEMENTS THAT MIGHT CONFLICT WITH THE TERMS OF THIS AGREEMENT AND

AGREES NOT TO ENTER INTO ANY CONFLICTING AGREEMENTS DURING THE TERM OR ANY RENEWAL TERMS; AND

(ii) FRANCHISEE HAS RECEIVED THE FRANCHISE DISCLOSURE DOCUMENT REQUIRED BY THE FEDERAL TRADE COMMISSION WITH APPLICABLE EXHIBITS AT LEAST FOURTEEN (14) CALENDAR DAYS BEFORE THE DATE ON WHICH THIS AGREEMENT WAS EXECUTED, AND HAS RECEIVED A COPY OF THE COMPLETE FRANCHISE AGREEMENT AT LEAST SEVEN (7) CALENDAR DAYS BEFORE THE DATE ON WHICH THIS AGREEMENT WAS EXECUTED.

21. GUARANTY

Franchisee and Franchisee's spouse, or if Franchisee is a legal entity, each owner of Franchisees, and each spouse of each owner, must execute the Guaranty of Franchise Agreement attached to this Agreement. Each guarantor must personally and unconditionally guarantee the obligations of Franchisee under this Agreement as if each guarantor were an original party to this Agreement in his or her individual capacity.

22. 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

Signature Page Follows

IN WITNESS WHEREOF, the parties have duly executed this Agreement.

Signed in the presence of:

DISCREPLAY WORLDWIDE, INC.

By _____

Name: _____

Title: _____

Date: _____

Signed in the presence of:

FRANCHISEE: _____

By: _____

Name: _____

Title: _____

Date: _____

**AUTHORIZATION AGREEMENT
FOR PREAUTHORIZED PAYMENT SERVICE**

I (or We if there are joint owners of the account referenced later in this agreement) authorize and request DiscReplay Worldwide, Inc. (the “**Company**”) to obtain payment for all royalty amounts I (we) owe to the Company pursuant to the Franchise Agreement between the Company and me (us), as these amounts become due by initiating a payment entry to my (our) account. The account number, name of financial institution, payment amount, and date on or immediately after which payment should be deducted from the account are identified below. In addition, I (we) authorize and request the financial institution, now referred to as the Bank, to accept the payment entries presented to the Bank and to deduct them from my (our) account without responsibility for the correctness of these payments.

Franchisee Information:

Franchisee Name: _____ Franchisee Outlet No.: _____

Payment Date: _____ Payment Frequency: _____

Your Bank Account Information:

Please attach a voided check and we will complete this information for you.

Transit Routing Number: _____ Checking Account Number: _____

Bank Name: _____ Bank Address: _____

Your Name(s): _____
(please print)

Signature(s): _____

Date Signed: _____

STATE OF _____

COUNTY OF _____

Subscribed and sworn to before me this _____ day of _____, 20____.
Witness my official hand and seal.

Notary Public

COLLATERAL ASSIGNMENT OF TELEPHONE NUMBERS, ADDRESSES, AND LISTINGS

THIS ASSIGNMENT is entered into this ____ day of _____, 20____, in accordance with the terms of that certain DiscReplay Worldwide, Inc. Franchise Agreement (the “**Franchise Agreement**”) between _____ (“**Franchisee**”) and DiscReplay Worldwide, Inc., an Illinois corporation (“**Franchisor**”), executed concurrently with this Assignment, under which Franchisor granted Franchisee the right to own and operate a Disc Replay, Mega Replay, or Super Mega Replay Franchise located at _____ (the “**Franchise Business**”).

FOR VALUE RECEIVED, Franchisee hereby assigns to Franchisor those certain telephone numbers, addresses, domain names, locators, directories and listings (collectively, the “**Numbers, Addresses, and Listings**”) associated with Franchisor’s trade and service marks and used from time to time in connection with the operation of the Franchise Business at the address provided above. This Assignment is for collateral purposes only and, except as specified herein, Franchisor shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment, unless Franchisor shall notify the telephone, Internet, email, electronic network, directory, and listing entities with which Franchisee has dealt (all such entities are collectively referred to herein as “**Provider Companies**”) to effectuate the assignment pursuant to the terms hereof.

Upon termination or expiration of the Franchise Agreement (without renewal or extension), Franchisor shall have the right and is hereby empowered to effectuate the Assignment of the Numbers, Addresses, and Listings and, in such event, Franchisee shall have no further right, title or interest in the Numbers, Addresses, and Listings, and shall remain liable to the Provider Companies for all past due fees owing to the Provider Companies on or before the effective date of the assignment hereunder.

Franchisee agrees and acknowledges that as between Franchisor and Franchisee, upon termination or expiration of the Franchise Agreement, Franchisor shall have the sole right to and interest in the Numbers, Addresses, and Listings, and Franchisee appoints Franchisor as Franchisee’s true and lawful attorney-in-fact to direct the Provider Companies to assign same to Franchisor, and execute such documents and take such actions as may be necessary to effectuate the assignment. Upon such event, Franchisee shall immediately notify the Provider Companies to assign the Numbers, Addresses, and Listings to Franchisor. If Franchisee fails to promptly direct the Provider Companies to assign the Numbers, Addresses and Listings to Franchisor, Franchisor shall direct the Provider Companies to effectuate the assignment contemplated hereunder to Franchisor. The parties agree that the Provider Companies may accept Franchisor’s written direction, the Franchise Agreement or this Assignment as conclusive proof of Franchisor’s exclusive rights in and to the Numbers, Addresses, and Listings upon such termination or expiration and that such assignment shall be made automatically and effective immediately upon Provider Companies’ receipt of such notice from Franchisor or Franchisee. The parties further agree that if the Provider Companies require that the parties execute the Provider Companies’ assignment forms or other documentation at the time of termination or

expiration of the Franchise Agreement, Franchisor's execution of such forms or documentation on behalf of Franchisee shall effectuate Franchisee's consent and agreement to the assignment. The parties agree that at any time after the date hereof they will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the assignment described herein upon termination or expiration of the Franchise Agreement.

ASSIGNEE

ASSIGNOR

DiscReplay Worldwide, Inc.

Franchisee

By: _____

By: _____

[Print name]

[Print name]

Its: _____

Its: _____

LEASE ASSIGNMENT AGREEMENT

THIS AGREEMENT is made on _____ (date) by and between DiscReplay Worldwide, Inc., an Illinois corporation ("DiscReplay"), ("Lessee"), and _____ ("Lessor"), concerning the DISC REPLAY, MEGA REPLAY, OR SUPER MEGA REPLAY Outlet located at _____ ("Approved Location").

1. Assignment

Lessee assigns to DiscReplay all of his, her, or its interest in and to the lease for the Approved Location. However, the assignment will become effective only upon DiscReplay's exercise of the option granted to DiscReplay under Section 3 of this Agreement. DiscReplay will have the right, in its sole discretion, to exercise the option if either of the two events specified in subparagraphs 1.1 or 1.2 occurs.

1.1. Default Under Lease

If Lessee defaults in the performance of any material term of the lease, Lessor must notify DiscReplay of the default. DiscReplay will then have thirty (30) days from its receipt of the notice to exercise its option. If DiscReplay does not exercise the option and lessee does not cure the default within any applicable cure period, Lessor may terminate the lease at the expiration of thirty (30) days from DiscReplay's receipt of the notice of default or immediately upon written notice that DiscReplay does not intend to exercise its option. DiscReplay will indemnify Lessor against all losses of rent suffered by Lessor as a result of the delay in terminating the lease caused by this paragraph.

1.2. Default under Franchise Agreement

DiscReplay may exercise its option immediately upon the termination of the Franchise Agreement by reason of any default by Lessee under the Franchise Agreement or upon non-renewal of the Franchise Agreement.

2. Consent to Assignment

This Agreement will remain in effect during the entire term of the lease and any and all renewals or extensions of the lease. Lessor agrees that the lease may not be amended, assigned, extended, renewed or surrendered, nor may the Approved Location, or any part of it, be sublet, nor may the lease, or any interest in it be assigned or encumbered by Lessee without the prior written consent of DiscReplay.

3. Exercise of Option by DiscReplay

DiscReplay may exercise the option granted in this Agreement by giving written notice to Lessee and Lessor. Lessee must vacate the Approved Location immediately upon receiving the notice. DiscReplay will have the right, at the same time as or after DiscReplay exercise of the option granted in this Agreement, to assign its rights under this Agreement to a new Lessee selected by DiscReplay to operate the DISC REPLAY, MEGA REPLAY OR SUPER MEGA REPLAY Outlet, subject to Lessor's prior written approval of the transferee which may not be withheld if the transferee meets Lessor's currently effective standards for new lessees.

4. Attorney fees and Costs

If legal action is necessary to enforce the terms and conditions of this Agreement, the prevailing party will be entitled to recover reasonable compensation for preparation, investigation and court costs and reasonable attorney fees, as fixed by a court of competent jurisdiction.

IN WITNESS TO THE PROVISIONS OF THIS AGREEMENT, the people named in it have signed it on the date stated in its opening paragraph.

LESSOR

By: _____

Address: _____

LESSEE

By: _____

Address: _____

FRANCHISOR

By: _____

Title: _____

Signature: _____

DiscReplay Worldwide, Inc.

GUARANTY OF FRANCHISE AGREEMENT

In order to induce DISCREPLAY WORLDWIDE, INC., its successors and assigns (jointly and severally hereinafter sometimes called "the Company") to enter into a Franchise Agreement dated the ____ day of _____, 20____, with its successors and assigns (hereinafter referred to as "Franchisee"), the undersigned and each of them, for themselves, their heirs, executors, administrators and other legal representatives (jointly and severally hereinafter sometimes referred to as "Guarantors"), warrant to the Company that:

1. Guarantors have had opportunity to consult legal counsel of their own choosing as to their responsibilities and liabilities under this Guaranty.

2. Guarantors are personally familiar with Franchisee and of their own knowledge know that said Franchisee (including any individual who signed for said Franchisee) duly and voluntarily executed said Franchise Agreement for the uses and purposes expressed in said Franchise Agreement.

3. Therefore, being fully satisfied with all terms, conditions, covenants and provisions of said Franchise Agreement and other good and valuable consideration:

(a) Guarantors hereby irrevocably agree to indemnify and hold the Company harmless from all claims, demands and causes of action, however, whenever, and wherever arising, including all damages, costs and attorneys' fees incurred by the Company under any trial or appeal, of any claim or defense asserted by Franchisee, or by anyone claiming by or through Franchisee which in any way arises out of or through the terms of the Franchise Agreement or the terms of this Guaranty or asserting the Franchisee's signing of any one or more of the same was other than a proper and voluntary act or was for uses or purposes not expressed in such Agreements, providing, however, that this Guaranty shall not be construed as enlarging or diminishing Franchisee's right to assert any contention which is based on the Company's alleged breach of the contents of this Agreement or of any modifications, amendments, supplements or extensions to it.

(b) Guarantors hereby irrevocably guarantee to the Company, its successors and assigns, the due and timely performance by Franchisee of all Franchisee's undertakings and obligations arising under or out of the Franchise Agreement, including all modifications, amendments, supplements or extensions.

(c) Any provisions of the Franchise Agreement on governing law, the jurisdiction of courts, or the remedies of the parties also shall apply jointly and severally to Guarantors along with the parties to the Franchise Agreement and are to be made a part of this Agreement as if such provisions were set out herein.

(d) At its discretion, the Company may proceed against one or more Guarantors without notice or demand (other than a notice or demand expressly required by the Disc Replay or Super Mega Replay Franchise Agreement) and without first proceeding against Franchisee. This Guaranty shall survive the expiration or termination of the Franchise Agreement and shall survive any modification, amendments, supplements or extensions to the Franchise Agreement.

Executed this ____ day of _____, 20____

GUARANTORS

EXHIBIT "A"

Franchisee has disclosed to DiscReplay Worldwide, Inc. the identities of the person(s), partnership(s), joint venture(s), corporation(s) limited liability companies or other business entities that own and control the Franchisee. Franchisee warrants and acknowledges that such disclosure has been a material consideration in entering into the Franchise Agreement, and that the information set forth in this Exhibit is true, accurate, and complete.

| NAME | TYPE OF OWNERSHIP (LEGAL OR BENEFICIAL) (If beneficial, name of Trustee) | PERCENTAGE OF INTEREST OWNED |
|------|-----------------------------------------------------------------------------|---------------------------------|
|------|-----------------------------------------------------------------------------|---------------------------------|

If Franchisee is a corporation, list all officers and Directors and their respective mailing addresses.

| NAME | ADDRESS | DIRECTOR/OFFICER |
|------|---------|------------------|
|------|---------|------------------|

If Franchisee is a limited liability company or partnership, list all members or all general and limited partners, their respective addresses, and the ownership interest in the Franchisee.

| PARTNER (GENERAL OR LIMITED) | ADDRESS | OWNERSHIP INTEREST |
|---------------------------------|---------|--------------------|
|---------------------------------|---------|--------------------|

SCHEDULE 1(a)

LOCATION OF THE OUTLET

The parties hereto agree that the Disc Replay, Mega Replay, or Super Mega Replay Store to be operated by Franchisee pursuant to the Franchise Agreement shall be located at the following premises:

Franchisee acknowledges and agrees that Franchisor's approval of the premises for the Store and any information communicated to Franchisee regarding the premises for the Store do not constitute a representation or warranty of any kind, expressed or implied, as to the suitability of the premises for a Disc Replay, Mega Replay, or Super Mega Replay Store, of the economic terms of the lease or sublease, or for any other purpose. Franchisor's approval indicates only that Franchisor believes that the site meets Franchisor's then acceptable criteria. Applying criteria that have appeared effective with other sites and premises might not accurately reflect the potential for all sites and premises. Demographic and/or other factors, including competition from other businesses, whether included in or excluded from Franchisor's criteria, could change, altering the potential of a site and premises. The uncertainty and instability of such factors are beyond Franchisor's control, and Franchisee agrees that Franchisor will not be responsible for the failure of a site and premises approved by Franchisor to meet expectations as to potential revenue or operational criteria. Franchisee further acknowledges and agrees that his acceptance of a franchise for the operation of a Disc Replay, Mega Replay, or Super Mega Replay Store at the above premises is based on his own independent investigation of the suitability of the premises.

Franchisor:
DISCREPLAY WORLDWIDE, INC.
an Illinois corporation

Franchisee:
Corporate/LLC Signature:
_____ a _____ corporation/LLC

By: _____
Title: _____

By: _____
Title: _____

Individual Signatures of
Franchisee:

SCHEDULE 1(b)(ii)

FRANCHISEE'S EXCLUSIVE AREA

EXHIBIT B to FRANCHISE AGREEMENT SUPER MEGA REPLAY ADDENDUM

This is an Addendum to the Disc Replay Worldwide, Inc. Franchise Agreement by and between Disc Replay Worldwide, Inc. ("Franchisor") and _____ ("Super Mega Replay Franchisee" or "Franchisee") dated _____, 20____ (the "Franchise Agreement"). All capitalized or initially capitalized terms used in this Addendum but not defined herein shall have the same meaning as ascribed to them in the Franchise Agreement. The outlet contemplated by this Addendum will be referred to as the "Super Mega Replay Store," and will be subject to all of the provisions contained in the Franchise Agreement, as modified by this Addendum.

1. A "Super Mega Replay Store" is an outlet that is different from a "Disc Replay Store" as described in the Franchise Agreement, in the following respects:
 - a. The Primary Identifying Brand will be "SUPER MEGA REPLAY" and not "DISC REPLAY."
 - b. The size of the Super Mega Replay Store will be between 8,000 and 14,000 square feet (as distinguished from 2,200 to 7,000 square feet for the Disc Replay Store).
 - c. The Super Mega Replay Store will trade, offer, and sell all items that a Disc Replay Store sells, but in addition will trade, offer, and sell the following: small appliances, home décor, kitchen items, sporting goods, tools, pet supplies and other miscellaneous household items (no clothing).
2. Paragraph 8.04 , Initial Training, shall be revised to read in its entirety as follows:

8.04 Initial Training. Franchisor will provide initial and ongoing training and assistance, as Franchisor may reasonably determine to be appropriate, within one hundred and fifty (150) days of signing this Agreement. Franchisor will provide the initial training program at its corporate headquarters, or at another location designated by Franchisor, to Franchisee and one designated Manager or other employee. Franchisee and a designated manager must attend and satisfactorily complete the initial training program. The training program lasts for approximately five (5) days, and consists of a discussion of the System, techniques, procedures, and methods of operation, hiring employees, customer service, ordering, sales, procedures, accounting, support procedures and instructions on quality standards and practical experience in the operation of the Outlet. The training program will be held at either existing Disc Replay Stores or Super Mega Replay Stores, at Franchisor's discretion. Franchisee is responsible for personal travel, accommodation, and other

costs of its employees while attending training. Franchisee will be charged Franchisor's current training fee for any additional persons attending training.

3. Franchisee shall not have the right to sell from the Super Mega Replay Store any items other than those authorized by Franchisor, as set forth in the Operations Manual.
4. All other provisions of the Franchise Agreement shall remain in full force and effect.

This Addendum is executed as of this ____ day of _____, 20_____.

Franchisor:
DISC REPLAY WORLDWIDE, INC.
an Illinois corporation

Franchisee:

By: _____ By: _____
Title: _____ Title: _____

EXHIBIT D

COMPLIANCE QUESTIONNAIRE

As you know, Disc Replay Worldwide, Inc. and you are preparing to enter into a Franchise Agreement for the operation of a Disc Replay or Super Mega Replay Franchised Business. In this Franchisee Disclosure Questionnaire, Disc Replay Worldwide, Inc. will be referred to as "we" or "us." Please review each of the following questions carefully and provide honest and complete responses to each question.

1. Do you understand that in all dealings with you, our officers, directors, employees and agents act only in a representative capacity and not in an individual capacity and such dealings are solely between you and us? Yes _No ____

2. Were you advised, prior to receiving the Franchise Disclosure Document, of the various ways you could be furnished the Franchise Disclosure Document (hard copy, CD, email, etc.)?
Yes ____No ____

3. Did you receive from the Franchisor the name, address and phone number of each Franchise Seller who was involved in the process of selling the franchise to you?
Yes ____No ____

By signing this Compliance Questionnaire, you are representing that you have responded truthfully to the above questions.

Printed Name of Franchisee Applicant

Signature of Franchisee Applicant

Date: _____

Exhibit E
List of Franchise Outlets
as of December 31, 2022 (29)

Franchised Outlets (Disc Replay Stores)

Illinois (3)

Alan Jackson
2012 N. Prospect Avenue
Champaign, IL 61822
Phone: 217/607-0890

Mega Replay
Alyson Weir
4700 N. University St.
Peoria, IL 61614
Phone: 309/713/1665

Andrew Weir, Alyson Weir
Forest Plaza
6241 E. State St.
Rockford, IL 61108
Phone: 815/227-0532

Disc Replay Movies, Music Games
Metro Inc.
Nathan Abner
9739 E. Washington
Indianapolis, IN 46229
Phone: 317/626-7726

Disc Replay Movies, Music Games
Metro Inc.
Nathan Abner
8210 W. Rockville Rd.
Indianapolis, IN 46214
Phone: 317/626-7726

Disc Replay Movies, Music Games
Metro Inc.
Nathan Abner
5892 E. 82nd St.
Indianapolis, IN 46250
Phone: 317/626-7726

Indiana (12)

Nathan Abner
3009 N. National Rd.
Columbus, IN 47201
812/372-4000

Mega Replay
Nathan Abner
4726 Coldwater Rd.
Ft. Wayne, IN 46825
Phone: 260/480-0200

Disc Replay Movies, Music Games
Metro Inc.
Nathan Abner
10327 Indianapolis Blvd.
Highland, IN 46322
Phone: 317/626-7726

Disc Replay
Nathan Abner
7317 S. US 31
Indianapolis, IN 46227
Phone: 317/865-1830

Mega Replay
Nathan Abner
1832 E. Markland Ave., Ste. 500
Kokomo, IN 46901
Phone: 765/450-5993

Nathan Abner
4315 Commerce Dr. #400
Lafayette, IN 47905
Phone: 765/447-3000

Disc Replay Movies, Music Games
Metro Inc.
Nathan Abner
1858 E. 80th Ave.
Merrillville, IN 46410
Phone: 317/626-7726

Alan Jackson
5916 Grape Road
Mishawaka, IN 46545
Phone: 574/273-5800

Disc Replay Movies, Music Games
Metro Inc.
Nathan Abner
Wabash Valley Plaza
4664 South US 41
Terre Haute, IN 47802
Phone: 317/626-7726

Iowa (1)

Alyson Weir
North Park Mall
320 N. Kimberly Road
Davenport, IA 52806
Phone: 563/386-1300

Kentucky (1)

Mega Replay
Nathan Abner
4720 Frederica Street
Owensboro, KY 42301
270/240-4020

Michigan (11)

Battle Creek, Michigan
Disc Traders
Nathan Abner
5700 Beckley Road #B1A
Battle Creek, Michigan 49105
Phone: 269/282-1825

Playtime Partners
Nick Leja
3192G S. Linden Rd.
Flint, MI 48507
Phone: 810/732-5899

Nathan Abner, Justin Kean, Andrew
Jenks
Disc Traders
4597 Canal Ave SW
Grandville, MI 49418
Phone: 616/531-8900

Nathan Abner
Disc Traders
1201 N. Wisner St.
Jackson, MI 49202
517/795-2262

Nathan Abner, Nick Leja
Disc Traders
4174 28th St SE
Kentwood, MI 48507
Phone: 616/974-8500

Disc Replay Movies Music Games
Metro Inc.
Nathan Abner
5831 W. Saginaw Highway
Lansing, MI 48917
Phone: 517/993-5250

Livonia, Michigan
Playtime Partners
Nick Leja
11508 Middlebelt Road
Livonia, MI 48150
Phone: 734/743-5383

Nick Leja, Chad Capista
Disc Replay
29006 Gratiot Avenue
Roseville, MI 48066
(586) 774-5555

Chad Capista
Disc Replay, Saginaw, MI—2806-A
Tittabawassee Road, Saginaw, MI
48604
989/327-1161

Nick Leja, Chad Capista
Disc Replay
14528 Racho Blvd
Taylor, MI 48180
(734) 287-3333

Nick Leja, Chad Capista
340 John R. Road
Troy, MI 48083
248/951-2670

Ohio (1)

Mega Replay
Nathan Abner
912 N. Cable Rd.
Lima, OH 45805
Phone: 567/712-7711

Franchised Outlets (Super Mega Store)

Indiana (1)

Nathan Abner
683 N. Green River Rd.
Evansville, IN 47715
812/471-2900

Exhibit F

Former Franchisees in 2022

Stores Transferred (0)

None

Stores Closed (0)

None

Exhibit G
Manual Table of Contents

Management Manual

| <u>Topic</u> | <u>Pages</u> |
|---------------------------------|--------------|
| Welcome letter | 1 |
| Site Selection | 2-4 |
| Preparing to Open | 5 |
| Staffing | 6-8 |
| Advertising and marketing | 9-15 |
| Management issues | 16-25 |
| • Scheduling | |
| • Payroll | |
| • Internal control | |
| • Safety | |
| • Managing employees | |
| Financial | 26-27 |
| A closing note | 28 |
| Total number of pages in manual | 28 |

Exhibit H

STATE ADDENDA

Exhibit H
DISCREPLAY WORLDWIDE, INC.
ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF ILLINOIS

1. Illinois law governs the agreements between the parties to this franchise.
2. Payment of the Initial Franchise Fees will be deferred until Franchisor has met its initial obligations to franchisee, and franchisee has commenced doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor's financial status.
3. Section 4 of the Illinois Franchise Disclosure Act states that any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
4. Franchisees' rights upon termination and non-renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.
5. Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
6. 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

(Illinois)

DISCREPLAY WORLDWIDE, INC.
ADDENDUM TO THE FRANCHISE AGREEMENT
FOR THE STATE OF ILLINOIS

This Addendum is to a Franchise Agreement dated _____, 20__ between DiscReplay Worldwide, Inc. and _____ (Franchisee) to amend said Agreement as follows:

1. Section 5.02. of the Franchise Agreement, Franchise Fee, shall be amended by replacing it in its entirety with the following:

a. Initial Franchise Fee. Franchisee must pay Franchisor an initial franchise fee of Twelve Thousand Five Hundred Dollars (\$12,500). This Franchise Fee is deferred and not payable until Franchisor's initial obligations to Franchisee have been completed and Franchisee has opened his or her DiscReplay Store for business. This deferral is imposed by the Illinois Attorney General's Office based on Franchisor's financial condition. The Franchise Fee is non-refundable.

2. Section 16.03. of the Franchise Agreement, shall be amended by the addition of the following language:

However, the limitations in this Section 16.03(i) and (ii) shall not apply to the extent prohibited by the Illinois Franchise Disclosure Act of 1987, Section 705/1-44.

3. Section 16.05 (Waiver of Punitive Damages) is amended by the addition of the following language:

However, the waiver of punitive damages in this paragraph shall not apply to the extent prohibited by Section 705/41 of the Illinois Franchise Disclosure Act of 1987 or Illinois Regulations at Section 200.609.

4. Section 16.06 . (Waiver of Jury Trial) is amended by the addition of the following language:

However, the waiver in this paragraph shall not apply to the extent prohibited by Section 705/41 of the Illinois Franchise Disclosure Act of 1987 or Illinois Regulations at Section 200.609.

5. Section 18.01 (Entire Agreement) is amended by the addition of the following language:

Provided, however, that nothing in this Section 18.01. shall preclude any representations contained in the Franchise Disclosure Document of which this Franchise Agreement is an exhibit, from being binding on Franchisor.

6. The Franchise Agreement is hereby modified by adding the following paragraph:

"Nothing contained in this Agreement which purports to bind Franchisee to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other law of Illinois is void."

7. The Franchise Agreement is hereby modified by adding the following paragraph:

"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."

In witness whereof, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective the _____ day of _____, 20____.

Franchisor:
DISCREPLAY WORLDWIDE, INC.

Franchisee:

By: _____

By: _____

Title: _____

Title: _____

(Indiana)

Exhibit H (Indiana)

DISC REPLAY WORLDWIDE, INC.

ADDENDUM TO THE FRANCHISE AGREEMENT

FOR THE STATE OF INDIANA

This Addendum is to a Franchise Agreement dated _____, 20__ between Disc Replay Worldwide, Inc. and _____ (Franchisee) to amend said Agreement as follows:

The Indiana Franchises Law, Title 23, Chapter 2.5, Sections 1 through 51 of the Indiana Code, supersedes any provisions of the Franchise Agreement if such provisions are in conflict with that law.

In witness whereof, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective the _____ day of _____, 20____.

Franchisor:
DISC REPLAY WORLDWIDE, INC.

Franchisee:

By: _____
Title: _____

By: _____
Title: _____

EXHIBIT I TO FRANCHISE DISCLOSURE DOCUMENT

State Effective Dates

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

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

| State | Effective Date |
|--------------|-----------------------|
| California | Not registered |
| Hawaii | Not registered |
| Illinois | Pending |
| Indiana | Pending |
| Maryland | Not registered |
| Michigan | Pending |
| Minnesota | Not registered |
| New York | Not registered |
| North Dakota | Not registered |
| Rhode Island | Not registered |
| South Dakota | Not registered |
| Virginia | Not registered |
| Washington | Not registered |
| Wisconsin | Not registered |

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

RECEIPT (KEEP THIS COPY FOR YOUR RECORDS)

This Franchise Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Franchise Disclosure Document and all agreements carefully. If Disc Replay Worldwide, Inc. offers you a franchise, it must provide this Franchise Disclosure Document to you 14 days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale. You must also receive a franchise agreement containing all material terms at least 7 calendar days before you sign any franchise agreement.

If the Franchisor 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 Commissioner, Washington. D.C. 20580 and the state agency listed on Exhibit A. Disc Replay Worldwide, Inc. authorizes the respective state agencies identified on Exhibit A to receive service of process for it in the particular state.

The franchisor is Disc Replay Worldwide, Inc. located at 18287 N. 98th Way, Scottsdale, AZ 85255. Its telephone number is (702) 927-4088. The franchise sellers for this offering are:

___ John Chesny, 18287 N. 98th Way, Scottsdale, AZ 85255; Phone: (702) 927-4088

___ Nathan Abner, 9739 E. Washington, Indianapolis, Indiana 46229; Phone: (317) 895-8915

I received a disclosure document issuance date April 25, 2023, and as registered in the states noted on Exhibit I of this Franchise Disclosure Document. This disclosure document includes the following exhibits:

| | |
|-------------|---------------------------------------------------------------|
| Exhibit "A" | List of Agents for Service and State Regulators |
| Exhibit "B" | Financial Statements |
| Exhibit "C" | Franchise Agreement |
| Exhibit "D" | Compliance Questionnaire |
| Exhibit "E" | List of Franchised and Affiliate-Owned Stores as of 12/31/22 |
| Exhibit "F" | Former Franchises for Year 2022 |
| Exhibit "G" | Operations Manual Table of Contents – Management and Employee |
| Exhibit "H" | Agreement Addenda for Certain Registration States |
| Exhibit "I" | State Effective Dates |

Dated: _____

PROSPECTIVE FRANCHISEE:

Signature of Prospective Franchisee

Print Name

FDD2023.005, FA2023.003

Please sign this copy of the receipt, date your signature, and retain it for your records.

RECEIPT (OUR COPY)

This Franchise Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Franchise Disclosure Document and all agreements carefully. If Disc Replay Worldwide, Inc. offers you a franchise, it must provide this Franchise Disclosure Document to you 14 days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale. You must also receive a franchise agreement containing all material terms at least 7 calendar days before you sign any franchise agreement.

If the Franchisor 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 Commissioner, Washington D.C. 20580 and the state agency listed on Exhibit A. Disc Replay Worldwide, Inc. authorizes the respective state agencies identified on Exhibit A to receive service of process for it in the particular state.

The franchisor is Disc Replay Worldwide, Inc. located at 18287 N. 98th Way, Scottsdale, AZ 85255. Its telephone number is (702) 927-4088. The franchise sellers for this offering are:

___ John Chesny, 18287 N. 98th Way, Scottsdale, AZ 85255; Phone: (702) 927-4088

___ Nathan Abner, 9739 E. Washington, Indianapolis, Indiana 46229; Phone: (317) 895-8915

I received a disclosure document issuance date April 25, 2023, and as registered in the states noted on Exhibit I of this Franchise Disclosure Document. This disclosure document includes the following exhibits:

| | |
|-------------|---------------------------------------------------------------|
| Exhibit "A" | List of Agents for Service and State Regulators |
| Exhibit "B" | Financial Statements |
| Exhibit "C" | Franchise Agreement |
| Exhibit "D" | Compliance Questionnaire |
| Exhibit "E" | List of Franchised and Affiliate-Owned Stores as of 12/31/22 |
| Exhibit "F" | Former Franchises for Year 2022 |
| Exhibit "G" | Operations Manual Table of Contents – Management and Employee |
| Exhibit "H" | Agreement Addenda for Certain Registration States |
| Exhibit "I" | State Effective Dates |

Dated: _____

PROSPECTIVE FRANCHISEE:

Signature of Prospective Franchisee

Print Name

FDD2023.005, FA2023.003

You may return the signed receipt by either signing, dating and mailing it to Disc Replay Worldwide, Inc. at 18287 N. 98th Way, Scottsdale, AZ 85255.