IN THE CIRCUIT COURT OF THE STATE OF OREGON

FOR THE COUNTY OF CLACKAMAS

BAM FRANCHISING, INC., a corporation, Plaintiff, v. PLASTIC PALETTE, LLC, an Oregon limited liability company; DAVID ALAN THORNTON; LEAH MARIE BROWN, and CHRISTINA MARIA COOPER, Defendants.	Case No. ____________________ **COMPLAINT FOR INJUNCTIVE RELIEF AND SPECIFIC PERFORMANCE** Claim Not Subject to Mandatory Arbitration Amount Stated: $0 (only equitable relief sought) Statute Setting Filing Fee: ORS 21.135(2)(a) Filing Fee: $281

Plaintiff BAM Franchising, Inc. ("BAM" or "Plaintiff"), through counsel, complains and alleges against Defendants as follows:

PARTIES AND JURISDICTION

1.

BAM is an Oregon corporation with its principal place of business in Orem, Utah.

2.

BAM owns the Bricks & Minifigs® brand and operates as the Franchisor over all Bricks & Minifigs locations.

3.

Plastic Palette, LLC ("Plastic Palette") is a limited liability company based in Oregon, with its principal place of business in Canby, Oregon and was a franchisee with Bricks & Minifigs®.

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4.

At the time of contracting, David Alan Thornton ("Thornton"), Leah Marie Brown ("Brown"), and Christina Maria Cooper ("Cooper") (collectively with Plastic Palette, "Defendants") were the members/owners of Plastic Palette, each owning 1/3 of the company, and each of whom reside in Oregon.

5.

This Court has jurisdiction over this action, including pursuant to Section XXV.G of the Franchise Agreement by agreement of the parties (attached as **Exhibit 1**).

6.

This Court is the proper venue for this action, including pursuant to Section XXV.G of the Franchise Agreement by agreement of the parties. *See* **Exhibit 1**.

7.

Plaintiff seeks a temporary restraining order, preliminary and permanent injunctive relief and/or declaratory relief in the form of specific performance of and/or enforcing the terms of the 5/7/17 Franchise Agreements of the parties.

GENERAL ALLEGATIONS

8.

On or about 5/7/17, BAM and Defendants entered into an enforceable and "performed" Franchise Agreement with several additional agreements, including a Confidentiality and Non-Compete Agreement.

9.

The Franchise Agreement allows BAM to terminate the franchisee without a right to cure for certain enumerated items. *See* **Exhibit 1**, Section XXIII.C.

10.

The Franchise Agreement and associated Confidentiality and Non-Compete Agreement impose on Defendants certain obligations to perform post-termination and certain activities from

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which Defendants must refrain. *See* **Exhibit 1**, Section XXIV and Schedule 8.

11.

On 9/1/2023, BAM terminated Defendants' franchise because Defendants, *inter alia*, (1) failed to update signage as previously requested; (2) failed to undo the unlawful assignment of Brown's ownership interest in Plastic Palette to Cooper as previously requested; and (3) exhibited unacceptable behavior and unethical conduct that created a hostile work environment and disrupted regular operations including threatening BAM and the filing of frivolous lawsuits against BAM if it did not take demanded actions, which BAM was not required to take (i.e., assuming Plastic Palette's debts; finding Plastic Palette a buyer; and for an inflated sum); frequent and intense discord among the owners/members of Plastic Palette; and the assault and/or battery of an employee of the store. *See* **Exhibit 2**, 9/1/23 Notice of Termination.

12.

Following the 9/1/23 termination, BAM discovered that Defendants had failed to renew their lease, that the Landlord was terminating their lease, and that they had unpaid debts due to a supplier of approximately $10,000. These newly discovered items also justify termination of the Franchise Agreement.

13.

Following the 9/1/23 termination, Defendants refused to perform or acknowledge their obligations under the Franchise Agreement and its associated Confidentiality and Non-Compete provisions and duties post-termination, and continued instead to operate the store without authorization, including the infringement and use of BAM's Trademarks, Trade Names and Service Marks, products, services, confidential information, programs, methods of operation, copyrighted materials, patents, trade secrets, and proprietary materials and rights, and goodwill without BAM's consent.

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CLAIM FOR RELIEF

(Temporary Restraining Order, Preliminary and Permanent Injunctive Relief and/or an Order of Specific Performance of Franchise Agreement Post-Termination Obligations)

14.

Plaintiff incorporates herein all preceding allegations set forth above.

15.

The Franchise Agreement is a valid and enforceable contract, which has been performed by the parties for six (6) years (excepting only as to Defendants' alleged and uncured breaches).

16.

Plaintiff has fully performed under the terms of the Franchise Agreement.

17.

Defendants have benefited under the terms of the Franchise Agreement since 2017.

18.

Defendants have repeatedly and materially breached the express terms of the Franchise Agreement, as more particularly identified in Plaintiff's Notice of Default and Notice of Termination (Exhibit 2), including disregarding of Defendants' post-termination obligations as enumerated, *inter alia*, in Section XXIV.

19.

Defendants have also breached the implied covenant of good faith and fair dealing implied in all Oregon contracts by manifesting a positive and unequivocal intent to not render promised performance under the Franchise Agreement and by refusing to comply with their post-termination obligations enumerated in the Franchise Agreement, including infringing upon the Bricks & Minifigs® Trademarks, Trade Names and Service Marks, products, services, confidential information, programs, methods of operation, copyrighted materials, patents, trade secrets, proprietary materials and rights, and goodwill, which are owned by BAM.

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20.

As a direct and proximate result of Defendant's breaches set forth above, Plaintiff has been and will continue to be irreparably harmed. Such harm constitutes harm for which no adequate legal remedy exists. Plaintiff will continue to suffer damages that only appropriate injunctive relief and/or specific performance can adequately address.

21.

The requested injunctive relief, specific performance, or other equitable relief would promote public interests (i.e., and not harm said public interests), the weight of equities favor Plaintiff, and Plaintiff is likely to succeed on the merits of its claim.

22.

Pursuant to Section XXV.F of the Franchise Agreement, Plaintiff requests that Defendant be enjoined from infringing and using Plaintiff's Trademarks, Trade Names and Service Marks, products, services, confidential information, programs, methods of operation, copyrighted materials, patents, trade secrets, proprietary materials and rights, and goodwill, and be ordered to specifically perform and comply with their post-termination obligations as enumerated in the Franchise Agreement.

23.

Plaintiff is entitled to an award of all litigation expenses, including attorney's fees and court costs, under Section XXV.F of the Franchise Agreement and under ¶ 12 of the Schedule 8 of the Franchise Agreement.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff prays:

A. A Temporary Restraining Order, Preliminary and Permanent Injunction and/or Order of specific performance be entered in favor of Plaintiffs requiring Defendants to comply with all post-termination obligations under the Franchise Agreement, including not-competing with, soliciting employees of, or diverting business from or respecting BAM or any of its other

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franchisees according to the terms of the Franchise Agreement and Schedule 8 – Confidentiality and Non-Compete Agreement;

B. An award of legal expenses, attorneys' fees and costs, together with interest at the applicable contractual or statutory rate be entered in favor of Plaintiffs; and

C. An award of legal expenses, attorneys' fees and costs, together with interest at the applicable or statutory rate be entered in favor of Plaintiffs; and

D. An award of such other legal and equitable relief as determined to be just and proper by the Court.

DATED this 12th day of September, 2023.

DAVIS WRIGHT TREMAINE LLP

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Of Attorneys for Plaintiff

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Of Attorneys for Plaintiff

Exhibit 1

FRANCHISE AGREEMENT

Between

BAM Franchising, Inc.

10121 SE Sunnyside Road, Suite 115
Clackamas, OR 97015
Direct (503) 387-5152
Fax: (503) 263-3354
Toll Free: (888) 534-6722
Web: www.BricksandMinifigs.com

and

PLASTIC PALETTE LLC, an Oregon limited liability company
("Franchisee")

BAM Franchising, Inc.
FRANCHISE AGREEMENT

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BAM Franchising, Inc.
FRANCHISE AGREEMENT

PARTIES

THIS FRANCHISE AGREEMENT ("**Agreement**") is made by and between BAM Franchising, Inc., an Oregon Corporation, hereinafter sometimes referred to as "**BAM**" or "**Franchisor**" and that party or parties described as the Franchisee in the first two pages of this Agreement and on the signature line, hereinafter known as "**you**" or "**Franchisee**." For ease of reference, BAM Franchising, Inc., will also be referred to as "**we**", "**us**" or "**our**" in this Agreement. The persons signing as Franchisee or Guarantors will also be referenced to herein individually as "**you**" or "**yours**" or collectively as "**Franchisee**." The parties hereto are entering into this agreement to evidence the agreement and understanding between the parties as follows:

RECITALS

WHEREAS, Franchisor has the right to license a system or business program, including expertise for conducting and operating a business under the mark and design Bricks & Minifigs™; and

WHEREAS, Franchisor the exclusive owner of its certain trade names, trademarks, logos, tag lines, service marks and other property in connection with the operation of a Bricks & Minifigs™ business and has developed expertise (including confidential information) and a unique, distinctive and comprehensive system ("**System**") for the establishment and operation of a re-sale store specializing in LEGO® brand products: and

WHEREAS, Subject to the terms and conditions of this Agreement, Franchisor authorizes for use by Franchisee, the Bricks & Minifigs™ trade name(s), mark(s) and the stylized logo, emblems for the operation of a re-sale store that sells new and used LEGO® bricks, LEGO® mini figures and accessories, LEGO® play sets, apparel and pre-approved non-LEGO® branded and/or LEGO® compatible products and season specific merchandise (hereinafter referred to as "**Products**") in addition to programs offered to customers to sell and/or trade their used LEGO® products and accessories (hereinafter referred to as "**Services**") at a Bricks & Minifigs™ franchised location (the "**Accepted Location**") (your franchised business is referred to as your "**Store**" or your "**Franchise**" in this Agreement); and

WHEREAS, Franchisor has been developed to offer a complete solution for any group or person who is seeking to sell, trade or purchase new and/or used LEGO® building bricks, mini figures and accessories. This is a retail store typically located in shopping malls, strip Stores or free standing structures (all of which must be approved by us) featuring high quality LEGO® products and related merchandise. A Bricks & Minifigs™ franchise will: provide programs permitting customers to sell and/or trade their used LEGO® bricks, LEGO® mini figures and accessories; offer for sale a wide selection of new and used LEGO® bricks, LEGO® mini figures and accessories sold in bulk or full play sets in addition to selling apparel and other merchandise approved by us. Additional products and services are customizable as a franchisee may also offer: online LEGO® sales, LEGO® memorabilia, LEGO® posters, approved non-LEGO® toys, consignment services, approved themed entertainment services (such as birthday parties, holiday parties or school events), approved off-site events, after school project-based programs teaching the principals of building with LEGO® bricks to children and other toy-related products and services approved by us.

WHEREAS, We identify our System by means of certain trade names, service marks, trademarks, logos, emblems, trade dress and other indicia of origin, including but not limited to the marks **"Bricks & Minifigs"**, **"Bricks**

and Minifigs" or "Bricks and Figs" and such other trade names, service marks, trademarks and trade dress as are now designated (or may be designated hereafter by Franchisor in writing) for use in connection with our System (the "**Names and Marks**"); and

WHEREAS, Franchisor continues to develop, use, and control the use of such Names and Marks to identify for the public the source of services and products marketed thereunder and under its System, and to represent the System's high standards of consistent quality, appearance, and service; and

WHEREAS, Franchisor has established substantial goodwill and business value in its Names and Marks, expertise and System; and

WHEREAS, Franchisee desires to obtain a franchise from Franchisor for the right to use the Names and Marks and the expertise for operating a Bricks & Minifigs™ franchised business, and to obtain the benefits and knowledge of Franchisor's System including, but without limitation, distinctive LEGO® products and accessories, inventory management systems, purchasing strategies, vendor and supplier relationships, operational procedures, merchandising, sales techniques and methods; build-out specifications, procedures for safety and quality control, inventory management systems, cost and pricing strategies, advertising, marketing and sales materials, control systems, bookkeeping, financing and accounting methods; and in general a style, method and procedure of business operation utilizing the Names and Marks and System, all as a Franchisee of Franchisor; and

WHEREAS, Franchisee recognizes the benefits to be derived from being identified with and licensed by Franchisor and Franchisee understands and acknowledges the importance of Franchisor's high standards of quality, appearance, and service and the necessity of operating the Franchise in conformity with Franchisor's standards and specifications.

NOW, THEREFORE, in consideration of the foregoing recitals and other good and valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged, the parties hereto, intending to be legally bound, do hereby agree as follows:

I. FRANCHISEE'S ACKNOWLEDGEMENT OF BUSINESS RISK AND ABSENCE OF GUARANTEE

Franchisee (and if you are an "Entity" such as a limited liability company, a partnership, corporation or other type of entity then each owner. "**Owner(s)**" shall mean those holding any type of ownership interest in the Entity) hereby represents that Franchisee has conducted an independent investigation of the Franchisor's business and System and recognizes that the business venture contemplated by this Agreement involves business risks and that its success will depend upon Franchisee's abilities as an independent businessperson. Franchisor expressly disclaims the making of, and Franchisee acknowledges that it has not received, any warranty or guarantee, express or implied, as to the potential volume, profits, sales, revenues, or success of the business contemplated by this Agreement. Franchisee acknowledges that Franchisee has been given the opportunity to clarify any provision of this Agreement that Franchisee may not have initially understood and that Franchisor has advised Franchisee to have this Agreement reviewed by an attorney. Except as otherwise provided under applicable state law or regulation, Franchisee hereby releases Franchisor, any owners of a direct or indirect interest in Franchisor, all employees of Franchisor, its affiliated companies and all agents of Franchisor from liability based on any such warranties, guarantees, representations or agreements, to the extent permitted by law.

The Franchisee acknowledges that Franchisor has not made, and does not hereby make, any representation or warranty as to potential revenues, income, profits, sales, revenues, volume or success of the Franchise or merchantability, performance, condition, fitness or suitability for the Franchisee's purposes of any component of the System, or make any other representation or warranty with respect to the System. Franchisor shall not be liable to the Franchisee for, nor shall the Franchisee's obligations hereunder be affected by, any loss, claim, liability, cost, damage or expense of any kind caused, or alleged to be caused, directly or indirectly, by the System, or any Products or Services, or by an inadequacy of the System for any purpose, or by any defect in, the use or maintenance of, any repairs, servicing or adjustments of, or any interruption or loss of service or use of, the System, or any loss of business, profits, consequential or other damage of any nature.

II. **FRANCHISEE'S ACKNOWLEDGMENTS CONCERNING RECEIPT AND THOROUGH EVALUATION OF AGREEMENT**

Franchisee acknowledges having received, read, and understood this Agreement, including the Franchise Disclosure Document, Exhibits, and attachments thereto. Franchisee further acknowledges that Franchisor has provided Franchisee ample time and opportunity to consult with independent legal counsel and other advisors of its own choosing concerning the potential benefits and risks of entering into this Agreement. Franchisee acknowledges that it has received a completed copy of this Agreement, attachments referred to herein, and agreements relating hereto, as well as the Franchise Disclosure Document if any, at least 14 calendar days prior to the date on which this Agreement was executed and any money paid for the franchise.

Franchisee acknowledges that it has read and understands this Agreement, the Schedules and any agreements relating thereto, and that Franchisee has been advised by a representative of Franchisor to consult with an attorney or advisor of Franchisee's own choosing about the potential benefits and risks of entering into this Agreement prior to its execution.

Franchisee acknowledges that any statements, oral or written, by Franchisor or its agents preceding the execution of this Agreement were for informational purposes only and do not constitute any representation or warranty by Franchisor. The only representations, warranties and obligations of Franchisor are those specifically set forth in the Franchise Disclosure Document and this Agreement. Franchisee must not rely on, and the parties do not intend to be bound by, any statement or representation not contained therein.

Franchisee acknowledges that we will not provide or designate locations for Franchisee, will not provide financial assistance to Franchisee and have made no representation that it will buy back from Franchisee any products, supplies or equipment purchased by Franchisee in connection with the Franchise, except where the Franchisor is otherwise required by law or regulation to buy back products, supplies, and equipment upon expiration or termination of this Agreement.

III. **ACTUAL, AVERAGE, PROJECTED OR FORECASTED FRANCHISE SALES, PROFITS OR EARNINGS**

We do not make or present and have not prepared Financial Performance Representations and have not made them as an exhibit to the Franchise Disclosure Document. If Financial Performance Representations were to be provided in the Franchise Disclosure Document, they are the only statement of sales, revenues, profits or earnings that the Franchisee should rely upon.

Franchisee, and each party executing this document hereto, acknowledges that neither Franchisor nor any officer, director, employee or agent of Franchisor has made, and Franchisee has not received or relied upon, any express or implied oral, written, or visual information, representations, assurances, warranties, guarantees, inducements, promises or agreements concerning the actual, average, projected or forecasted franchise sales, revenues, profits, earnings or likelihood of success that Franchisee might expect to achieve from operating the Franchise (defined as "**Financial Performance Representations**"), except as set forth in the Franchise Disclosure Document reviewed by Franchisee or its representatives.

IV. **RELATIONSHIP OF THE PARTIES**

A. Franchisee is an Independent Contractor

During the term of this Agreement, and any renewals or extensions hereof, the Franchisee shall hold itself out to the public as an independent contractor operating its business pursuant to a franchise from the Franchisor. Franchisee agrees to take such affirmative action as may be necessary, including, without limitation, exhibiting multiple public notices of that fact, the content and display of which Franchisor shall have the right to specify. For example, such notices shall be provided on letterhead, business cards, bank account names, bank checks, and signs at the place of business. The Franchisee is responsible for collecting and remitting social security, Medicare, unemployment contributions and/or any other mandated county, state or federal obligations on behalf of its employees.

B. Franchisor Is Not In a Fiduciary Relationship With Franchisee

It is understood and agreed by the parties hereto that this Agreement does not establish a fiduciary relationship between them, and that nothing in this Agreement is intended to constitute either party as an agent, legal representative, subsidiary, joint venture, partner, employee, or servant of the other for any purpose whatsoever. In addition, the Franchisor shall not have any fiduciary relationship to the Franchisee by virtue of the facts that the Franchisor may operate a System Advertising Fund (as defined in Section X.B of this Agreement).

It is understood and agreed that nothing in this Agreement authorizes the Franchisee, and the Franchisee shall have no authority, to make any contract, agreement, warranty, or representation on behalf of Franchisor, or to incur any debt or other obligation in Franchisor's name; and that Franchisor shall in no event assume liability for, or be deemed liable hereunder or thereunder as a result of any such action; nor shall Franchisor be liable by reason of any act or omission of the Franchisee in its conduct of the Franchise or for any claim, liability or judgment arising therefrom against the Franchisee or Franchisor.

The Franchisee represents, warrants and agrees as follows: the Franchisee is duly organized and is in good standing in all jurisdictions where legally required in order to carry on its business, has duly authorized the execution, delivery and performance of this Agreement and all other documents contemplated hereby, which are, or upon signing, will be binding on the Franchisee, such documents do not and will not contravene any other instrument or agreement to which the Franchisee is party and there is no pending litigation, tax claim, proceeding or dispute that may adversely affect the Franchisee's financial condition or impair its ability to perform its obligation under the terms of this Agreement.

It is understood that Franchisee will have sole responsibility for its employees and all acts of its employees, and all employment-related decisions involving wages, benefits, hours of work, scheduling, hiring, firing, discipline, supervision, record keeping, withholding income tax, social security contributions, Medicare contributions, unemployment fund contributions and all other terms and conditions of employment (as described in Section XII.F).

V. **FRANCHISE GRANT**

Franchisor hereby grants to Franchisee, upon the terms and conditions herein contained and subject to this Agreement, the right, license, and privilege, and Franchisee hereby accepts a franchise under the terms and conditions set forth herein, to operate a Store in the geographical territory identified in the attached Schedule 9 (the "**Territory**"), with the right to use solely in connection therewith the Franchisor's Names and Marks, Products, Services, its advertising and merchandising methods, and Franchisor's System, as they may be changed, improved and further developed from time to time only at the Accepted Location (as set forth in Section VI) and provided the Franchisee shall adhere to the terms and conditions hereof.

It is understood and agreed that, except as expressly provided herein or any other agreement is executed, this Franchise includes no right of Franchisee to sub-franchise.

Except as provided in this Agreement, Franchisee shall be free to use the materials provided by Franchisor in the manner that Franchisee, in Franchisee's sole and absolute discretion, deems most appropriate for the operation of a Bricks & Minifigs® Franchise, provided that Franchisee shall not violate any applicable law, regulation or provision of this Agreement in exercising such discretion.

VI. **YOUR TERRITORY**

If your Accepted Location and Territory are not designated prior to the signing of this Franchise Agreement, then we shall designate your Territory upon approval of your Accepted Location under the terms of this Agreement. We determine the size and boundaries of the Territory. The Territory will not be altered even if there is a population increase or decrease during the term of this Agreement. The Territory is not dependent upon achievement of certain revenues, market penetration or any other contingency.

Franchisee may not conduct business from any location other than the Accepted Location. However, Franchisee may conduct business at off-site events (such as carnivals, festivals, outdoor markets, etc.) to sell Products or provide Services subject to Franchisor's prior approval (which will not be unreasonably withheld) and as long as such events are within the Territory.

Franchisee shall not relocate a Bricks & Minifigs® business that has been assigned a location with the Territory, without the express prior written consent of Franchisor (specified in Section XXII.A).

During the term of this Agreement, Franchisor shall not establish, nor license another party or entity to establish, a Bricks & Minifigs™ store using the Names and Marks and System within the Territory unless Franchisee decides to open additional locations. However, we may purchase or be purchased by, or merge or combine with, competing businesses, wherever located. If Franchisee decides to open additional Stores and buys the rights to additional Franchises, then those separate franchise agreement(s) will dictate the terms of the applicable territory (a separate Franchise Agreement is required for each additional Store as defined in Section IX.D of this Agreement).

Franchisee must operate their Store within the specific Territory as identified in the attached Schedule 9. Franchisee is not restricted as to the geographic area into which Franchisee may attract customers; however, Franchisee cannot perform any target marketing ("**Target Marketing**") into any other Territory of another franchisee. The term "Target Marketing" means a concerted effort by a Franchisee to solicit and obtain customers by any type of advertising or marketing directed at all or a portion of another franchisee's territory, company-owned business or unassigned area. Franchisor shall use commercially reasonable efforts to deal with any Franchisee that violates this policy. Franchisee may accept business, sell Products (which includes shipping Products) and provide Services to customers who live outside the Territory even if such customers live within another franchisee's protected territory, so long as the Products and Services that Franchisee is providing are being performed from or at the Accepted Location within the Territory. Franchisee, however, is prohibited from selling Products through any alternative channels of distribution (such as Websites as defined below) without our written approval. If Franchisee is granted permission to sell Products through an alternative channel of distribution, per Franchisor's written approval, Franchisee may sell Products customers outside Franchisee's Territory without compensation to the other franchisee or company-owned store. Franchisor's response to Franchisee's request will be made within thirty (30) days after Franchisor receives it, otherwise the request will be deemed disapproved. Approval may be revoked in Franchisor's sole discretion. Franchisor, company-owned locations and other franchisees reserve the same right to sell and ship Products or perform Services to customers who may live within Franchisee's Territory without compensation to Franchisee.

If Franchisee is asked to conduct business at off-site events in geographical areas in which there is another franchisee, Franchisee must refer that request to the Bricks & Minifigs® store in that geographical area or directly to us. Whether the other Bricks & Minifigs® store is a franchise or company-owned store, you must not conduct business at off-site events in that geographical area. If there is not a Bricks & Minifigs® store in that geographical area, then you must submit a request to conduct business at off-site events to Franchisor and upon its written approval, Franchisee can proceed. Franchisor shall approve or deny Franchisee's request to conduct business at off-site events in other geographical areas not owned by other franchisees or Franchisor, which approval is in Franchisor's sole discretion, within five (5) days of Franchisee's written request. Failure of Franchisee to refrain from Target Marketing and/or refer off-site events to another franchisee or company-owned store, as described above, may result in termination of this Agreement as specified in Section XXIII.C.

We encourage Bricks & Minifigs® stores, when owned by different individuals, to work out a customer referral arrangement if they are within close proximity of each other (defined as being within a five (5) mile radius of each other). We must be notified in writing of all such arrangements.

We may, from time to time, establish certain programs for the benefit of franchisees and the System whereby Bricks & Minifigs® franchisees will be permitted to provide Products and/or offer Services in accordance with the specifications described in any particular program established by us. Currently in effect, is our National Account program. The National Account program is defined as follows:

a) The term "**National Account**" means a special class of customers which may include but are not limited to large businesses, national organizations or non-profit organizations with outlets located in multiple territories and government agencies who on their own behalf or through agents, franchisees or other third parties owns, manages, controls or otherwise has responsibility for buildings or common-services in more than one location whose presence is not confined within any one particular franchisee's territory regardless of the aggregate contract amount of the Products and/or Services the Franchisee wishes to provide or perform. Any dispute as to whether a particular customer is a National Account shall be determined by us in our sole and absolute discretion and our determination shall be final and binding;

b) We shall have the exclusive right, unless otherwise specifically delegated in writing, on behalf of ourselves, Franchisee and/or any other franchisees utilizing the proprietary marks, to negotiate and enter into agreements or approve forms of agreement to provide Products and offer Services to National Account customers, including any affiliate, company owned or franchised locations within the Territory;

c) Following the execution of a contract with or the acceptance of a bid by a National Account customer which contemplates the provision of Products or Services to one or more National Account customer location within the Territory, Franchisor will, if Franchisee is qualified and conditioned upon the terms of this Agreement and any addendum, provide Franchisee the option to provide such Products and offer Services pursuant to the terms and conditions of the National Account contract or on such terms and conditions as Franchisor in its sole discretion determines;

d) If Franchisee elects not to provide Products and/or Services to a National Account customer in conformity with the terms and conditions of the National Account bid or contract, or fails to make an election within the time specified by us, of being offered the opportunity by us, we shall have the right, exercisable in our sole discretion, to:

   i. Provide directly or through any other affiliate or franchisee utilizing our proprietary marks, Products and/or Services to the National Account customer location(s) within the Territory on the terms and conditions contained in the National Account bid or contract; and/or

   ii. Contract with another party to provide such Products and/or Services to the National Account customer location(s) within the Territory on the terms and conditions contained in the National Account bid or contract between us and the National Account customer, utilizing our proprietary marks or any trademarks, service marks or trade names.

e) Neither the direct provision by us (or a franchisee, affiliate or agent of ours) of Products or Services to National Account customers as authorized in (i) above, nor if we contract with another party to provide such Products and/or Services as authorized in (ii) above, shall constitute a violation of Section VI of this Agreement relating to the exclusivity of the Territory, even if such Products and/or Services are delivered or performed from a location within the Territory. Franchisee disclaims any compensation for Products sold or Services provided by others in the Territory pursuant to this section.

Franchisee's rights in the Territory are exactly (and only) as expressly set forth in this Section VI. Except as expressly provided in this Agreement, Franchisee has no right to exclude, control or impose conditions on the location, operation, or otherwise of present or future Bricks & Minifigs™ (or any other brand) units or distribution channels of any type, franchised or company-owned, regardless of their location or proximity to the Store and whether or not they sell Products or offer Services to customers within the Territory. Franchisee does not have any rights with respect to other and/or related businesses, products and/or services, in which we or any Franchisor-related persons or entities may be involved, now or in the future.

We and the Franchisor-Related Persons/Entities expressly reserve all other rights, and can (along with anyone we designate):

1) Own and/or operate ourselves, and/or authorize others to own and/or operate:

a) Any kind of business in the Territory that is not substantially similar to a Bricks & Minifigs® business, whether or not using Bricks & Minifigs® Marks and System and on any terms and conditions we deem appropriate; and

b) Any kind of business outside of the Territory, including, without limitation, Bricks & Minifigs® businesses, whether or not using Bricks & Minifigs® Marks and System and on any terms and conditions we deem appropriate;

2) Develop, distribute and sell Bricks & Minifigs® labeled and branded (or any other brand) products to customers located anywhere (including within the Territory) using any channel of distribution and on any terms and conditions we deem appropriate (including, but not limited to, toy stores or other retail stores and other similar venues and other channels of distribution such as television, mail, catalog sales, wholesale to unrelated retail outlets or over the Internet) other than Franchisee's Store located in the Territory and on any terms and conditions we deem appropriate;

3) Develop or become associated with other concepts (including dual branding and/or other franchise systems), whether or not using Bricks & Minifigs® System and/or the Marks, and award franchises under such other concepts for businesses located and/or operating anywhere;

4) Acquire, be acquired by, sell our assets, sell our stock, membership units, or partnership units to, merge, affiliate with or engage in any transaction with other businesses (whether competitive or not), with units located anywhere. Such transactions may include (but are not limited to) arrangements involving competing outlets and brand conversions (to or from the Bricks & Minifigs® Marks and System). Franchisee agrees to participate at its expense in any such conversion as instructed by Franchisor;

5) We may choose in our Business Judgment (as defined in Section XXI of this Agreement) to advertise, sell and distribute Products and/or offer Services through the Internet, World Wide Web and other similar venues (no matter where the customer is located) without paying any compensation to Franchisee. The Internet is a channel of distribution reserved exclusively to Franchisor and Franchisee may not independently market on the Internet or conduct e-commerce, without the Franchisor's written consent; and

6) Acquire any Websites utilizing a domain name incorporating one or more of the following words: Bricks, minifigs, mini-figures, figs, LEGO®, supply, supplies. The term "Website" includes: Internet and World Wide Web home pages, as well as other electronic sites (such as social networking sites like Facebook, Twitter, LinkedIn, blogs and other applications). Franchisee shall not establish a Website on the Internet using any domain name containing the words "Bricks & Minifigs" and "Bricks and Minifigs" or any variation thereof or any other words that describe the Bricks & Minifigs® business as determined by us, in our sole discretion, which may change from time to time. The Franchisee acknowledges that we have all right, title and interest in and to such domain names, as we shall designate in the Operations Manual. Franchisee must comply with our requirements regarding discussing, advertising or disseminating any information, or otherwise having a presence on a Website, regarding the Store. If we approve a separate Website (which we are not obligated to do), then each of the following provisions will apply: (i) Franchisee may neither establish nor use any Website without our prior written approval; (ii) before establishing any Website, Franchisee must submit to us, for our prior written approval, a sample of the proposed Website, including its domain name, format, visible content (including, without limitation, proposed screen shots), and non-visible content (including meta-tags), in the form and manner we may require; and all such work must be performed by us, our affiliates or approved vendors (Franchisee is responsible for all expenses); (iii) Franchisee must not

use or modify a Website without our prior written approval; (iv) Franchisee must comply with the standards and specifications for Websites that Franchisor may periodically prescribe in the Operations Manual or otherwise in writing; and (v) if Franchisor requires, Franchisee must establish hyperlinks to Franchisor's Website and other Websites; and (vi) Neither Franchisee nor any of its employees shall post any information regarding us or the System, on any Website or any internet site, without our prior written approval, nor any disparaging statement either during or after termination or expiration of the Agreement. Further Franchisee shall educate and make commercially reasonable efforts to monitor its employees to help avoid them making any such postings. Franchisor retains the right to pre-approve Franchisee's use of linking and framing between the Franchisee's website and all other Websites. The Franchisee shall within five (5) days, dismantle any blogs, frames and links between the Franchisee's web pages and any other Websites, if and as requested by Franchisor.

Franchisor may provide Franchisee, subject to certain terms and conditions, with options, rights of first refusal or similar rights to acquire additional franchises in other areas or areas contiguous to the Territory. Franchisee's Territory may be altered during the initial term only by mutual consent in writing from both Franchisee and Franchisor or at the time of transfer or renewal.

VII. TERM AND RENEWAL OF AGREEMENT

A. Term

The franchise herein granted for a Bricks & Minifigs® store, shall be for a term of five (5) years from the date of execution and acceptance (the "Effective Date") of this Agreement by us and subject to earlier termination as herein provided.

B. Renewal

Franchisee and Franchisor may, at their mutual option, continue renew this Franchise in five (5) year increments, provided Franchisor is still offering franchises at that time, and further subject to the following conditions, all of which must be met prior to renewal:

1. Franchisee shall give the Franchisor written notice of its election to renew not more that twelve (12) months and not less than six (6) months prior to the end of the then current term;

2. Franchisee must not be in default under any provision of the Agreement, any amendment hereof or successor hereto, or any other agreement between Franchisor and Franchisee, and Franchisee shall have complied with all the terms and conditions of all such agreements during the terms thereof;

3. Franchisee's right to renew is contingent on satisfactory performance of and full compliance with this Agreement and any renewal agreement. Franchisor may refuse to renew or extend the franchise if: (a) Franchisee has failed to use its best efforts to operate the franchised business to Franchisor's satisfaction; (b) the franchise is terminable by law or under this Agreement; (c) Franchisee fails to give timely written notice of its exercise of its renewal option; (d) Franchisor is withdrawing from franchising in the geographic market Franchisee serves; (e) Franchisee fails to satisfy Franchisor's then-current standards for new franchisees or (f) Franchisee is in default of this Agreement;

4. Franchisee shall have satisfied all monetary obligations owed by Franchisee to Franchisor and its affiliates, and shall have timely met these obligations throughout the previous term;

5. Franchisee shall execute, before the renewal term, the Franchisor's then-current form of Agreement, which agreement shall supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement. Franchisor will charge Franchisee a flat renewal fee of $2,000 for the same protected area as outlined in Section VI, or Territory, above;

6. Franchisee shall comply with Franchisor's then-current qualification and training requirements;

7. Franchisee must execute a general release, in a form prescribed by Franchisor, of any and all claims against Franchisor and its affiliates, and their respective owners, officers, directors, agents and employees, if such release is not in conflict with any local, state or federal laws; and

8. Franchisee shall upgrade, remodel and/or refurbish the Store (both inside and outside) in order to meet our then-current standards. Graphics, signage and all furnishing, fixtures, equipment and POS system located at the Store must be updated to meet our then-current requirements. All remodeling, modernization, redecoration, or replacements will be completed at Franchisee's expense in accordance with our specific standards and specifications.

VIII. FRANCHISEE'S INITIAL INVESTMENT

The Franchisee's initial investment will vary depending upon the location, the market for retail space rentals in the Franchisee's territory, number of Products the Store offers, number of employees that the Franchisee has, amount of inventory Franchisee purchases, size of the Store, time of year when Franchisee starts business, implementation of a marketing plan, Franchisee's management skills, economic conditions, competition in the surrounding area and other factors.

Franchisee hereby certifies that he or she has reviewed the estimated initial investment and start-up costs as detailed in the Franchise Disclosure Document, and has sufficient cash resources available to meet said expenses. These start-up costs include the franchise fee.

IX. FRANCHISEE'S INITIAL FRANCHISE FEE

A. Time Limit for Starting Franchise

The Franchisee shall maintain the Store in accordance with the provisions and requirements of Section XII hereof, and must open the Store for business (the "**Opening**") within 180 days of the date of execution of this Franchise Agreement (the "**Opening Deadline**"). The Opening requires that Franchisee has qualified for and has obtained all necessary licenses and permits needed to sell Products offer Services. Franchisor may grant Franchisee one 90-day extension past the allotted time within which to open the Store and/or provide an extension to continue to search for a location based on our reasonable judgment that you will likely find an acceptable one.

The initial Franchise Fee is fully earned on payment, and is allocated to training and other services to be rendered to Franchisee before opening. The Franchise Fee is currently uniform as to all persons currently acquiring a Bricks & Minifigs® Franchise as of the date of this registration, but this may change. The Franchise Fee is nonrefundable. Upon Franchisee's failure to timely satisfy the Opening requirement or agree on a Territory by the Opening Deadline, Franchisor may, at its sole discretion, terminate the Franchise and this Agreement and either retain all fees paid by Franchisee or return such fees less its expenses and cost, without breach of this Agreement (Section XXIII.C).

During the term of this Agreement, the accepted Territory shall be used exclusively for the purpose of operating a franchised Bricks & Minifigs® store. In the event the Store shall be damaged or destroyed by fire or other casualty, or be required to be repaired, Franchisee shall commence the required repair of the Store within thirty (30) days from the date of such casualty or notice of such governmental requirement (or such lesser period as shall be designated by such governmental requirement), and shall complete all required repairs as soon as possible thereafter, in continuity, but in no event later than ninety (90) days from the date of such casualty or requirement of such governmental notice. The minimum acceptable appearance for the restored Store will be that which existed just prior to the casualty; however, every effort should be made to have the restored Store include the then-current image, design and specifications of a Bricks & Minifigs® store.

As between us and the Franchisee, the Franchisee shall bear the entire risk of any damage, loss, theft or destruction to the Store from any cause whatsoever or requisition of the Store by any governmental entity or the taking of title to the Store by eminent domain or otherwise (collectively, "**Loss**"). The Franchisee shall advise us in writing within ten (10) days of any such Loss. No such Loss shall relieve the Franchisee of the obligation to pay Royalty Fees and all other amounts owed hereunder. In the event of any such Loss, we, at our option, may: (a) if the Loss has not materially impaired the Store (in our reasonable Business Judgment), require that the Franchisee, upon our demand, place the Store in good condition and repair reasonably satisfactory to us as mentioned above; or (b) if the Loss has materially impaired the Store and it is substantially destroyed (in our sole judgment), we may require the Franchisee to repair the existing Store or find an alternative location within the Territory within thirty (30) days. Franchisor may extend this period an additional thirty (30) days at its discretion and failure of Franchisee to comply may result in termination of this Agreement. The Franchisee shall be relieved of all obligations under this Agreement, and the Franchisee must return to us the System (including all materials) and Franchisor has the first right of refusal to purchase all Assets (as described in Section XXIV.G).

It is understood and agreed that, except as expressly provided herein this franchise includes no right of Franchisee to sub franchise.

B. Cooperation Required

Franchisee shall cooperate reasonably with Franchisor to ensure that the various actions occur which are necessary to obtain acceptance by Franchisor of the Store location. In particular, Franchisee shall furnish any pertinent information as may be reasonably requested by Franchisor regarding Franchisee's business and finances.

C. Initial Franchise Fee

By executing this Franchise Agreement, the applicant agrees to become a Franchisee and pay an Initial Franchise Fee in the amount of $25,000 for a Bricks & Minifigs® store. This Initial Franchise Fee includes a license to operate a single Bricks & Minifigs® store in a protected territory that is up to seven (7) miles driven in any direction from the Store determined by business potential and boundaries as described in Section VI of this Agreement. The Initial Franchise Fee includes an affiliate regional web page housed within our national website, a five (5) day initial training program, manuals and up to five (5) days of on-site guidance, pre-opening assistance and grand opening assistance.

D. Expansion and Establishing Additional Franchises

If Franchisee desires to establish and operate additional Bricks & Minifigs® Businesses, we may in our sole discretion, grant Franchisee a license to operate additional Businesses at our then-current Initial Franchise Fees for the purchase of additional franchises. .Franchisee must meet minimum conditions: (a) Franchisee must satisfy our then-current qualifications and training requirements; (b) Franchisee must execute our then-current franchise agreement; and (c) the Franchisee must not be in default of any of the terms of this Agreement plus any other requirements to purchase an additional franchise.

E. Total Initial Franchisee Fee and Payment

The Total Initial Franchise Fee per this Franchise Agreement is due upon execution of the Franchise Agreement and receipt of which is hereby acknowledged by BAM Franchising, Inc., for the Franchisee's license to conduct business in the Territory.

The Total "Initial Franchise Fee" shall be $25,000.

The Initial Franchise Fee shall be paid in a lump sum in U.S. funds and shall be deemed fully earned and nonrefundable in consideration of administrative and other expenses incurred by us in granting this franchise and for our lost or deferred opportunity to franchise others, except as follows: (a) as described above in Section IX.A and (b) we will refund the Initial Franchise Fee minus our demonstrated expenses without interest if during the initial franchise training program we determine, in our sole discretion, that you (or your managing partner or shareholder) are not qualified to manage a Bricks & Minifigs® Franchise.

X. OTHER FEES

A. Royalty Fees

In addition to the Initial Franchise Fee described in Section IX above, the following recurring or isolated payments are required to be made by the Franchisee. The Franchisee pays to Franchisor a Royalty Fee of either 6% of its total Gross Revenues (see definition of Gross Revenue below) for the previous month or a flat $200-$700 for each calendar month (based on the chart below) whichever is greater. The Royalty Fee begins immediately once the Store is open for operation then continues for the term of this Agreement. During the first partial month during which Franchisee operates the Store, the percentage Royalty Fee shall apply, but the minimum Royalty Fee shall not apply. The Royalty Fee is uniform as to all persons currently acquiring a Bricks & Minifigs® Franchise, and is nonrefundable. If the Franchise Agreement is terminated, Franchisee may be required to continue such royalty payments as described in Section XXIV.H.

Month:	The Royalty Fee Will Be:
First Partial Month of Store Operations	6% of Gross Revenues for the month (no minimum)
Months 1 - 3	6% of Gross Revenues for the month or $200 (whichever is greater)
Months 4 - 12	6% of Gross Revenues for the month or $400 (whichever is greater)
Months 13 - 24	6% of Gross Revenues for the month or $500 (whichever is greater)
Months 25 through the remainder of your Agreement	6% of Gross Revenues for the month or $700 (whichever is greater)

As used in this Agreement, "**Gross Revenue**" shall include all revenue accrued from the performance of services in, at, upon, about, through or from the Store, online or any other market place, whether for cash or credit and regardless of collection in the case of credit, and income of every kind and nature related to the Store including the sale of all products, insurance proceeds and/or condemnation awards for loss of sales, profits or business; provided, however, that "Gross Revenue" shall not include revenues from any sales taxes or other add on taxes collected from customers by Franchisee for transmittal to the appropriate taxing authority (provided the retail value of any complimentary services or trade-outs against Gross Revenue is limited to a maximum of 2% of Gross Revenue in the aggregate), gratuities paid by customers to Franchisee's employees and the amount of cash refunds to, coupons used by customers, manager-authorized and/or customer loyalty program discounts, allowances and charge-back the Franchisee in good faith gives to customers. The sale and delivery of all Products and Services away from the Store will be included in computing Gross Revenue.

Any payment or report not actually received by us on or before the specified date shall be deemed overdue. If any payment is overdue, in addition to the right to exercise all rights and remedies available to us under this Agreement, Franchisee shall pay us a fee of $25, in addition to the overdue amount, interest on such amount from the date it was due until paid at the rate of 1.5% percent per month or the maximum rate allowed by the laws of the State in which Franchisee's business is located or any successor or substitute law (referred to as the "Default Rate"), until paid in full.

B. System Advertising Fee

Franchisee will pay a System Advertising Fee equal to a flat $50 per calendar month starting on Franchisee's first (1st) full calendar month of Store operations and continues for the remaining term of the Agreement (including the month during which this Agreement expires upon non-renewal or is terminated or your Franchise is transferred). The System Advertising Fee is not required during the first partial month during which you operate your Store. The System Advertising Fee can be increased by us and such increase will not exceed more than $15 per month in any calendar year. If we increase the System Advertising Fee, Franchisee will be given ninety (90) days' notice prior to such increase.

The System Advertising Fee is to be received by the Franchisor on or before the 10th day of each month for the prior month. This fee will be deposited into our System Advertising Account (the "Fund") for ongoing technology and new product development, and such national advertising or public relations programs as we, in our sole discretion, may deem appropriate to promote the mark Bricks & Minifigs™. The Fund may also be used for local Franchisee group advertising or marketing and Franchisee advisory council expenses; local, regional, national or international advertising or marketing; administration of advertising and marketing (including salaries, accounting, collection, legal and other costs), related expenses and any media or agency costs. We will direct all such programs, and will have sole discretion over the creative concepts, materials, endorsements and media used in such programs, and the placement or allocation of such programs. We reserve the right to determine in our sole discretion the composition of all geographic territories and market areas for the implementation and development of such programs. Stores owned or operated by Franchisor will contribute to the same basis to the fund.

Franchisor may disclose the identity of vendors who pay promotional allowances to Franchisor upon request and only after Franchisee's signing an appropriate non-disclosure agreement. If Franchisor requires Franchisee to buy items from a vendor who pays these allowances, Franchisor will do one of the following: (i) place all or some of the allowances in the Fund or (ii) spend them directly on related advertising. This does not apply to fees Franchisor receives from purchases that are not required to be made from a specified source. Franchisor is not obliged to spend more on advertising and marketing than the amount of the Fund. Any unspent balance in the Fund at the end of the year may be carried over to later years and used for the purposes described in this Agreement. Neither the Franchisor nor any of its members has any fiduciary duty to the Franchisee regarding any System Advertising Account.

Franchisee's failure to pay required advertising contributions is a material breach of this Agreement, subjecting Franchisee to all remedies at law and as set forth in this Agreement. Franchisor may delete Franchisee from advertising or marketing without notice if Franchisee fails to timely remit its System Advertising Fee.

C. Local Advertising

Franchisee will spend a minimum $300 per calendar month for local advertising and promotion, in addition to payment of the System Advertising Fee required above. Franchisor may reduce the amount of Franchisee's minimum local advertising requirement after Franchisee's second full year of operation, upon written approval and at Franchisor's sole discretion. Franchisor shall have the right to approve or disapprove any advertising proposed for use by Franchisee. Franchisee will spend at least $3,000 on "grand opening" marketing and promotion on "grand opening" marketing and promotion within three (3) months of opening which will substitute for the obligation to spend $300 per month beginning after three (3) months from opening for local advertising, as indicated above. Franchisee may choose to place advertisements in the yellow pages of Franchisee's local major telephone directories in the format as specified in the Operations Manual. Franchisee must provide confirmation of white page listing to Franchisor. Cost of yellow page advertising may be included as part of Franchisee's local advertising requirements as specified in Section X of this Agreement.

The Franchisee agrees to create a local advertising and marketing plan by which Franchisee shall place local advertising conforming to the standards and requirements of Franchisor as set forth in our Operations Manual or otherwise designated by Franchisor. All of Franchisee's advertising, including telephone, email, internet domain names, directory listings and the like are the Franchisor's property and on termination will revert to the Franchisor. Franchisee agrees to execute any and all documents needed to perfect such reversions. Franchisee shall not advertise the Store in connection with any other business, except with Franchisor's prior written approval. Franchisee shall obtain Franchisor's prior approval of all unapproved advertising and promotional plans and materials that Franchisee desires to use thirty (30) days before the start of any such plans or the use of any such materials. This includes any Website as defined in Section VI. Franchisee shall submit such unapproved plans and materials to Franchisor (by personal delivery or through the mail, return receipt requested). Franchisee shall not use such plans or materials until they have been approved by Franchisor and shall promptly discontinue use of any advertising or promotional plans and material upon the request of Franchisor. Any plans or materials submitted by Franchisee to Franchisor, which have not been approved or disapproved in writing, within thirty (30) days of receipt, by Franchisor, shall be deemed not approved.

Franchisee will participate in at its own expense and cooperate with all advertising and promotional programs Franchisor or any advertising group of franchisees selects, including any franchise marketing council Franchisor may implement.

Franchisee is not required to follow or maintain any sales price, except that Franchisor will set minimum and maximum prices and will suggest prices, to the extent allowed by law.

D. Electronic Funds Transfer

Franchisor reserves the right to require Franchisee to remit fees and other amounts due to Franchisor hereunder via electronic funds transfer or other similar means utilizing a Franchisor approved computer system or otherwise. If Franchisor notifies Franchisee to use such payment method, Franchisee agrees to comply with procedures specified by Franchisor and/or perform such acts and deliver and execute such documents including authorization, the attached Schedule 1 “Authorization Agreement for Prearranged Payments” for direct debits from Franchisees’ business bank operating account, as may be necessary to assist in or accomplish payment by such method. Under this procedure Franchisee shall authorize Franchisor to initiate debit entries and/or credit correction entries to a designated checking or savings account for payments of fees and other amounts payable to Franchisor and any interest and related processing fees charged due thereon. Franchisee shall make funds available to Franchisor for withdrawal by electronic transfer no later than the due date for these payments. If Franchisee has not timely reported the Franchise’s Gross Revenue to Franchisor (as defined in Operations Manual) for any reporting period, then Franchisor shall be authorized, at Franchisor’s option, to debit Franchisee’s account in an amount equal to (a) the fees transferred from Franchisee’s account for the last reporting period for which a report of the Franchise’s Gross Revenue was provided to Franchisor as required hereunder or (b) the amount due based on information retrieved from the Franchisor’s approved POS and/or computer system.

E. Product and Vendor Assessment Fee

Franchisee will pay an assessment fee for our approval of any product and any vendor or supplier (to the extent not then on Franchisor’s list of approved products or vendors), which may also require third party testing. The assessment fee is $100 for a single product and/or vendor or supplier; and $300 for up to twenty (20) products under the same vendor or supplier that Franchisee wishes to use and/or substitute in the Store. We may waive these fees if the products, vendors or suppliers that the Franchisee selects meet our requirements and make it on our approved list of products, vendors or suppliers for all Franchise locations.

Franchisee must obtain our written approval for the use of such products, vendors or suppliers in the Franchise (Section XII.I of this Agreement). Franchisor will have thirty (30) days following the receipt of Franchisee’s written request to approve or disapprove proposed products, vendors or suppliers. If Franchisor does not approve the proposed products, vendors or suppliers by written notice to Franchisee within this thirty (30) day period, all such items will be deemed disapproved. Franchisee also acknowledges that the cost for third party testing is Franchisee’s responsibility.

F. Due Date for Ongoing Fees

The Royalty Fee, System Advertising Fee and any other ongoing fees payable to the Franchisor are due by the 10th day of each month for the preceding month, or at such other time as Franchisor may designate with reasonable advance notice in its Operations Manual.

G. Interest and Late Charges

A late charge will be added to any sums to be paid under this Agreement that remain unpaid after the date due. The late charge will equal **1.5%** per month. In addition, late payments will be subject to a late payment penalty of **10%** of the amount due. These late charges and late payment penalties will not exceed any limits placed upon late charges and late payment penalties by applicable local laws.

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

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

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

XI. FINANCING ARRANGEMENTS

Franchisee hereby acknowledges that financing is the responsibility of the Franchisee. The Franchisor does not finance or guarantee the obligations of the Franchisee for a Bricks & Minifigs® Franchise. The Franchise Fee is due and payable upon execution of this Agreement and as set forth in Section IX.C of this Agreement.

There are no waivers of defense by the Franchisee in either this Franchise Agreement or other documents evidencing obligations to the Franchisor.

XII. GENERAL OBLIGATIONS OF FRANCHISEE

A. Follow Operations Manual and Directives of Franchisor

Franchisee agrees that use of Franchisor’s System and adherence to our Operations Manual (the “**Operations Manual**” or "**Manual**"), in compliance with Franchisor’s standardized design and specifications for decor and uniformity of the Store are essential to the image and goodwill thereof. The Manuals contain mandatory and suggested specifications for the Store, standards and operating procedures and further define Franchisee’s obligations under this Agreement. Franchisor may change or add to the Manuals to reflect changes in its image, specifications and procedures and methods of operation and will lend Franchisee copies of any changes or additions. Franchisee shall cooperate and assist Franchisor with any customer or marketing research program, which Franchisor may institute from time to time. Franchisee's cooperation and assistance shall include, but not be limited to, the distribution, display and collection of surveys, comment cards, questionnaires, evaluations and similar items. In order to further protect the System and our goodwill, Franchisee shall:

1. Build out and construct the Store in the manner prescribed by Franchisor. Franchisee will be given specifications for the layout, storage, furnishing, fixtures, signage, décor and other items necessary
2. for the build out of the Store. Franchisee is responsible for purchasing, installing and maintaining these items;

2. Operate the Store and use the Franchisor’s Manual(s) solely in the manner prescribed by Franchisor;

3. Comply with such requirements respecting any service mark, trade name, trademark, or copyright protection and name registrations as Franchisor may, from time to time, direct;

4. Follow the methods of operation, service and presentation of Products and Services so as to conform to the specifications and standards of Franchisor in effect from time to time;

5. Use only the types of Products and supplies so as to conform to Franchisor's specifications. This includes Franchisor’s inventory requirements and terms of any auto-ship programs as detailed in the Operations Manual (currently not in effect) and may be revised by Franchisor, at Franchisor’s sole discretion, from time to time;

6. Sell or offer from the Store any Product, Service or program as specified by Franchisor and not sell or offer any products, services or programs of any kind or character without first obtaining the express written approval of Franchisor, which shall be at the full discretion of the Franchisor who shall have the sole right of decision in regards to all products, services and programs to be sold or offered in the Franchise. Franchisee is not permitted to sell any non-LEGO® or LEGO® compatible products not approved by Franchisor. Franchisor shall approve or deny Franchisee’s request, which approval is in its sole discretion, within thirty (30) days of receipt of Franchisee’s written request. If Franchisor fails to respond to Franchisee’s request within said thirty (30) day period, the request shall be deemed denied. Franchisor shall have the right to not approve any product, service or program for any reason whatsoever or for no reason whatsoever;

7. Purchase the Products, supplies, POS systems, computers, software, cash registers, camera and security systems and signage as may be required by us, for the appropriate handling and selling of any Product and/or Service that become(s) approved for offering in the System. Franchisee must purchase such items from Franchisor, its affiliates or approved vendors. Franchisee must obtain Franchisor’s prior written approval of Franchisee’s supply sources for Products, supplies, POS systems, software cash registers, camera and security systems and signage Franchisee intends to use or sell to customers unless supplied by Franchisor and/or its affiliates (see, Section XII.I of this Agreement). Franchisor shall approve or deny Franchisee’s request, which approval is in Franchisor’s sole discretion, within thirty (30) days of receipt of Franchisee’s written request. If Franchisor fails to respond to Franchisee’s request within said thirty (30) day period, Franchisee’s request shall be deemed denied. Franchisee will act for itself in obtaining Products, supplies, POS systems, computers, software, cash registers, signage and camera and security systems. Franchisee will repair or replace obsolete or mechanically impaired computers, POS system and camera and security systems with items that meets Franchisor’s specifications;

8. Require uniform dress or identifying badges for franchise staff, conforming to such specifications as to color, design, etc. as Franchisor may designate, from time to time, to be worn by all of Franchisee's employees at all times while in attendance at the Store and/or servicing customers, and to cause all employees to present a clean, neat appearance and render competent and courteous service to customers, as may be further detailed in the Operations Manual;

9. Maintain a clean and attractive appearance, give prompt, courteous and efficient service by operating the Store in strict compliance with the policies, practices and procedures contained in the Operations Manual;

10. Permit Franchisor or its agents, at any reasonable time, to enter the Store during normal business hours, for the purpose of conducting inspections, reviewing business operations and merchandising methods. This includes access to any electronic records, POS systems and computers that pertain to the operation of the Store. In addition to any other remedies it may have under this Agreement, Franchisor requires Franchisee to bear the cost of such inspections if during the review of the Store it is determined by Franchisor, in its sole discretion, that business operations fail to conform to Franchisor’s standards;

11. Not install or permit to be installed anywhere on the Store premises (including on vehicles if applicable), without Franchisor’s prior written consent, any signage or signage designs not previously approved as meeting our standards and specifications;

12. Identify itself as the owner of an independently owned and operated Franchise (in the manner Franchisor prescribes) in conjunction with any use of the Proprietary Marks including, without limitation, on vehicles, invoices, contracts, release forms, receipts and stationery, as well as at such conspicuous locations as Franchisor may designate in writing at the Bricks & Minifigs® store.

13. Comply with our standards to operate the Store at maximum capacity during the development and growth stages of the Store as recommended by us in the Operations Manual, and to comply with all applicable laws with respect to such services (described in Sections XII.F of this Agreement);

14. Agree to maintain high standards of honesty, integrity, fair dealing and ethical conduct in all business activities. Franchisee will not engage in any services, trade practices, abusive excessive, or illegal collection techniques or other activity or sell any product which Franchisor determines to be harmful to the goodwill or to reflect unfavorably on the reputation of Franchisee or Franchisor, the Franchise, or the services and products sold thereof; or which constitutes deceptive or unfair competition, results in unfounded litigation against your customers or otherwise is in violation of any applicable laws. The above limitations are closely related to the business image, purpose and marketing strategy of the System, and therefore any change there from would fundamentally change the nature of the business;

15. Conduct any advertising, promotion and/or public relations in any medium in a dignified manner and shall conform to our standards and requirements as set forth in the Operations Manual;

16. Comply with all applicable ordinances, regulations, bylaws, laws and statutes. Franchisee will not permit unlawful activities on the premises and through the Franchise and will not sell, exchange, offer, hold, show, rent or permit to be sold, exchanged, offered, held, shown or rented any product or service Franchisee knows or reasonably suspects to have been obtained in violation of law or to be otherwise illegal;

17. 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 or seizure by levy of execution or similar writ or warrant to occur;

18. Recognize that preservation of the System and the health of the franchise network depend upon the uniformity of Products and Services offered. Franchisee agrees that Franchisor will establish, from time to time, sales pricing or suggested pricing for certain Products and Services in general and/or for promotional periods of time for any or all Bricks & Minifigs™ stores, to the extent such sales pricing or suggested pricing standards are allowed by federal and state laws;

19. Participate in market research, testing, product and service development programs, and participate in, and pay all dues assessed for, advisory councils (not currently in effect) if applicable;

20. Franchisee will be required to use and honor only system-wide gift cards, certificates and checks that we designate. All such gift cards, certificates and checks may be obtained from us or an approved supplier; and

21. Franchisee must accept credit and debit cards, and other payment systems and check verification services as specified by us, and which we may change from time to time.

B. Operate Franchise Only

Franchisee shall use the System and the Names and Marks provided to Franchisee by Franchisor for the operation of the Store and shall not use them in connection with any other line of business or any other activity. Neither Franchisee, nor any of its employees, may conduct any business at the Store other than that authorized pursuant to this Agreement, without the prior written approval of Franchisor. Neither Franchisee, nor any of its employees, may conduct any activity at the Store or in connection therewith which is illegal or which could result in damage to the

Names and/or Marks or the reputation and goodwill of Franchisor. Franchisee will not allow the franchised business to be used for any immoral, unethical, unauthorized or illegal purpose.

Franchisee must conduct all business through the Bricks & Minifigs® store unless otherwise approved by us in writing. Franchisee must disclose to us any pre-existing businesses and agree to sign and deliver to us, along with a signed copy of this Agreement, the attached Schedule 2 "**Pre Existing Businesses**."

C. Comply With Laws

Franchisee shall comply with all federal, state and local laws, ordinances, consumer protection laws and regulations, second hand or re-sale store laws, wage and hour laws, labor laws, workers compensation and unemployment laws, zoning laws, fire codes and building construction (including zoning classifications and clearances), dumping, hauling off, recycling and price-integrity laws and/or regulations, Equal Employment Opportunity Commission ("EEOC"), Federal Trade Commission ("FTC") and shall obtain and at all times maintain any and all governmental licenses, permits, industry specific licenses or certificates (if applicable), laws and regulations relating to occupational hazards and health such as Occupational Safety and Health Administration ("OSHA"), or that may be required for full and proper operation of the Store franchised under this Agreement in Franchisee's state of operation. In addition, with respect to all credit card transactions and customer information obtained through credit card usage, Franchisee agrees to diligently comply with all laws and rules regarding such usage and Franchisee will protect the privacy of credit card customers. Franchisor's standards may exceed any and all of the requirements of said laws. Copies of any and all notices, inspection reports or other communication from any governmental entity with respect to the conduct of a Bricks & Minifigs® business which indicates the Franchisee's failure to meet or maintain governmental standards, or less than substantial compliance by the Franchisee with any applicable law, rule or regulation, shall be forwarded to the Franchisor within five (5) days of the Franchisee's receipt thereof. Franchisee agrees to indemnify us under Section XVIII of this Agreement which includes any claims arising out of Franchisee's failure to perform Franchisee's obligations as described above.

It is Franchisee's sole responsibility and absolute obligation to research all applicable federal, State and local laws and regulations governing the operation of a Bricks & Minifigs® business. Franchisee must secure and maintain in force all required licenses, permits and certificates relating to the operation of a Bricks & Minifigs™ business and must at all times operate the Store in full compliance with all applicable laws, ordinances and regulations (including without limitation, regulations relating to safety, truth in advertising, occupational hazards, health, laws relating to non-discrimination in hiring and accessibility, worker's compensation and unemployment insurance). Franchisor makes no representations or assurances as to what (if any) licenses, permits, authorizations or otherwise will be required for Franchisee in the Franchisee's Territory in connection with a Bricks & Minifigs® business. It is Franchisee's sole responsibility to identify and obtain all authorizations necessary for operation. Franchisee agrees to maintain high standards of honesty, integrity, fair dealing and ethical conduct in all business activities.

Franchisee shall agree to comply and/or assist us in our compliance efforts, as applicable, with any and all laws, regulations, Executive Orders or otherwise relating to antiterrorist activities, including without limitation the U.S. Patriot Act, Executive Order 13224 and related U.S. Treasury and/or other regulations. In connection with such compliance efforts, Franchisee agrees not to enter into any prohibited transactions and to properly perform any currency reporting and other activities relating to the Franchise as may be required by law. Franchisee is solely responsible for ascertaining what actions must be taken by Franchisee to comply with all such laws, orders and/or regulations, and specifically acknowledge and agree that Franchisee's indemnification responsibilities as provided in Section XVIII pertain to Franchisee's obligations hereunder. Franchisee agrees to sign and deliver to us, along with a signed copy of this Agreement, the attached Schedule 3 "Executive Order 13224 and Related Certifications".

The Bricks & Minifigs® store is designed, constructed and is to be operated in compliance with all local, state and federal laws, including (without limitation) the American with Disabilities Act ("**ADA**"). Even though Franchisor may have designed the Store space, Franchisee is responsible for compliance with all applicable federal, State and local laws and regulations concerning access by customers with disabilities. Any required modifications to the Store are Franchisee's sole responsibility and expense. Franchisee agrees to execute and deliver to us an ADA Certification in the form attached to this Agreement as Schedule 4 before Franchisee opens the Store and to confirm and certify that the Store and any proposed renovations comply with the ADA requirements.

D. Maintain Confidentiality of Proprietary Information

Neither Franchisee nor any of its Owners if you are an Entity, officers, directors, shareholders, partners, members, agents, or employees, except as required in the performance of the duties contemplated by this Agreement, may disclose or use at any time, whether during the terms of this Agreement or thereafter, any confidential and proprietary information disclosed to or known by Franchisee or any such person as a result of this Agreement. Such information, includes, but shall not be limited to, confidential matters, trade secrets, customer lists, lists of prospective customers, marketing plans, distinctive products, purchasing strategies, merchandising methods and techniques, inventory management systems, vendor and supplier relationships, cost and pricing strategies, promotional programs, procedures for safety and quality control, build-out specifications, décor and signage, operational procedures, customer service standards, advertising and marketing materials, bookkeeping, financing and accounting methods, proprietary information conceived, originated, discovered, or developed by Franchisee or by any employee of Franchisee which is not generally known in the trade or industry about Franchisor's services or products, including information relating to discoveries, ideas, manufacturing, purchasing, accounting, engineering, website development and design, marketing, merchandising or selling of Services and Products (collectively referred to as "**Confidential Information**" and further defined in Section XVI.A of this Agreement).

Franchisee further acknowledges that the Confidential Information was unknown to Franchisee prior to negotiation for and execution of this Agreement and that the unique and novel combination of "know how", products, equipment, methods and techniques developed by Franchisor and licensed to Franchisee for the operation of a Bricks & Minifigs® store are particular to the LEGO® re-sale industry conducted by a Bricks & Minifigs™ business. Franchisee agrees to take all steps necessary, at Franchisees expense, to protect the Confidential Information and shall not release it to any person that does not have a need to know, including employees, agents and independent contractors, either during the term or after to the termination or expiration of this Agreement without our prior written consent.

Franchisee further agrees that it will not contest in any litigation, arbitration, mediation, or in any other manner the Franchisor's ownership rights to any or all of the above Confidential Information.

E. Maintain and Renovate Store

Franchisee shall at all times maintain the Store in a clean, orderly condition and in first class repair in accordance with all maintenance and operating standards set forth in the Manual. Franchisee shall make, at Franchisee's expense, all additions, repairs, replacements improvements and alterations that may be determined by Franchisor to be necessary so that the facilities which are viewed by the public will conform to the uniform corporate image, as may be prescribed by Franchisor from time to time. Franchisee shall undertake and complete such additions, repairs, replacements, improvements and alterations within the time and under the terms and conditions, which may be reasonably specified by Franchisor.

If at any time, in our sole and absolute discretion, the general state of repair, appearance or cleanliness of the Store or its fixtures, furnishings or signage does not meet our standards, Franchisee expressly agrees that we have the right to notify Franchisee, specifying the action Franchisee must take to correct the deficiency. If Franchisee does not initiate action to correct such deficiencies within ten (10) days after Franchisee receives our notice, and then does not continue in good faith and with due diligence, a bona fide program to complete any required maintenance and refurbishing, we have the right, in addition to all other remedies, to enter the premises of the Store and do any required maintenance or refurbishing on Franchisee's behalf, and Franchisee agrees to reimburse us on demand for any expenses we incur.

At our request, which shall not be made more than once every three (3) years (or as described above), Franchisee shall refurbish the Store at its expense, to conform to Franchisor's design, trade dress, color schemes, and presentation of trademarks and service marks consistent with our designated image, including, without limitation, remodeling, redecoration and modifications to existing improvements which shall not exceed $6,000 for each (3) year period. Franchisee shall have six (6) months after receipt of Franchisor's written notice within which to complete the refurbishing of the Store.

F. Maintain Competent Staff

Franchisor will create, and make available to Franchisee and its Owners if you are an Entity, training programs and other selected training materials, as Franchisor deems appropriate. Franchisee must staff a position to have day-to-day supervision for the operation and management of the Store (referred to as "**Store Manager**"). Franchisee's Store must be personally managed on a full-time basis by a Store Manager. The Store Manager must complete our training program if we so require in our discretion. The Store Manager may, but need not, be you or one of the Owners of the Store. Franchisee must train a replacement Store Manager in accordance with Franchisor's training program. Replacement Store Managers or staff may attend Franchisor's training program for a fee and subject to space availability. Currently the fee is $300 per person per day plus our expenses as described in Section XX.A of this Agreement.

Franchisee acknowledges that it is Franchisee's sole and absolute responsibility to hire employees (referred to as "Employees") in an effort to provide service to customers according to our standards as outlined in the Operations Manual. Franchisee is solely responsible for employee's terms of employment, compensation, payroll taxes and other required withholdings, worker's compensation and benefits, and the proper training in the operation of a Bricks & Minifigs™ store. Franchisee is solely responsible for all employment decisions and functions, including hiring, firing, establishing wage and hour requirements, disciplining, supervising and record keeping. We shall not have the power to hire, fire, direct, supervise or discipline your employees. You will maintain employee records to show clearly that you and your employees are not our employees. You must pay special attention to federal and state wage and hour laws with respect to your employees. You must comply with all such laws and pay your employees properly.

Franchisee will indemnify Franchisor (as described in Section XVIII) for all claims arising out of or relating to Franchisee's Employees and Franchisee's hiring, firing and discipline decisions regarding employees and any non-compliance by Franchisee of any relevant laws.

Franchisee will require its Employees to wear uniform dress bearing the corporate trademark while working at the Store, and such shall be of such design and color as Franchisor may prescribe from time to time, as set forth in the Operations Manual.

Franchisee will keep us advised, in writing, of all management and non-management personnel involved in the operation of the Store. The Store must be personally managed on a full-time basis by a person who has successfully completed the mandatory training program and meets our then-current standards.

G. Open Store within Time Limit

Time is of the essence. The Franchisee must open a location for its Franchise by the Opening Deadline, which includes having obtained Franchisor's approval prior to opening, subject to Section IX of this Agreement. Prior to opening, Franchisee shall complete, to Franchisor's satisfaction, all preparations of the Store, in accordance with specifications set forth in the Pre-Opening and Operations Manual, and as required by local governmental agencies, including installation of all furnishings and fixtures; the acquisition of POS systems, software, cash registers, phone systems, camera and security systems, Products, supplies and inventory, completion of training, and provision to us of all required local information, artwork and photos for the completion of the Franchisee's web page.

H. Operate Store in Strict Conformity to Requirements

Franchisee shall operate the Store in strict conformity with such standards, techniques, and operational procedures as Franchisor may from time to time prescribe in the Operations Manual, or otherwise in writing, and shall not deviate without Franchisor's prior written consent. Franchisee further agrees to offer its customers all Products and Services which Franchisor may, from time to time, prescribe, to offer its customers only those Products and Services which meet Franchisor's standards of quality and which Franchisor has approved in writing to be offered in connection with the Store's operations, and to discontinue offering any Products or Services which Franchisor may, in its sole discretion, disapprove in writing at any time.

Franchisee is required to use, offer and sell only approved Products and Services in the manner and style we specify, which may, from time to time, be amended or modified in writing, designated and approved by us (as described in Section XII.I). Prior to opening the Store for business, Franchisee must adequately supply its Store with an assortment of Products and while operating the Store maintain an assortment of Products as specified by us and as outlined in the Operations Manual. Additional products or services Franchisee desires to offer for sale in its Store must be authorized in writing by us. Franchisee must comply with our required procedures for purchasing Products as we may periodically adopt and must accurately post and label the prices for all Products. Franchisee is permitted to sell Products offered in its Store on the Internet however Franchisee must adhere to our Website standards as outlined in the Operations Manual. All Products sold over the Internet must be sold and shipped directly from the Store. Except for Internet sales as described above and off-site events within its Territory (as described in Section VI), Franchisee is not permitted to offer and sell Products from any other location, in any other media or alternative channels of distribution, whether known or hereinafter invented.

Franchisee must respond promptly to all inquiries and complaints in order to achieve customer satisfaction as specified in the Operations Manual. If Franchisee does not provide customers with satisfactory service and/or fails to resolve customer complaints at the time complaint is registered (which includes accepting returns within the guidelines as Franchisor outlines in the Operations Manual) or if Franchisee violates operating standards or this Agreement, Franchisor may, in addition to its other remedies, complete the customer services and bill the Franchisee or customer for its services. Franchisee shall reimburse Franchisor for any expense incurred. In addition, there may be other System oriented programs designed to promote to the public the quality care and service provided by Bricks & Minifigs® store that the Franchisor may wish to implement on a system-wide basis and advertise and market. Franchisee shall be required to participate in the then-current specials or promotions as may be developed by and as may be modified periodically by the Franchisor, in its sole discretion.

Franchisor may institute various programs designed to verify customer satisfaction and/or Franchisee's compliance with all operational and other aspects of the System, including (but not limited to) a toll-free number, online surveys, customer comment cards, secret shoppers or otherwise. Franchisor will share results of such programs as they pertain to Franchisee's Territory, with Franchisee and Franchisee will reimburse Franchisor for all costs associated with any and all such programs provided that Franchisee is not in compliance with this Agreement and the System.

Franchisee recognizes that one of our primary methods of communication with Franchisees is through newsletters and/or memos we may periodically publish and an intranet system we may provide to Franchisees on our website. Franchisee is responsible for knowing all of the information contained in the newsletters, memos and the intranet system and complying with any standards and specifications provided within them. We may establish and change the standards and specifications for the operation of the Store through our newsletters, memos and intranet system.

Franchisee shall offer for sale, and will honor for customers, any incentive, coupon, or customer loyalty programs, which Franchisor may institute from time to time, and Franchisee shall do so in compliance with Franchisor's standards and procedures for such programs to the extent permitted by the laws of the Franchisee's state. These programs may include, without limitation, membership programs, repetitive use for service programs, co-op programs and other local and national activities. Franchisee's full and complete participation in such programs are required.

Franchisor may require Franchisee to join and participate in various industry-specific local or national associations. These associations are deemed invaluable and necessary for the continued growth of the Business. Franchisee is responsible for membership fees and any related costs.

Franchisee's full and complete participation in such programs and associations are required. Except as otherwise provided herein, compliance and participation shall be at Franchisee's expense.

All advertising, promotions and public relations by Franchisee in any medium shall be conducted in a dignified manner and shall conform to the standards and requirements of Franchisor as set forth in the current version of the Operations Manual. Franchisee shall have the right to sell Products and offer Services at any prices Franchisee may determine, except that Franchisor reserves the right to establish minimum and maximum prices for any given Product or Service nationwide to the extent allowed by federal and state laws. To clarify, Franchisee agrees that Franchisor has the right, in its sole discretion, to establish minimum and maximum prices for any Product or Service so long as such decisions are made with the honest belief that the measure Franchisor is adopting will help everyone in the System meet competition and succeed in the marketplace, and only as such decision is consistent with federal law and the laws of your state. Franchisee is prohibited from heavily discounting Products and Services offered for sale and must adhere to our minimum and maximum pricing guidelines, except as otherwise provided by applicable federal or state laws. If Franchisee elects to sell or offer any Product or Service at any price recommended by Franchisor, Franchisee acknowledges that Franchisor has made no guarantee or warranty that offering such Products or Services at the recommended price will enhance Franchisee's sales or profits. Franchisee shall participate in and comply with all sales and promotional programs and/or product promotions promulgated by Franchisor periodically.

I. Use Approved Products, Supplies, Vendors and Suppliers

Franchisee acknowledges that we have spent considerable time in developing the Products, Services, processes, methods and technology used in the operation of a Bricks & Minifigs® business. Accordingly, Franchisee acknowledges that Franchisee is required to sell and use only approved Products, supplies, vendors and suppliers that include, but is not limited to: new and used LEGO® building bricks, LEGO® mini figures and accessories, new LEGO® play sets, pre-approved non-LEGO™ branded and LEGO® compatible products, apparel, LEGO® event and/or season specific merchandise, promotional and advertising materials in addition to supplies (such as packaging materials) for the operation of the Store. Franchisee is prohibited from selling any non-LEGO® branded products or LEGO® compatible products not approved by us. Franchisor will provide Franchisee with a list of all pre-approved non-LEGO® branded and LEGO® compatible products that Franchisee is authorized to offer and sell in its Store. We may derive income through license fees, promotional fees, advertising allowances, rebates or other monies paid by approved vendors and/or suppliers. We do not know the precise basis of these payments because we have never previously collected them. If we require Franchisee to buy from us, we believe that the product's price and quality will be comparable to similar products from other sources. We may take a portion of that income to spend on advertising or place in a separate franchise advertising account. If we require Franchisee to buy products, supplies or services from a vendor that pays such allowances, we may spend all such fees on related advertising or may place them in the advertising account Fund as described in Section X.B of this Agreement. If we don't require the purchase, we need not place such fees in a separate account or use them on advertising. Franchisee agrees that we may periodically and upon written notice, add to, modify or change such approved Products, supplies, vendors and suppliers. Franchisee promises to promptly accept and implement, in the operation of the Store, all such additions, modifications and changes at Franchisees expense. In addition, Franchisee acknowledges that:

1. We have spent considerable time designing the decoration and outfitting of a Bricks & Minifigs® business with furnishing, fixtures, décor items and signage. This is part of our trade dress. Franchisee must purchase such items from us and/or our affiliates or approved vendors as specified in the Operations Manual and Section XII.T of this Agreement.

2. To insure the consistent high quality and uniformity of Products and Services provided by Bricks & Minifigs® franchised businesses, Franchisee must purchase Products, supplies, POS systems, computers, software, cash registers, camera and security systems, marketing and advertising materials for use in the operation of a Bricks & Minifigs®, from Franchisor, its affiliates or approved vendors who demonstrate to Franchisor's continuing satisfaction an ability to meet Franchisor's standards and specifications. The exception to the above is that because of the nature of the re-sale industry, most all Products that need to be purchased for the Store will be from various sources and Franchisee is responsible for identifying such sources, however Franchisor may make arrangements with vendors for certain Products at negotiated costs that would ultimately benefit the entire System. Franchisor is not liable to Franchisee for any loss or damage, or deemed to be in breach of this Agreement, if Franchisor, its affiliates or approved vendors and/or suppliers cannot deliver, or cause to be delivered, Franchisee's order of Products, supplies or equipment where such items are out-of-stock or discontinued.

3. Franchisee is prohibited from carrying more than ten percent (10%) of all items offered for sale in its Store (including in its inventory of Products on the premises) to be non-LEGO® branded products (from Franchisor's approved list), at all times. Franchisor will provide Franchisee with a list of approved non-

LEGO® branded products and LEGO® compatible products during the initial training program (Section XX.A). Failure of Franchisee to adhere to Franchisor's non-LEGO® branded product standard, as described above, may result in termination of this Agreement as specified in Section XXIII.C.

4. In approving any vendor, Franchisor may consider factors such as: quality, composition, performance, technical specifications, delivery, safety, design, durability, service maintenance programs, determination of quality control, value, customer service strength, prompt attention to complaints, litigation against the supplier, any product recalls instituted by the United States Consumer Product Safety Commission, the supplier's financial strength and capacity to supply franchisee's needs promptly, reliably, and cost effectively. All vendors and suppliers must be approved in writing by Franchisor and may be disapproved by Franchisor anytime thereafter. If Franchisee desires to purchase unapproved products, supplies or services from unapproved vendors, Franchisee must submit to Franchisor a written request for such approval. Franchisor shall approve or deny Franchisee's request, which approval is in our sole discretion, within thirty (30) days of receipt of Franchisee's written request. If Franchisor does not approve such products, supplies, vendors, suppliers or services by written notice to Franchisee within this thirty (30) day period, the products, supplies, vendor, supplier or service will be deemed disapproved. Franchisor shall have the right to require, as a condition of its approval and review, that its representatives are permitted to inspect the facilities of the proposed vendor and that the proposed item is delivered to Franchisor or its designee for testing. The cost of such inspection and testing shall be paid by Franchisee, vendor or supplier and Franchisor shall not be liable for damage to or for the return of any sample and Franchisee may be responsible for the product and vendor assessment fee as described in Section X.E of this Agreement. Franchisor reserves the right, at any time, to re-inspect the facilities and to retest the product of any approved vendor and to revoke any approval if the vendor fails to continue to meet Franchisor's high standards.

5. Franchisee will not make any claims against us with respect to any vendor and/or related supplier for Products, computer system, POS systems, software or any other related products or supplies necessary for the operation of the Store (and/or our designation of, or our relationship with, any vendor/supplier/products). THE FRANCHISOR MAKES NO WARRANTIES REGARDING ANY VENDOR PRODUCTS OR SUPPLIES, AND HEREBY DISCLAIMS THE IMPLIED WARRANTY OF MERCHANTIBILITY, THE IMPLIED WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE, THE IMPLIED WARRANTY OF QUALITY OF COMPUTER PROGRAMS, THE IMPLIED WARRANTY OF SYSTEM INTEGRATION, AND THE IMPLIED WARRANTY OF INFORMATION CONTENT. FRANCHISOR MAKES NO WARRANTY THAT ANY VENDOR PROVIDED SOFTWARE WILL BE BUG FREE, VIRUS FREE, OR FREE OF TROJAN HORSES OR WORMS. FRANCHISOR MAKES NO WARRANTIES REGARDING ANY OPEN SOURCE SOFTWARE CONTAINED IN ANY VENDOR PRODUCTS OR SUPPLIES. FRANCHISEE HEREBY AGREES THAT SUCH DISCLAIMER IS AN ESSENTIAL PART OF THE BARGAIN, AND THAT THE FRANCHISOR WOULD NOT HAVE ENTERED INTO THIS TRANSACTION ABSENT SUCH DISCLAIMER. Any claim with respect to any vendor-related and/or similar matters shall be made only against the vendor in question. Franchisee will provide us with written notice prior to taking any action in connection with such a claim. Franchisor will use diligent efforts to assist Franchisees in resolving any disputes with vendors approved and/or designated by us.

6. Franchisee may be required to use and/or offer for sale any and all branded merchandise or Proprietary Products developed by Franchisor, which will be listed in the Operations Manual. The term "**Proprietary Products**" is defined as all products, supplies, equipment, marketing materials and BAM branded products all of which must be purchased by the Franchisee directly from Franchisor or Franchisor's approved vendors, unless the Franchisee has submitted and received written approval from Franchisor to use an alternate supplier.

7. Franchisee acknowledges that Franchisee must maintain an assortment of Products in its Store however Franchisor currently does not require Franchisee to maintain in inventory a minimum representation of Products, and if developed Proprietary Products (however retains the right to so in the future). "**Minimum**

Representation" shall be defined as the continuous maintenance of an amount of Products and/or Proprietary Products meeting requirements as defined in the Operations Manual. Franchisee shall at all times comply with Franchisor's Minimum Representation requirements and the terms of any auto-ship requirements (currently Franchisor does not have any such requirements, however does require that Franchisee purchase updates for all promotional and marketing materials when designated as mandatory by Franchisor and as specified in the Operations Manual). If we require Franchisee to carry a Minimum Representation of Products and if a particular Product does not sell well in the Franchisee's Franchise, Franchisee may request that the specific Product be removed from the required Minimum Representation list. Franchisor shall approve or deny Franchisee's request, which approval is in its sole discretion, within thirty (30) days of receipt of Franchisee's written request. If we fail to respond to Franchisee's request within said thirty (30) day period, Franchisee's request shall be deemed denied.

8. Franchisee shall not make any changes to the Proprietary Products or any third party products including changing the containers, packaging, labeling, promotional materials, advertising, cartons or the like without Franchisor's or the manufacturer's prior written approval, which may be withheld in the sole discretion of the Franchisor or manufacturer.

9. Franchisee may not independently act as an exclusive distributor for any third party vendor or secure any exclusive rights to distribute Products and/or Proprietary Products inside or outside of Franchisee's Territory without Franchisor's written consent. Franchisor shall approve or deny Franchisee's request, which approval is in its sole discretion, within thirty (30) days of receipt of Franchisee's written request. Failure to adhere to these guidelines or will result in termination of this agreement as specified in Section XXIII.C of this Agreement.

10. Franchisee shall not manufacture or produce any product that is similar to, or competes with any of Franchisor's Product, Proprietary Products or third party product, or any product offered or sold in supply stores, retail stores or in any channel of distribution selling similar products without the advanced written consent of the Franchisor or manufacturer, which may be granted or denied in Franchisor's or the manufacturer's sole discretion. Violation of this Section XII.I.10 shall be grounds for immediate termination as specified in Section XXIII.C of this Agreement.

11. Notwithstanding anything to the contrary contained in this Agreement, Franchisee acknowledges and agrees that, at Franchisor's sole option, Franchisor may establish one or more strategic alliances or preferred vendor programs with one or more nationally or regionally-known suppliers who are willing to supply all or some Bricks & Minifigs® stores with: Products (although Franchisee acknowledges that because of the nature of the re-sale industry, most all Products that need to be purchased for the Store will be from various sources and Franchisee is responsible for identifying such sources), supplies, POS systems, software, signage, camera and security systems, advertising and marketing materials and/or other products or services that Franchisor requires for use and/or sale in the development and/or operation of the Store. In this event, Franchisor may limit the number of approved vendors with whom Franchisee may deal with and designate sources that Franchisee must use for some or all such items and/or refuse any of Franchisee's requests if Franchisor believes that this action is in the best interests of the System. Franchisor shall have unlimited discretion to approve or disapprove of the vendors who may be permitted to sell such items to Franchisees.

12. Franchisee agrees to purchase, use, maintain and update at Franchisee's expense all computer systems, POS system and software meeting our specifications, as we may modify them. Franchisee agrees to replace the computers and POS system at Franchisee's expense as the computers and POS system (i) become obsolete or inoperable; or (ii) if, in Franchisors sole discretion, replacement is necessary because of new functionality, change in software, change in computer servers, change in methods of service or because of health or safety considerations. Franchisee agrees to maintain all systems on-line to allow us to access system data and information. Franchisee agrees to comply with our then-current Terms of Use and Privacy

Policies and any other upgrade requirements regarding all computer systems, POS system, software, including Internet usage.

13. Franchisor cannot estimate the future costs of the computer system, POS system, software or required service or support, and although these costs might not be fully amortizable over this Agreement's remaining term, Franchisee agrees to incur the costs of obtaining the software, computer system, POS system (or additions and modifications) and required service, maintenance repairs and support. Franchisor has no obligation to reimburse Franchisee for any computer system, POS system or software costs. Within sixty (60) days after Franchisee receives notice from Franchisor, Franchisee agrees to obtain any computer system, POS system, software and components that the Franchisor designates and to ensure that Franchisee's computer system, POS system and software as modified, is functioning properly.

14. Franchisee may be required to use our proprietary software for the operation of the Store (currently not in effect). If Franchisor develops proprietary software and requires Franchisee to use such software, Franchisor will provide Franchisee with a ninety (90) day written notice to purchase (if applicable) and use such software for the operation of the Store. Franchisor will provide all update and upgrade requirements for the proprietary software as necessary. The installation, maintenance, repairs and upgrade costs for the proprietary software will be the responsibility of the Franchisee. Usage of any propriety software ("**Software**"), if developed, will be subject to the following terms:

    a. Franchisee will use our Software on a computer system that: (i) meets Franchisor's computer hardware specifications; and (ii) is located at the Store or on a backup system if the original computer is inoperable. Franchisee will be licensed to use our Software only for Franchisee's internal, in-house data processing and data communications purposes and only in connection with the Store and not for re-marketing or redistribution under any circumstances;

    b. Franchisee acknowledges and agrees that Franchisor will be the sole and exclusive owner of all right, title and interest in and to our Software, including all trade secrets and copyrights related to the Software, subject only to the rights we expressly license to Franchisee in this Agreement. This license will not provide Franchisee with title or ownership of the Software, but only a limited right of use. Franchisee agrees that Franchisee will not contest or otherwise seek to share, diminish or invalidate our ownership rights in our Software;

    c. Franchisee will not modify, the Software in any way without our prior written consent. Franchisee will promptly disclose to us all ideas and suggestions for modifications or enhancements to the Software that Franchisee conceives or develops and we will have the right to use such ideas and suggestions. The Franchisor shall own all copyrights and other intellectual property rights to all modifications and suggestions proposed by Franchisee. The term "all copyrights and other intellectual property rights shall mean all means, methods, and process, by all media whether now known or hereinafter invested, including complete and entire interactive rights and rights to derivative works. This Agreement shall be a work for hire. In the event that a court of competent jurisdiction holds that this Agreement is not a work for hire, then the Franchisee agrees to execute all documents that the Franchisor deems is necessary to assign all copyright and other intellectual property rights to the Franchisor. All modifications or enhancements made to the Software will be our property and belong exclusively to us, without regard to the source or creator of the modification or enhancement, however we may provide incentive programs for such contributions;

    d. We will have the right at all times to access Software and to retrieve, analyze and use all the data in Franchisee's files stored on Franchisee's computer systems, POS system or any other computer system. Additionally, Franchisee will electronically transfer all files and reports to us on our request. All information that Franchisee stores in any computer system or POS system shall become the Franchisor's confidential and proprietary information, and subject to all of the terms and conditions of this Agreement regarding the Franchisor's Confidential Information.

e. Franchisee and Franchisee's employees will not make available the Software, or portions thereof, to any person other than Franchisee's or our employees without prior written consent. Franchisee agrees that Franchisee will not: (i) copy the Software except as necessary for use in the Store; (ii) translate, reverse engineer, reverse compile, disassemble or create derivative works based on the Software; (iii) sublicense, rent, lease, sell or otherwise transfer the Software or any portion thereof, or any rights therein, to any person or entity. Failure to adhere to these guidelines or allowing unauthorized usage of the Software may result in termination of this agreement as specified in Section XXIII.C of this Agreement;

f. Franchisee acknowledges and agrees that the Software, if developed, will be our valuable, proprietary product, the design and development of which took the investment of considerable time, money and the effort of skilled computer programmers. Franchisee will keep the Software and any data generated by the use of the Software confidential during and after the term of this Agreement and will maintain security precautions to maintain the secrecy of the Software and to prevent unauthorized access or use of the Software. Franchisee agrees that it will treat the Software as confidential and that the Software will contain substantial trade secrets of ours that we have entrusted to Franchisee in confidence to use only as we authorize under this Agreement. We hereby claim and reserve all rights and benefits afforded under copyright law, trade secret law, patent law, intellectual property law and other laws relating to confidential and proprietary material. Franchisee agrees not to improperly use, disseminate, or disclose the Software, and to ensure that Franchisee's employees who gain access to the Software will protect them against improper use, dissemination or disclosure;

g. ANY SOFTWARE SHALL BE PROVIDED ON AN "AS-IS" BASIS WITHOUT WARRANTY OF ANY KIND, EITHER EXPRESS OR IMPLIED, INLCUDING, BUT NOT LIMITED TO, THE WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, IMPLIED WARRANTY OF QUALITY OF COMPUTER RPOGRAMS, IMPLIED WARRANTY OF SYSTEM INTEGRATION, AND IMPLIED WARRANTY OF INFORMATIONAL CONTENT. ALL WARRANTIES AGAINST INFRIGEMENT ARE HEREBY DISCLAIMED EXCEPT WE REPRESENT THAT WE HAVE SUFFICIENT AUTHORIZATION TO LICENSE THE SOFTWARE TO FRANCHISEE. WE DO NOT WARRANT THAT THE FUNCTIONS CONTAINED IN THE SOFTWARE MEET FRANCHISEE'S REQUIREMENTS OR THAT THE USE OF THE SOFTWARE WILL BE UNINTERRUPTED OR ERROR FREE. WE MAKE NO WARRANTIES THAT THE SOFTWARE IS FREE FROM BUGS, VIRSUSES, TROJAN HORSES, OR WORMS. WE MAKE NO WARRANTY REGARDING ANY OPEN SOURCE SOFTWARE CONTAINED IN THE SOFTWARE. In no event will we be liable to Franchisee for damages, including any lost profits, lost savings, or other incidental or consequential damages, relating to the use of or inability to use the Software, even if we have been advised of the possibility of such damages, or for any claim by any other party. The foregoing limitations of liability are intended to apply without regard to whether other provisions of this Agreement have been breached or proven ineffective;

h. Franchisee acknowledges and agrees that Franchisee's license to the Software will terminate immediately and automatically should Franchisee fail to adhere to any of Franchisee's obligations under this license or if this Agreement expires or is terminated for any reason;

i. Franchisee acknowledges and agrees that any violation by Franchisee of the provisions of the Software license would cause us irreparable harm for which we would have not adequate remedy at law; and that, in addition to other remedies available to us, we will be entitled to seek injunctive relief against any such violation;

j. In the event Franchisee fails to adhere to any of Franchisee's obligations under this Agreement, or is no longer a franchisee of ours, or this Agreement expires or terminates for any reason, Franchisee will immediately (within five (5) days) terminate the use of the Software and destroy any and all material or information related to the Software or any data generated by use of the Software unless we specifically instruct otherwise; and

k. Franchisee must update all computer systems upon our request to optimize performance of the Software.

15. Franchisee acknowledges that neither we nor our affiliates, will have any liability and/or obligation (and neither you or any managing partners, managing members, members, shareholders or other Owners of Franchisee will make any claims) about any loss of data, loss of information, inability to use, failures, errors bugs, viruses, Trojan horses worms, loss of data, or any other occurrences relating to any computer or system hardware, POS system or software without an express written warranty from us, even if recommended or specified by us. Franchisee acknowledges and agrees that Franchisee is solely responsible for protecting themselves from these problems. Franchisee must also take reasonable steps to verify that information about Franchisee's suppliers, lenders, landlords, customers, and governmental agencies on which Franchisee rely, 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.

16. Franchisor may set standards or specifications for leases, real estate, the construction and build-out of the Store; furniture, fixtures, décor items, signage and Internet or network access services, at its discretion, including its subjective determinations relating to quality, value and appearance.

Nothing in this Agreement shall be construed to be a promise or guarantee by Franchisor as to the continued existence of any particular Product, nor shall any provision herein imply or establish an obligation on the part of the Franchisor and its affiliates to sell Products or supplies to Franchisee if Franchisee is in arrears on any payment to Franchisor, its affiliates, or any other designated vendor or approved supplier, or otherwise is in default under this Agreement. If Franchisee fails to pay in advance in full for each shipment of Products, supplies, advertising and marketing materials, or other merchandise (if required), Franchisor or its affiliates shall not be obligated to sell such items to Franchisee.

J. <u>Use Approved Design and Signage for Store</u>

In operating a Bricks & Minifigs™ store, Franchisee must adhere to Franchisor signage standards, and utilize signage designs in accordance with the standards and specifications recommended by Franchisor, or that will continue to be recommended by Franchisor. Franchisee may use an approved supplier for signage, or submit an alternate supplier to Franchisor for approval. Franchisee shall purchase or lease, subject to local building codes and regulations, such signs that provide maximum displays of the Names and Marks of Franchisor. Franchisee shall be totally responsible for obtaining and equipping the Store with the signage that is approved for use by Franchisor from time to time. The color, size, design and location of said signs shall be as specified and/or approved by us. Franchisee shall not place additional signs, posters, newspaper racks, video games, juke boxes, gaming machines, gum machines, games, rides, vending machines or other similar devices and décor items in the Store without our prior written consent.

K. <u>Participation in the Operation of the Store</u>

Franchisee agrees to participate in the day-to-day operation of the Store. Franchisee may assign the supervision of the Store to an Owner or Store Manager. Franchisee agrees that the Store Manager will supervise all Employees. The Store Manager will also be responsible for providing continuing guidance, oversight, day-to-day management, instruction and properly process all reports or complaints.

L. <u>Development of Market</u>

Franchisee shall at all times use its best efforts to promote and increase recognition of the Products and Services offered by the Store pursuant to the System and Operations Manual, to effect the widest and best possible distribution of Products and Services from the Store and to devote its best efforts to growing the Franchise.

M. Maintain Regular Business Hours

Franchisee's Store must be open for business not less than eight (8) hours per day every day of the year, except Sundays and holidays (we may specifically designate such holidays in good faith in the Operations Manual), or the hours otherwise approved in writing by us or as required by the lease of the Store (if the operating hours required by your lease exceed the minimum hours we require). Sunday hours are optional and may vary depending on the demographics of the Territory or the requirements of Franchisee's lease. It is required that the Franchisee maintain a telephone answering system and monitor an e-mail address for the Store to take messages and respond to both online and on-site customers outside of regular business hours.

N. Maintain Uniform Operating Standards

Franchisee understands and acknowledges that every detail in the operation of the Store is important to the Franchisee, Franchisor and other franchisees in order to develop and maintain uniform operating standards, to increase the demand for the Products and Services offered by the Store under the System, and to protect Franchisor's trademarks, service marks, reputation and goodwill.

Franchisee acknowledges and agrees that the System must continue to evolve in order to reflect changing market conditions and meet new and changing customer demands. As a consequence, changes, modifications and variations to the System's standards may be required from time to time to preserve and enhance the public image of the System and enhance the operational efficiency of all franchises.

Franchisee therefore agrees that we may periodically and upon written notice, add to, modify or change the System, including without limitation the adoption and use of new or modified trademarks, Products, Services, programs, signage, décor, furnishings, fixtures, operational methods, POS systems, computers, Software, non-proprietary software, methodologies, employee hiring guidelines and retention programs, advertising, sales and marketing strategies. Franchisee promises to promptly accept, implement, use and display in the operation of the Store, all such additions, modifications and changes at Franchisee's expense.

Franchisor will not require Franchisee to make any changes, modifications and/or variations to the System that are not required of all Franchisees (unless such change, modification or variation relates only to certain Franchisees due to one or more unique factors such as geographic location, local laws, regulations or customs); further we may periodically meet with representative groups of franchisees and solicit their input prior to the implementation of any material change or modification. Franchisees failure to comply with modifications to the System within one hundred and twenty (120) days of such written notice is an incurable default as described in Section XXIII.C of this Agreement, except as allowed in Section XII.E of this Agreement.

O. Telephone Number of Business, Web Page and Websites

Franchisee understands and agrees that the telephone number(s), the URL address, web page and if permitted, Websites for the Store (in addition to any cell phone numbers) constitute a part of the System and are subject to the restrictions of this Agreement. Accordingly, Franchisee shall not change the telephone number(s), URL address, web page or Websites for the Store without prior notice and written approval by Franchisor. Franchisee shall advertise and publicize the telephone number(s) and, permitted by Franchisor, the URL address, web page and Websites for the Store in the manner prescribed by Franchisor. As stated above, all telephone numbers, URL addresses, web page, Websites, Internet or similar connections, directory and listings for the franchised business are the Franchisor's property and upon termination will revert to the Franchisor.

P. Disclose Discoveries and Ideas to Franchisor

Franchisee shall promptly disclose to Franchisor all products, discoveries, concepts, methods, techniques, processes, programs, operational procedures, inventions or ideas, whether patentable or not, relating to the System, Products, Proprietary Products, Services, Software, or Franchise, which are conceived or made by Franchisee or any Owner, agent, or employee of Franchisee solely or jointly with others, during the term of this Agreement, whether or not Franchisor's facilities, materials, or personnel are utilized in the conception or making of such discoveries or ideas. Franchisee hereby acknowledges and agrees that all such products, discoveries, concepts, methods, techniques, processes, programs, operational procedures, inventions or ideas are the exclusive property of Franchisor, and that Franchisor shall have no obligation to Franchisee. The Franchisor shall own all copyrights and other intellectual property rights to all discoveries and products proposed by Franchisee. The term "all copyrights and other intellectual property rights shall mean all means, methods, and process, by all media whether now known or hereinafter invested, including complete and entire interactive rights and rights to derivative works. This Agreement shall be a work for hire. In the event that a court of competent jurisdiction holds that this Agreement is not a work for hire, then the Franchisee shall assign all copyrights and other intellectual property rights to the Franchisor. However as a matter of corporate policy, Franchisor may, in its sole discretion, create an incentive program to reward Franchisee, its officers, directors, managers, members, partners or shareholders for any such new product, program, discovery, concept, method, technique, process or improvement that Franchisor implements throughout the System. The Franchisee, its officers, directors, managers, members, partners or shareholders agree to execute all documents deemed reasonably necessary by the Franchisor to assign all such patent, trade secret, trademark, and copyright rights in any Franchisee discovery or idea to the Franchisor. The purpose of this clause is to ensure that ideas for improvements to the System that may be generated by Franchisees within the System will be distributed to the other Franchisees as a benefit of belonging to the System. The Franchisee agrees to execute all documents that the Franchisor deems reasonably necessary to carry out such transfer of intellectual property rights to the Franchisor.

Q. Permit Franchisor to Enter Store

Franchisee shall permit Franchisor and its agents or representatives to enter the Store during normal business hours for the purpose of conducting inspections without notice to Franchisee and inspect the operations of the Store, review business operations and/or to remove samples of products without payment, for Franchisor review to determine if such samples meet Franchisor's then-current standards and specifications. Franchisee shall cooperate fully with Franchisor's representatives in such inspections by rendering such assistance as they may reasonably request, and, upon notice from Franchisor or its agents, and without limiting Franchisor's other rights under this Agreement, shall take such steps as may be deemed necessary to immediately correct any deficiencies detected during such inspections. In the event Franchisee fails or refuses to promptly correct any deficiency detected during such inspection, Franchisor shall have the right to make or cause to be made such changes as may be required, at the expense of Franchisee, which expense Franchisee agrees to pay upon demand. The foregoing shall be in addition to any other remedies Franchisor may have pursuant to this Agreement.

R. Additional Requirements for Corporate Franchisee

If Franchisee is or becomes a corporation, limited liability company, general or limited partnership or other organization or entity, the following requirements shall apply:

1. Franchisee shall confine its activities to the establishment and operation of the Store and off-site events within the Territory (as described in Section VI);

2. Franchisee's Certificate of Formation, Articles/Certificates of Incorporation or Articles of Organization, Shareholders Agreement, Operating Agreement, Partnership Agreement and/or Bylaws (or comparable governing documents) shall at all times provide that its activities are confined exclusively to the operation of the Store and that the issuance, redemption, purchase for cancellation and transfer of voting stock, voting membership units or other ownership interest therein, is restricted by the terms of this Agreement. Franchisee shall furnish Franchisor promptly upon request copies of Franchisee's Articles/Certificates of Incorporation, Bylaws, Operating Agreement, Partnership Agreement, Shareholders Agreement, and other governing documents, and any other documents we may reasonably request, and any amendments thereto, from time to time;

3. Franchisee shall maintain a current list of all owners of record and beneficial owners of any class of voting stock, partnership interest or membership of Franchisee and shall furnish such list to Franchisor upon request;

4. Franchisee shall maintain stop transfer instructions against the transfer on its record of any equity securities (voting or otherwise) except in accordance with the provisions of Section XXV of this Agreement. All securities issued by Franchisee shall bear the following legend, which shall be printed legibly and conspicuously on each stock certificate, membership unit certificate, partnership unit certificate, or other evidence of ownership interest:

> THE TRANSFER OF THESE SECURITIES IS SUBJECT TO THE TERMS AND CONDITIONS OF THIS FRANCHISE AGREEMENT WITH BAM FRANCHISING, INC. AS OF THE SIGNING DATE. REFERENCE IS MADE TO SAID AGREEMENT AND TO THE RESTRICTIVE PROVISIONS OF THE ARTICLES AND BYLAWS OF THIS CORPORATION;

5. All shareholders, managing members, general partners and owners of Franchisee shall jointly and severally guarantee Franchisee's performance hereunder and shall bind themselves to the terms of this Agreement, provided, however, that the requirements of this Section XII.R. shall not apply to any corporation registered under the Securities Exchange Act of 1934 (hereinafter known as a "**Publicly-Held Corporation**");

6. If Franchisee is or becomes a partnership, corporation or limited liability company, Franchisee shall furnish Franchisor a copy of its partnership agreement or comparable agreement, and any other documents Franchisor may reasonably request, and any amendments thereto, from time to time. If Franchisee is or becomes a limited liability company, Franchisee shall furnish Franchisor with a copy of its operating agreement and any other documents Franchisor may reasonably request, and any amendments thereto, from time to time. If Franchisee is or becomes a corporation, Franchisee shall furnish Franchisor a copy of its shareholders agreement bylaws, and any other documents Franchisor may reasonably request, and any amendments thereto, from time to time;

7. Each individual or Entity holding a 10% or greater ownership or beneficial ownership interest in the Franchisee’s business, directly or indirectly, (including each individual holding a 50% or greater interest in any partnership, limited liability company, or corporation which has a 10% or greater interest in the Franchisee’s business) shall enter into a continuing guaranty agreement, in the form attached hereto as Schedule 5 as such form may be amended or modified by Franchisor, from time to time (if such guaranty agreement is to be executed after the date of this Agreement in accordance with the terms of this Franchise Agreement); and

8. From and after the date of this Agreement, Franchisee and its Owners shall not sell, transfer, assign, pledge, mortgage, hypothecate or encumber all or any direct or indirect ownership interest in Franchisee without first obtaining Franchisors written consent in which consent shall be approved or denied within thirty (30) days of Franchisee’s request.

S. Site Selection

Franchisee assumes all costs, liability, expense, and responsibility for locating, obtaining and developing a site for the Store to be established under the Franchise Agreement and for equipping the Store at such premises. A typical Bricks & Minifigs® store has approximately 1,000- 3,000 square feet of space. The space for a Bricks & Minifigs® store must be enclosed and separate from other businesses with its own locking door. Franchisee may buy or lease the required real property and improvements from any source and on terms approved by Franchisor in writing. On the execution of any lease for the Franchise, Franchisee will deliver to Franchisor a copy of the executed lease and an option to assume the lease executed by the lessor in favor of Franchisor in a form acceptable to Franchisor. All improvements to the Store must be approved by Franchisor.

FRANCHISEE ACKNOWLEDGES THAT OUR ACCEPTANCE OF A PROSPECTIVE SITE AND THE RENDERING OF ASSISTANCE IN THE SELECTION OF A SITE DOES NOT CONSTITUTE A REPRESENTATION, PROMISE, WARRANTY, OR GUARANTEE BY US THAT A BRICKS & MINIFIGS™ FRANCHISE OPERATED AT THAT SITE WILL BE PROFITABLE OR OTHERWISE SUCCESSFUL.

Franchisee acknowledges that we have spent considerable amount of time choosing the creating the decoration and outfitting Bricks & Minifigs® store. It is part of our trade dress. Franchisee acknowledges and agrees that the design, layout and other characteristics of the Store constitute and/or contain Confidential Information and/or Trade Secrets of ours. Franchisee agrees that the Store shall be maintained and operated as follows:

1. Franchisee will maintain the Store and every component of the furnishings, fixtures and POS systems in good order and repair at all times as specified in the Operations Manual;
2. Franchisee will keep the Store fully insured as specified in this Agreement and in the Operations Manual;
3. Franchisee will keep the Store at all times in a clean and tidy condition and free of any advertising and promotional material other than that required by law or the Operations Manual, and will exhibit such signage, colors and logos in the Store and upgrade or review the same as specified in the Operations Manual;
4. Franchisee will not alter or in any way amend the appearance of the Store, or any furnishings, fixtures or POS systems contained within the Store as specified in the Operations Manual;
5. Franchisee will maintain and upgrade the Store and all furnishings and fixtures as specified from time-to-time in the Operations Manual so as to always use our then-current specifications;
6. Franchisee shall meet and maintain the highest level of health standards and ratings applicable to the operation of the Store. Franchisee shall furnish to Franchisor, within five (5) days after receipt thereof, a copy of all inspection reports, warnings, citations, certificates and/or ratings resulting from inspections conducted by any federal, state or local governmental authority with jurisdiction over the Store; and
7. Franchisee may be required to use only approved service stores for repairs and maintenance of furnishing, fixtures, signage and POS systems in the Store.

Franchisee shall not execute a lease or sublease for the Store, or make any modifications or amendments to the lease or sublease, without our prior written consent, which we may grant, condition or withhold in our Business Judgment. Franchisee will deliver to Franchisor a copy of any lease or sublease for Franchisor's review at least thirty (30) days before execution. Franchisee must deliver a copy of the signed lease or sublease to us within five (5) business days after it is signed. Franchisee shall ensure that the lease or sublease for the Store contains, in an addendum or otherwise, the following provisions which:

1). Permit Franchisee to operate a Bricks & Minifigs® store in accordance this Agreement and the Manuals;

2) Provide that the site will be used only for the operation of a Bricks & Minifigs® store, and prohibit Franchisee from assigning or modifying any of Franchisee's lease rights, or extending the term without our prior written consent;

3) Require the lessor to concurrently provide us with a copy of any written notices of default to Franchisee under the lease and give us the right to cure any default if we so choose; within fifteen (15) days following the expiration of the Franchisee's cure period under the lease;

4) Provide us with a right to take assignment and possession of the Bricks & Minifigs® store, without the lessor's consent or any additional consideration. If we exercise this right and Franchisee is in good standing, we'll sign a sublease with Franchisee for the same rent Franchisee is paying. In any case, we won't have any liability for any obligations incurred prior to our occupancy. Franchisee agrees to take whatever actions are necessary to accomplish such assignment and will, when you sign this Agreement, also sign the Addendum to Lease Agreement attached as Schedule 6. If Franchisee loses lease rights to the site in connection with any bankruptcy, the lessor will, on our request, enter into a new lease with us on essentially the same terms as the terminated lease;

5) Provide that the lessor consents to the use of the Marks, trade dress and other aspects of the System, as modified from time-to-time, and give us the right to enter the premises during normal business hours for purposes of inspection, to take steps to protect the Marks and Trade Dress and/or prevent/cure any default; and

6) Not contain any clause providing that if the Franchisee sells the assets of its store, or the stock/membership units/partnership units of the Store, Franchisee must pay the landlord a certain percentage or a flat amount of the sale. Provided, that nothing in this sentence shall impair the Franchisee from entering into a lease that allows its landlord to impose a reasonable administrative fee for processing the assignment or sublease.

T. Development and Construction of Store

Franchisee must select and employ licensed contractors reasonably acceptable by us for the complete build out and/or any leasehold improvements. Franchisee is solely responsible for the selection and work of any contractor selected and/or employed by Franchisee, even if referred by us, and for the preparation of architectural and working drawings necessary to complete construction and/or build out at the approved Store. Franchisee will be provided with mandatory requirements and specifications (interior and exterior) for the build out of the Store which includes specifications for Store layout, storage, furnishings, fixtures, décor and signage. Franchisor must review Franchisee's architect's final plans prior to implementation. Such plans and specifications are subject to alteration as may be necessary in Franchisor's sole discretion and Franchisee must be in full and strict compliance with plans and specifications approved by us. Franchisee is responsible for the cost and installation of all build out specifications. Franchisor reserves the right to receive rebates, commissions or other forms of consideration from designated or approved suppliers involved in the construction or fixturing of the Store and to use such rebates, commissions or other consideration in any way Franchisor deems appropriate in Franchisor's sole discretion, without obligation to share or remit any portion of such rebates, commissions or other consideration to Franchisee.

We would expect that a Bricks & Minifigs® business location would need construction improvements. Costs may vary widely depending on such factors as property location, the condition of the property and the extent of alterations required for the property. Franchisee shall be responsible for obtaining all zoning classifications, health, sanitation, clearances, permits and certifications which may be required by state or local laws, ordinances, or regulations or which may be necessary or advisable owing to any restrictive covenants relating to Franchisee's location. After having obtained such approvals and clearances, Franchisee shall submit to Franchisor, for Franchisor's approval, final plans for construction based upon the preliminary plans and specifications. Once approved by Franchisor, such final plans shall not thereafter be changed or modified without the prior written permission of Franchisor. Any such change made without Franchisor's prior written permission shall constitute a material default under this Agreement and Franchisor may withhold its authorization to open the Store until the unauthorized change is rectified (or reversed) to Franchisor's reasonable satisfaction.

Franchisee shall comply with all federal, state and local laws, codes and regulations, including without limitation, the applicable provisions of the ADA regarding the construction, design and operation of the Store. If Franchisee receives any complaint, claim or other notice alleging a failure to comply with the ADA or other law or regulation related to health or safety, Franchisee agrees that it shall provide Franchisor with a copy of such notice within five (5) days after receipt thereof.

Except as provided in Section IX.A of this Agreement, Franchisee shall construct, furnish and open the Store according to the requirements contained herein, and Franchisee shall open the Store by the Opening Deadline. Time is of the essence. Prior to opening for business, Franchisee shall provide Franchisor with evidence of lean-free completion of all work (including, without limitation, any and all mechanic leans) and to comply with all pre-opening requirements set forth in this Agreement (including without limitation those with respect to the Grand Opening Advertising Program), the Operations Manual, and/or elsewhere in writing by Franchisor.

Franchisee shall not open the Store until Franchisor has determined that all construction has been substantially completed, and that such construction conforms to Franchisor's standards including, but not limited, to materials, quality of work, furnishings, fixtures, signage, decor, paint and Franchisor has given Franchisee written approval to open, which approval shall not be unreasonably withheld. Franchisor's approval to open the Store does not constitute a waiver of Franchisor's right to require Franchisee to conform the Store to Franchisor's standards.

U. Training

Prior to Franchisee's opening of the Store to the public, Franchisee, its Owners if it is an Entity, shall complete to our satisfaction the five (5) day training program required by this Agreement within sixty (60) days of the date Franchisee anticipates opening the Store. At our option, key management personnel initially and subsequently employed by Franchisee shall also complete the training program. We may, at our discretion, make available additional training programs, certifications, seminars, as well as refresher courses available to the Franchisee and/or Franchisee's designated individual(s) from time to time. We may, at any time, discontinue management training and decline to certify Franchisee and/or Franchisee's designated individual(s) who fail to demonstrate an understanding of the management training acceptable to us. If Franchisee or Franchisee's designated individual's management training is discontinued by us, Franchisee shall have thirty (30) days to present an alternative acceptable candidate for management training to Franchisor. If Franchisee's new candidate does not adequately complete the management training, then we shall have the option of terminating this Agreement. We shall provide instructors and training materials for the initial training program. Franchisee or its employees shall be responsible for our then-current training fee for additional training programs and all expenses incurred by Franchisee, its employees, or agents in connection with any training programs, including, without limitation, the cost of transportation, lodging, meals, and wages.

V. Ongoing Training and Support.

The Franchisee will have access to our personnel for questions, ongoing training and support by phone and e-mail. Franchisor will continue to consult with and advise Franchisee; provide a telephone help line, free of charge, to answer any questions from Franchisee or its staff (Section XX.A of this Agreement), provide the Manual specifications, supplier, product, marketing and operational updates as they become available; review advertising, product and/or supplier approval requests; and administer the System Advertising Fund.

XIII. SPECIFIC OBLIGATIONS OF FRANCHISEE RELATING TO INSURANCE

A. Overall Coverage Required

Before Franchisee opens a Bricks & Minifigs® Franchise, Franchisee must purchase insurance coverage from a responsible carrier with a performance rating of A or higher as rated in the most recent edition of Best Insurance Reports (or comparable criteria as we may specify) and Franchisee must maintain such insurance throughout the duration of the initial term of the Franchise Agreement and any renewal terms. Franchisee will procure and maintain general comprehensive liability insurance with a minimum policy limit of $1,000,000 per occurrence and $2,000,000 aggregate (this policy should include general tort, premises damage, personal and advertising injury should be at least

$1,000,000) in addition to property and casualty insurance with a minimum policy limit of $1,000,000 or an amount specified by the Franchisor.

Franchisee must also procure and maintain "All Risks" or "Special Form" insurance (coverage for the full cost of replacement of the premises and all other property) in addition to business interruption insurance to fully insure loss of earnings for a period of one-hundred and eighty (180) days or longer as may specify and statutory workers' compensation insurance with limits of greater than $100,000 or the minimum limits required by law.

For any construction, renovation, refurbishment or remodeling of the site, Franchisee must require that the general contractor maintain, with an approved insurer, commercial general liability insurance (with comprehensive automobile liability coverage for both owned and non-owned vehicles, builders risk, product liability and independent contractor's coverage) with limits of no less than $1,000,000 per claim, naming Franchisee and us as additional insureds, as their interests may appear, together with workers' compensation and employer's liability insurance as required by law and as required by the lease. It is Franchisee's responsibility to obtain certificates of insurance from the contractor prior to the initiation of any construction.

To the extent available, Franchisor may require Franchisee to acquire automobile liability insurance (with coverage of owned an hired vehicles with minimum coverage in amounts not less than $1,000,000 combined single limit (bodily and property damage) or what is in accordance with Franchisee's state guidelines), professional liability insurance, product liability insurance, employer's liability insurance, crime insurance as well as other disability benefits type insurance as may be required by the statute or rule of each State, with policy limits of $1,000,000 or in the amount Franchisor specifies.

All insurance policies will name Franchisor as certificate holder and additional named insured with waiver of subrogation against Franchisor. Franchisor may establish minimum standards for coverage to be met by underwriters for insurance. Before beginning operations, Franchisee will obtain any other liability insurance required by law, provide Franchisor with certificates of insurance within ten (10) days of issuance, and maintain all required insurance during the term of this Agreement. Franchisee shall also furnish Franchisor with certificates and endorsements evidencing insurance coverage within ten (10) days after each of the following events (i) at all policy renewal periods, no less often than annually and (ii) at all instances of any change to, addition to or replacement of any insurance. Lapses, alterations, or cancellations require immediate notice to Franchisor and shall, in Franchisor's sole discretion, be deemed an immediate material breach of this Agreement as set forth in Section XXIII.C. If Franchisee fails to obtain the required insurance and to keep the same in full force and effect, Franchisor may, but shall not be obligated to, pay the premiums or acquire insurance, and bill Franchisee. Franchisee shall reimburse Franchisor for the full cost of such insurance, along with a reasonable service charge to compensate Franchisor for the time and effort expended to secure such insurance. Franchisor may change these insurance requirements on reasonable notice to Franchisee.

Franchisee's insurance will cover all claims for injury, damage and death or otherwise, arising directly or indirectly out of the franchised business.

Franchisee shall notify Franchisor immediately in writing of any event that could materially affect Franchisee or the franchised business, and no later than the date on which Franchisee notifies its insurance carrier.

Franchisor makes no representation or warranty to Franchisee that the amount of insurance to be carried by Franchisee under the terms of this Agreement is adequate to fully protect Franchisee's interest. If Franchisee believes that the amount of any such insurance is insufficient, Franchisee is encouraged to obtain, at its sole cost and expense, such additional insurance as it may deem desirable or adequate. Franchisee acknowledges that Franchisor shall not, by the fact of approving, disapproving, waiving, accepting, or obtaining any insurance, incur any liability for, or with respect to, the amount of insurance carried, the form or legal sufficiency of such insurance, the solvency of any insurance companies or the payment or defense of any lawsuit in connection with such insurance coverage, and Franchisee hereby expressly assumes full responsibility therefore and all liability, if any, with respect thereto.

Franchisee's compliance with insurance requirements shall not relieve Franchisee of its liability under the indemnity provisions of this agreement, Section XVIII. Obligations to maintain insurance coverage will not be affected by reason of any separate insurance maintained by us, nor will the maintenance of such insurance relieve Franchisee of any obligations under this agreement.

Franchisee shall also acquire tenant's liability insurance (if applicable); any other insurance required by the state or locality in which the Store is located and operated, in such amounts as required by statute; and other insurance coverage, as we or the landlord may reasonably require.

XIV. SPECIFIC OBLIGATIONS OF FRANCHISEE RELATING TO ACCOUNTING AND RECORDS

A. Bookkeeping, Accounting and Records

Franchisee acknowledges that the maintenance of accurate financial records and the preparation of financial statements on a timely basis, are essential to the efficient operation of the Store. If Franchisee is not qualified to maintain accurate financial records, in our reasonable determination, the Franchisee agrees to hire a qualified bookkeeper who will maintain the financial records of the Franchisee and who will attend the Store not less than once every two weeks for that purpose.

Franchisee shall maintain during the term of this Agreement, and shall preserve for a minimum of three (3) years, full, complete accurate records of sales, payroll, accounts payable and accounts receivable in accordance with the standard accounting system described by Franchisor in the Operations Manual or otherwise specified in writing however state or federal guidelines may require a longer time period. Franchisee will keep its books and records related to this business separate from any other business owned by Franchisee or its principals. Any such separate business will be conducted by a separate entity.

Franchisee will provide Franchisor all hard copy and electronic reports Franchisor prescribes. On or before the 10th day of each month or daily if Franchisor requires, Franchisee will deliver or provide electronic access to business records (Franchisor will have independent access to all information that Franchisee stores in any POS or computer system), including an itemized report of Franchisee's Gross Revenue for the prior period on a form Franchisor prescribes, which will include payment for that periods' or months' fees due, and may include, to the extent that Franchisor requires:

1. Franchisee's payroll records, certification or records of Gross Revenue for the month, week, day or period reported; and/or

2. Copies of any customer invoices and customer contracts with updated location information in any format Franchisor specifies;

3. Copies of all invoices for including purchases of products and supplies;

4. Copies of all merchant account printouts received from the Franchisee's merchant account banking provider (i.e. records of credit and debit card transactions);

5. Copies of all bank deposits, and bank deposit records made by the Franchisee; and

6. A complete list of all customers, their email addresses, physical addresses and telephone numbers, who have filed a complaint (internally or with third parties such as the Better Business Bureau) or sought refunds for Products or Services greater than $150 during the preceding month, by the tenth (10th) day of each month.

Franchisee acknowledges and agrees that Franchisor, at all times during and after termination, expiration or cancellation of this Agreement, has the right to access (electronically or otherwise) all Business Records of the Store. Franchisor may use, transfer, copy or analyze such Business Records as Franchisor determines in its sole discretion to be in the best interest of the System. For purposes of this Agreement, "Business Records" means all records, documents, databases and the like (whether in print, electronic or other form), including all names, addresses, phone numbers, email addresses, customer purchase records, consignment or trade-in arrangements, vendor records and all other records contained in databases created and maintained by Franchisee pertaining to the operation of a Bricks & Minifigs™ store, including but not limited to customers, employees, vendors and other professionals related to the Store.

Franchisee may be required by us to obtain specified POS systems, and computers and may be required to use specific software, including, without limitation, a license to use our Software (if developed by us), or any of our vendors in accordance with Section XII.I of this Agreement and the Operations Manual. Franchisee agrees to pay all costs in connection with obtaining the POS system and software and Franchisee agrees to maintain, upgrade, etc. the POS system and any additional licenses for the software at its own expense (upgrades, maintenance and support for our proprietary software (if developed) will be provided by Franchisor as described in Section XX.I). We have the right to charge a reasonable fee for any additional licenses, modification, maintenance and/or support of proprietary software that we may license to Franchisee and other products and services that we may furnish to Franchisee related to the POS and computer systems.

Franchisee will adopt a fiscal year as approved by us and prepare all financial reports in accordance with U.S. generally accepted accounting principles, consistently applied. Franchisee must periodically deliver to Franchisor accounting, tax and other information or copies of documents, as Franchisor requests.

B. Franchisor's Right to Audit

Franchisor or its agents may enter the Franchisee's location to examine or audit Franchisee's business at any reasonable time without notice. Franchisor may examine, inspect or audit Franchisee's database and Business Records, which records will include, but will not be limited to: payroll records, ledgers, consignment and/or trade-in agreements, sales reports, timecards, check stubs, bank deposits, bank statements, merchant account printouts, receipts, sales tax records and returns and other documents. Franchisor will bear the cost of the audit, provided however, if Franchisee fails to report as required or understates Gross Revenue by 2% or more for any reported time period, in which case Franchisee will pay the audit costs plus interest at 18% per month for all understated Gross Revenues or the maximum rate allowed by the laws of the State in which Franchisee's business is located as specified in the Operations Manual. Franchisee will immediately pay Franchisor all sums owed. The foregoing remedies shall be in addition to any other remedies we may have pursuant to this Agreement and as provided at law and in equity.

In addition to the cost of the audit described above, Franchisee shall reimburse Franchisor for any and all costs and expenses relating to the inspection (including, without limitation, travel, lodging and wage expenses and reasonable accounting and legal costs), and, at Franchisor's discretion, submit audited financial statements prepared, at Franchisee's expense, by an independent certified public accountant satisfactory to Franchisor. If an inspection discloses an understatement in any payment to Franchisor of 4% or more, twice within any two (2) year period, such act or omission shall constitute grounds for immediate termination of this Agreement, as set forth in Section XXIII.C. The foregoing remedies shall be in addition to any other remedies we may have pursuant to this Agreement and as provided at law and in equity.

C. Method of Payment

All payments Franchisee makes to Franchisor will be by any method Franchisor specifies, including cash, check, certified check, money order, credit card, automatic pre-authorized payment plan, Internet, or electronic funds transfer (as described in Section X.D of this Agreement). All payments to Franchisor and dollar amounts stated in this agreement shall be made in United States dollars unless otherwise expressed. If a conversion of royalties or other payments from another currency is made, the conversion shall be made as of the date the payment is due, or the date the payment is actually made, whichever is more beneficial to Franchisor. Franchisee is responsible for any fees associated with payment methods other than cash or check.

D. Submission of Financial Statements

Franchisee will provide Franchisor with a copy of Franchisee's annual financial statements including, at a minimum a balance sheet and income statement and, also at a minimum, disclosures required by accounting principles generally accepted in the United States of America related to accounts receivable, inventory and debt, to the extent that each are applicable and material, and disclosures related to any other component(s) of the financial statements that are critical for obtaining a clear understanding of the financial statements. Such financial statements will be prepared in accordance with accounting principles generally accepted in the United States of America and must be accompanied by a Compilation Report signed by a Certified Public Accountant, and must be delivered to Franchisor within ninety (90) days after Franchisee's fiscal year end.

E. Disclosure of Financial Statements

Franchisee hereby grants us permission to release to Franchisee's lenders or prospective lenders, Franchisor's purchasers or prospective purchasers, any financial and operational information relating to Franchisee and/or the Store; however, we have no obligation to do so.

Franchisee also authorizes us to make reasonable inquiries of Franchisee's bank, suppliers, landlord, and creditors concerning the Store and hereby directs such persons and companies to provide to us such information and copies of documents pertaining to the Store as we may request.

XV. SPECIFIC OBLIGATIONS OF FRANCHISEE RELATING TO USES OF NAMES AND MARKS

A. Names and Marks are Owned by Franchisor

Franchisor warrants with respect to the proprietary Names and Marks that:

1. BAM Franchising, Inc., an Oregon Corporation, is the exclusive owner of the Names and Marks to establish Bricks & Minifigs® franchises in the United States. Provided; however that the Franchisor does not own the trademarks of The Lego Group of companies, and does not a have license from The Lego Group of companies to use the Lego trademarks.

2. Franchisor is taking and will take such steps as are reasonably necessary to preserve and protect the ownership and validity of such Names and Marks; and

3. Franchisee acknowledges that there may be third party pre-existing users or applicants/registrants of trademarks, trade names, or business names similar to the Names and Marks. Franchisor and Franchisee shall investigate such use, applications, or registrations, if any, and Franchisor shall in its sole discretion decide on the appropriate action to be taken. Any unsuccessful challenge made by Franchisor shall not constitute a ground for the termination of this Agreement. In the event Franchisor determines in its sole judgment that challenging any such third party's use of the Marks will not likely be successful, or would not be economically feasible to achieve, or if Franchisee shall be required to cease using the Marks (or any of them) by court order, or as a result of any settlement of any such trademark claim by a prior registrant or any pre-existing user, or any other such trademark claim, or if Franchisor shall deem it necessary or appropriate to change the name of the Franchise in order to mitigate any potential exposure or damages arising under any trademark claim, Franchisee shall promptly change the name of its Franchise, and thereafter utilize an alternative name established by Franchisor. Franchisor shall not be liable for any losses or any consequential damages, incidental damage, punitive damages, exemplary damages, special damages, including lost future profits, resulting from or arising out of any trademark service mark, and/or unfair competition claim(s). The Franchisor shall have no obligation to reimburse the Franchisee for any costs, causes of action, damages, demands, expenses, fines, liabilities, or penalties, arising out of such a trademark, service mark, logo or trade name change.

4. Franchisor will use and permit Franchisee and other franchisees to use the Marks in compliance with the System and standards attendant thereto and contained in the Operating Manual as well as the Franchisor's policy statements, which underlie the goodwill associated with and symbolized by the Names and Marks.

B. Franchisee is Licensed to Use Names and Marks

With respect to Franchisee's franchised use of BAM Franchising, Inc. Names and Marks pursuant to this Agreement, Franchisee agrees that:

1. Franchisee shall use only the Names and Marks as are approved in writing by Franchisor for Franchisee's use, and shall use them only in the manner authorized and permitted by Franchisor and that in any use whatsoever of the Names and Marks of Franchisor that the Names and Marks are identified as being registered to or owned by Franchisor;

2. Franchisee shall use the Names and Marks only in connection with the operation of the Store and in advertising for the Store conducted at or from the Franchisee's website and accepted Store location;

3. Franchisee shall use and display, as Franchisor may require in the operation of the Store, a notice in the form approved by Franchisor indicating that Franchisee is a "Franchise" of BAM Franchising, Inc. and that the Names and Marks are used by Franchisee under such Franchise. Franchisee must indicate to third parties that it is "independently owned and operated" and that Franchisor owns the Marks and Franchisee uses them under a license;

4. Unless otherwise authorized or required by Franchisor, Franchisee shall operate and advertise the Store under the Name and Mark "Bricks & Minifigs®";

5. Franchisee's right to use the Names and Marks is limited to such usages as are authorized under this Agreement, and any unauthorized use shall constitute an infringement of Franchisor's rights and material breach of this Agreement;

6. Franchisee must obtain Franchisor's approval for any use of any item of printed material of any kind bearing any of the Names or Marks, unless Franchisor supplied the item. Franchisor shall approve or deny Franchisee's request, which approval is in our sole discretion, within thirty (30) days of receipt of Franchisee's written request. If we fail to respond to Franchisee's request within said thirty (30) day period, Franchisee's request shall be deemed denied. Franchisee shall use such notices of Trademark registrations and copyrights as Franchisor specifies.

7. Franchisee shall not use the Names and Marks to incur any obligations or indebtedness on behalf of Franchisor;

8. Franchisee shall not use the Names and Marks or any part thereof as part of its corporate or other legal name, nor shall Franchisee use any name or trademark associated with the Lego Group of companies in its corporate name;

9. Except as provided in this Agreement, Franchisee shall not use the Names and Marks or any part thereof in any form on the Internet, including but not limited to, addresses, domain names, URL's, Websites, links, metatags, locators and search techniques;

10. Franchisee shall comply with Franchisor's instructions in filing and maintaining the requisite trade name or fictitious name registration, and shall execute any documents deemed necessary by Franchisor or its counsel to obtain protection for the Names and Marks or to maintain their continued validity and enforceability; and

11. In the event any litigation involving Names and Marks is instituted or threatened against Franchisee, Franchisee shall promptly notify Franchisor and shall cooperate fully with Franchisor in defending such litigation. Franchisee agrees to execute any and all instruments and documents, render such assistance, and do such acts or things as may, in the sole opinion of Franchisor, reasonably be necessary or advisable to protect and maintain the interests of Franchisor or any other interested party in the Names or Marks. Other than what is stated in this Agreement, Franchisor is not obligated to protect Franchisee's right to use the trademarks or protect Franchisee against claims of infringement or unfair competition with respect to them and may direct Franchisee not to use the trademark or to change the trademarks at Franchisee's expense. The Franchisor will control any and all such litigation, arbitration, and mediation involving the Franchisor's trademarks. The Franchisee has no authority to institute any litigation, file and arbitration, or institute any request for mediation regarding the Franchisor's trademarks, nor does the Franchisee have any authority to enter into any settlement negotiations. Although we are not contractually obligated to protect the Marks or your right to use them, as a matter of corporate policy, we intend to defend the Marks vigorously.

12. During the term of this Agreement and any renewal, Franchisee shall identify itself as the owner of the Store in conjunction with any use of the Names and Marks, including, but not limited to, on invoices, order forms, receipts, and contracts, as well as at such conspicuous locations on the premises as may designate in writing. The form and content of such identification shall comply with standards set forth in the Operations Manual; and

13. Franchisee further agrees to follow all of the Franchisor's quality standards that are inherent in the Names and Marks. Such quality standards are contained in the Operations Manual, as well as various memos or policy statements issued by the Franchisor, and may be changed from time to time at the Franchisor's sole discretion.

C. <u>Franchisee Will Not Challenge Franchisor's Rights in Its Use of Names and Marks</u>

Franchisee expressly understands and acknowledges that:

1. As between the parties hereto, Franchisor is the owner of all right, title, and interest in and to the Names and Marks and the goodwill associated with and symbolized by them;

2. The Names and Marks are valid and serve to identify the System and those who are franchised under the System;

3. Franchisee shall not directly or indirectly contest the validity or the ownership of the Names and Marks;

4. Franchisee's use of the Names and Marks pursuant to this Agreement does not give Franchisee any ownership interest or other interest in or to the Names and Marks, except the non-exclusive Franchise granted herein;

5. Any goodwill arising from Franchisee's use of the Names and Marks in its Store under the System shall inure solely and exclusively to Franchisor's benefit, and upon expiration or termination of this Agreement and the Franchise herein granted, no monetary amount shall be assigned as attributable to any goodwill associated with Franchisee's use of the System or the Names and Marks;

6. Franchisor reserves the right to substitute different Names and Marks for use in identifying the System, the Store and other franchised businesses operating there under;

7. Franchisee hereby agrees to comply, at Franchisee's expense, with any directions from us to discontinue, modify, substitute or add Names and Marks. Franchisor cannot and does not make any

guaranty that a modification, discontinuance or otherwise will not be required for any reason. In such event, Franchisor has no liability to Franchisee. Franchisee agrees to make no claim in connection with any modification, discontinuance or other action, and/or with any dispute regarding the Names and Marks. There is always a possibility that there might be one or more businesses using a name and/or marks similar to Franchisor with superior rights;

8. Franchisee hereby agrees not to register or attempt to register Names and Marks in Franchisee's name or that of any other firm, person or corporation;

9. The right and license of the Names and Marks granted to Franchisee is nonexclusive, and thus Franchisor has and retains the rights, among others:

   a. To use the Names and Marks and itself in connection with offering and selling Products and Services;

   b. To use the Names and Marks to market on the Internet, including all use of Websites, 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. Franchisor retains the right to approve any linking to or other use of Franchisor’s website or any other website specific to our Products and Services;

   c. To grant other franchises or licenses for the Names and Marks, in addition to those already granted to existing franchisees; and

   d. To develop and establish other systems using similar Names and Marks, or any other proprietary marks and to grant licenses or franchises thereto at any location(s) whatsoever without providing any rights therein to Franchisee.

9. Franchisee understands and acknowledges that Franchisor has the unrestricted right to engage, directly or indirectly, through its employees, representatives, licensees, assigns, agents and others, at wholesale, retail and otherwise, in the production, distribution and sale of Products and/or Software (if developed) bearing the Names and Marks licensed or other names or marks, including without limitation, products included as part of the System. Franchisee shall not under any circumstances engage in any wholesale trade or sale of System Products and/or Software for resale and/or independently act as an exclusive distributor for any third-party vendor or secure any exclusive rights for any System Product and/or Software or non-System products or software without Franchisor’s written consent.

D. <u>Ownership of Intellectual Property</u>

Franchisee acknowledges that we are the exclusive owner of the Intellectual Property, the Names and Marks, all Confidential Information, all intellectual property associated with the Names and Marks and the System, all vendor and supplier relationships, all employees and customer lists and all customer phone listings/addresses/URLs held by Franchisee. Provided; however that the Franchisor does not own the trademarks of the Lego Group of companies, and does not a have license from the Lego Group of companies to use the Lego trademarks. Franchisee agrees that Franchisee will not use these lists for any purpose other than in relation to the Franchise. Franchisee will, on demand, promptly deliver to us a complete list of Franchisee’s customers and employees including information we may request related to such customers and employees. The use of any or all such intellectual property shall not create in Franchisee, or its Owners, if it is an Entity, title or interest in or to any of it except as expressly provided in this Agreement. Neither Franchisee, nor any of its Owners, or employees shall directly or indirectly assert any right, title or interest in or to any of the Marks or any other part of the Intellectual Property other than as provided for in this Agreement. Franchisee acknowledges that the Franchisor shall own all intellectual property rights to any materials provided to the Franchisee by the

Franchisor, or developed by the Franchisee pursuant to this Agreement. Franchisee agrees to execute all documents deemed reasonably necessary by the Franchisor to carry out such assignment. Such ownership rights shall be in all media, whether now known or hereinafter invented, by all means, methods, and processes, including complete and entire interactive rights, and rights to derivative works.

XVI. SPECIFIC OBLIGATIONS OF THE FRANCHISEE RELATING TO CONFIDENTIALITY OF PROPRIETARY INFORMATION

A. Franchisee Shall Learn Proprietary Matters

Franchisee acknowledges that it will obtain knowledge of proprietary matters, methods, techniques and business procedures of Franchisor that are necessary and essential to the operation of the Franchise, without which Franchisee could not effectively and efficiently operate such business, including, without limitation, knowledge regarding the System, distinctive products, vendor and supplier relationships, promotional programs, build-out specifications, décor and signage, POS system, software, advertising and marketing materials, customer service standards and business strategies necessary for the operation of the Store and the Operations Manual. Franchisee further acknowledges that all Confidential Information was not known to Franchisee prior to execution of this Agreement and that the methods of Franchisor are unique and novel to the System. Franchisee acknowledges that Confidential Information shall also include:

1. Any person or entity, which has, been or become Franchisees of the System and any investors therein;

2. Any person or entity which has, have been or becomes customers of the Bricks & Minifigs® store;

3. The terms of and negotiations relating to past or current Franchise Agreements with respect to the System;

4. The operating procedures of the System, including without limitation: purchasing strategies, merchandising techniques and methods, safety procedures, usage of software, cost and pricing strategies, product knowledge and specifications, inventory management and tracking of Products and supplies, contracts, forms and waivers; bookkeeping, financing and accounting systems and procedures, advertising, promotional and marketing methods, standards for hiring staff, training procedures, the manufacturers and lists of vendors and suppliers;

5. The economic and financial characteristics of the System and franchisees, including without limitation: pricing policies, revenues, sales, training, profitability, earnings and losses and capital and debt structures;

6. The Products and Services offered to customers of a Bricks & Minifigs® store, including, without limitation, the scope of services performed and services refused; and

7. All documentation of the information listed in Sections XVI.A.1 through XVI.A.7 including, without limitation, our training program and Operations Manual. During the term of this Agreement and at any time following the expiration or termination of this Agreement, Franchisee agrees not to divulge, directly or indirectly, any Confidential Information, without the prior written consent of Franchisor. Nothing contained herein shall be construed so as to require Franchisee to divulge any secret processes, techniques, formulas, or the like.

B. Franchisee Will Not Disclose Confidential Information

Franchisee must keep the methods of operations (confidential information found in the Manuals and other documents) and Manuals confidential and not disclose them except to Franchisee's employees, agents and representatives, as they must have access to it in order to operate Bricks & Minifigs® business. Franchisee must adopt and implement all reasonable procedures required by us to prevent unauthorized use or disclosure of the Confidential Information, including without limitation, restrictions on disclosures to employees of your Franchise and any other business(es) owned by you.

The Manuals are, and remain, the exclusive property of the Franchisor. Franchisor will loan Franchisee one copy (hard or electronic) for the term of this Agreement. Franchisee must return the Manuals (and/or destroy any electronic versions of the Manual) to Franchisor at the termination or expiration of this Agreement for any reason, or at any other time at Franchisor's request. The Manuals contain mandatory and suggested specifications for the Store, standards and operating procedures and further define Franchisee's other obligations under this Agreement. Franchisor may change or add to the Manuals to reflect changes in its image, specifications, and procedures and Methods of Operation, and will lend Franchisee copies of any changes or additions. However, Franchisor will not make any change that will change Franchisee's fundamental status and rights under this Agreement. Franchisee cannot copy any part of the Manuals (except for designated training sections), either physically or electronically. If Franchisee's copy or the Manuals are lost, destroyed or significantly damaged, Franchisee must replace the Manual at its own expense as set forth in Section XX.G.

C. Relationship with Former Franchisees

Franchisee acknowledges that former franchisees (those whose franchise agreements have expired or have been terminated) are in a position to compete unfairly with Franchisee and/or other members of Bricks & Minifigs® System and to cause great injury to the reputation of the System and the Names and Marks. Franchisee therefore agrees as follows:

1. Franchisee will not sell, loan, give or otherwise transfer or deliver to any former franchisees, or allow any former franchisees to copy or otherwise obtain, any Confidential Information; any advertising or promotional materials produced by Franchisor or which bear any of Franchisor’s Names and Marks; any other materials or publications of Franchisor, including, without limitation, the Operations Manual; any directory or roster of franchisees or approved vendors and suppliers, any other customer lists or mailing lists pertaining in any way to the System; or any other information about the System, business or Confidential Information which is not available to the public.

2. Franchisee will not refer actual or prospective customers to any former franchisee.

3. Franchisee will not notify or advise any former franchisee of, or in any other way assist any former franchisee in learning about, the date, time and place of any meetings of franchisees.

4. If Franchisee observes any former franchisee using any of the Names and Marks in any way, or utilizing a business facility (including any vehicles) for which the Names and Marks and/or distinctive color scheme have not been completely obliterated, Franchisee shall immediately report such observations to Franchisor along with all details available to Franchisee.

5. Franchisee shall in general have no dealings with former franchisees which Franchisee, under this Agreement, could not have with a person who has never been a Bricks & Minifigs™ franchisee.

6. The provisions of this Section XVI.C shall apply to Franchisee as soon as Franchisee is on notice of the expiration or termination of another franchise agreement. Franchisee shall be deemed to be on such notice when:

   i. Franchisee receives a new franchisee directory in which such franchise does not appear; or

   ii. Franchise receives written notice from Franchisor that one or more particular franchise agreements have expired or been terminated.

D. Injunctive Relief is Available to Franchisor

Franchisee acknowledges that any failure to comply with the requirements of this Section XVI will cause Franchisor irreparable injury, and Franchisor shall be entitled to obtain specific performance of, or an injunction against any violation of, such requirements; Franchisee waives any requirements for the posting of any bond(s) relating thereto. Franchisee agrees to pay all court costs and reasonable attorneys' fees incurred by Franchisor in obtaining specific performance of, or an injunction against, violation of requirements of this Section XVI. The foregoing remedies shall be in addition to any other legal or equitable remedies, which Franchisor may have.

E. Franchisor's Patent Rights and Copyrights

Franchisor does not own rights in or to any patents that are material to the Franchise at this time. However, Franchisor claims copyright protection for the Operations Manual, Software and all promotions, marketing, sales and operations literature. Such copyright ownership shall extend to all media, whether now known or hereinafter invented, by all means, methods, and processes, whether now known or hereinafter invented, including rights to interactive works, and derivative works. Furthermore, Franchisor claims rights to certain trade secrets and Confidential Information as discussed above.

F. Franchisee Shall Not Contest The Franchisor's Ownership Right To Any Confidential Information, Trade Secrets, Patents or Copyrights

Franchisee expressly understands and acknowledges that:

1. The Franchisor's Confidential Information, trade secrets, copyrights, and patent rights are valid;

2. Franchisee shall not directly or indirectly contest the validity or the ownership of the Franchisor's Confidential Information, trade secrets, copyrights, and patents;

3. Franchisee's use of the Franchisor's Confidential Information, trade secrets, copyrights, and patents does not give Franchisee any ownership interest or other interest in or to the Confidential Information, trade secrets, copyrights, and patents, except the non-exclusive Franchise granted herein;

4. Any goodwill arising from Franchisee's use of the Confidential Information, trade secrets, copyrights, and patents in its Store under the System shall inure solely and exclusively to Franchisor's benefit, and upon expiration or termination of this Agreement and the Franchise herein granted, no monetary amount shall be assigned as attributable to any licensed Confidential Information, trade secrets, copyrights, and patents;

5. Franchisor reserves the right to substitute different Confidential Information, trade secrets, copyrights, and patents for use in operating and maintaining the System;

6. Franchisee hereby agrees to comply, at Franchisee's expense, with any directions from us to discontinue, modify, substitute or add any new Confidential Information, trade secrets, copyrights and patents. Franchisor cannot and does not make any guaranty that any modification or discontinuation of any aspect of the System or any other System related change will not be required. In such event, Franchisor has no liability to Franchisee. Franchisee agrees to make no claim in connection with any modification, discontinuance or other action, and/or with any dispute regarding any licensed Confidential Information, trade secrets, copyrights, and patents;

7. Franchisee hereby agrees not to register or attempt to register any Confidential Information, trade secrets, copyrights or patents in Franchisee's name or that of any other firm, person or corporation; and

8. The right and license of the Confidential Information, trade secrets, copyrights, and patents granted to Franchisee is nonexclusive, and Franchisor thus has and retains the rights, among others:

a. To use the trade secrets, Confidential Information, patents, and copyrights and itself in connection with offering Products and Services;

b. To use the trade secrets, Confidential Information, copyrights, and patents to market on the Internet, including all use of Websites, domain names, URL's, linking, advertising and co-branding arrangements;

c. To grant other licenses for the trade secrets, Confidential Information, copyrights, and patents, in addition to those licenses already granted to existing franchisees; and

d. To develop and establish other systems using similar trade secrets, Confidential Information, patents, and copyrights, and to grant licenses or franchises thereto at any location(s) whatsoever without providing any rights therein to Franchisee.

9. Franchisee understands and acknowledges that Franchisor has the unrestricted right to engage, directly or indirectly, through its or their employees, representatives, licensees, assigns, agents and others, at wholesale, retail and otherwise, in the production, distribution and sale of products and/or equipment bearing the trade secrets, Confidential Information, patents, and copyrights licensed, including without limitation, products and equipment included as part of the System.

XVII. SPECIFIC OBLIGATIONS OF FRANCHISEE RELATING TO TAXES, PERMITS AND LAWSUITS

A. Franchisee Must Notify Franchisor of Lawsuits

Franchisee shall notify Franchisor in writing within five (5) days of notice of the commencement of any action, suit, or proceeding against Franchisee, and of the issuance of any inquiry, subpoena, order, writ, injunction, award or decree of any court, agency, or other governmental instrumentality, which arises out of, concerns, or may affect the operation or financial condition of the Store, including, without limitation, any criminal action or other proceedings brought by Franchisee against its employees, customers or other persons. The Franchisee shall give advance written notice of Franchisee's intent to institute legal action against third parties or us, specifying the basis for such proposed action, and shall grant us thirty (30) days from receipt of said notice to cure the alleged act upon which such legal action is to be based.

B. Franchisee Must Comply With Laws

Franchisee shall, at Franchisee's sole cost and expense, comply with all federal, state and local laws, rules, regulations and ordinances (including OSHA and ADA requirements), as well as any product recalls by the United States Consumer Products safety Commission, and shall timely obtain and shall keep in force, as required throughout the term of this Agreement, all permits, certificates and licenses necessary for the full and proper conduct of the Store, including, without limitation, any required permits, licenses to do business, fictitious name registrations, re-sale permits, sales tax permits and fire clearances (as specified in Section XII.C of this Agreement). We make no representations or assurances as to what (if any) licenses, permits, authorizations or otherwise may be required in connection with the Store and Franchisee understands and acknowledges it is Franchisee's sole responsibility to identify and obtain all authorizations necessary for the Store. Franchisee must maintain high standards of honesty, integrity, fair dealing and ethical conduct in Franchisee's business activities. Franchisee must at all times give prompt, courteous and efficient service to customers. Franchisee must notify us in writing within five (5) days of the commencement of any proceeding and/or of the issuance of any governmental order or action impacting the Store.

In the marketing and operation of a Bricks & Minifigs® store, Franchisee will use each of, and only, the contracts, waivers and/or other forms and/or materials as are designated by us periodically. However, the Franchisee may stay subject to the Landlord's lease, as long as the lease contains all of the terms and conditions required by this Agreement, and the Franchisee may execute its lender's standard promissory note, personal guaranty and security agreement provided that the terms and conditions of any promissory note, personal guaranty and security agreement do not affect or impair this Agreement, or any of the Franchisor's rights or remedies under this Agreement. If the

Franchisee has two or more Owners or it is an Entity, then the Franchisee must submit a copy of its Operating Agreement, Partnership Agreement, or Shareholders Agreement and bylaws, as applicable for the Franchisor's review prior to execution.

We will provide Franchisee with templates and sample forms of marketing and operational items and it is Franchisee's responsibility to have all such items which are to be used with prospective and/or actual customers reviewed, at Franchisee's expense, by an attorney licensed to practice law in the state(s) where the Store will be located and/or operate, for compliance with all applicable state legal requirements. We make no warranty or representation that any contracts, waivers and/or other forms and/or materials, whether supplied by us or otherwise, are in compliance with the laws of any particular state(s). Prior to opening, and prior to use of any such items to be used with prospective and/or actual customers, Franchisee may be required to provide us, at its expense, with a letter from such attorney to us indicating that Franchisee has completed such review and that such items to be used with prospective and/or actual customers meet, or have been modified to comply with, all applicable state legal requirements. In addition, Franchisee may be required to provide us with final copies of any contracts, waivers and/or other forms and/or materials prior to using any such item.

C. Franchisee Must Pay Taxes Promptly

Franchisee shall promptly pay when due all taxes levied or assessed, including, without limitation, unemployment and sales taxes, and all accounts and other indebtedness of any kind incurred by Franchisee in the conduct of the Store. Franchisee shall pay Franchisor an amount equal to any sales tax, gross receipts tax or similar tax imposed on Franchisor with respect to any payments to Franchisor required under this Agreement, unless tax is credited against income tax otherwise payable by Franchisor.

D. Franchisee May Contest Tax Assessments

In the event of any bona fide dispute as to any liability for taxes assessed or other indebtedness, Franchisee may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law. However, in no event shall Franchisee permit a tax sale or seizure by levy of execution or similar writ or warrant, lien, or attachment by a creditor to occur against the premises of the Store, or any improvements thereon.

XVIII. **SPECIFIC OBLIGATION OF FRANCHISEE RELATING TO INDEMNIFICATION**

Franchisee understands and agrees that nothing in this Agreement authorizes Franchisee to make any contract, agreement, warranty or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name or the name of any of Franchisor's officers, owners, agents, directors, shareholders or employees. Franchisee further understands and agrees that Franchisor, and its officers, owners, agents, directors, shareholders and employees, shall in no event have or assume liability for, or be deemed liable as a result of, any such action, or by reason of any act or omission of Franchisee in its conduct of the Store or any claim or judgment arising there from against Franchisee.

For the purposes of this indemnification, the terms "claim, loss or obligation" will include compensatory, exemplary or punitive damages; fines and penalties; attorneys' fees; experts' fees; court costs; costs associated with investigating and defending against claims; settlement amounts, judgments, compensation for damages to Franchisor's reputation and goodwill; and all other costs associated with any of the foregoing claims, losses or obligations.

Franchisee shall defend, indemnify and hold Franchisor and Franchisor's officers, owners, agents, directors, members, partners, shareholders and employees (collectively "**Indemnified Parties**") harmless against all fines, suits, proceedings, claims (including but not limited to, any safety and security claims, claims of injury, claims of theft, claims of neglect, abuse, death, vicarious or other liability), demands, actions, losses, damages, costs, expenses, fees (including legal fees, disbursements and related expenses), penalties and/or any other liability of any kind or nature (collectively "**Claims**"), however arising, growing out of or otherwise connected with and/or related to any act, error and/or omission of Franchisee (including Franchisee's ownership, operation and/or management of the Store) and/or any referral, service provider, supplier or other agent/independent contractor or employee of Franchisee including acts, errors or omissions committed or incurred, negligent or intentional acts in connection with Franchisee's operation of the Store and infringement, violation or alleged infringement or violation of any Name, Mark, patent or copyright or any misuse of the Confidential Information. This provision includes all claims as indicated above, of Franchisor, directly against Franchisee (without a third party involvement) due to acts or omissions of Franchisee or Franchisor in which Franchisor suffers damages including but not limited to, harm to its goodwill and reputation.

Franchisee's obligation to indemnify and hold harmless the Indemnified Parties expressly extends to any Claims arising from Franchisee's use of forms, including contract forms, provided by Franchisor to Franchisee for Franchisee's use and convenience (included in the Operations Manual or otherwise). It is solely Franchisee's obligation to ensure that such forms comply with legal requirements in Franchisee's jurisdiction.

Franchisor will have the right to control all litigation, including selection and management of counsel, and defend and/or settle any claim, arbitration, against and/or including us and/or the Franchisor-related persons/entities, or affecting our and/or their interests with no obligation to you and without affecting our rights under this indemnity or otherwise. Franchisee may appoint separate independent counsel to represent Franchisee's interest in such suits, proceedings, claims, etc., all at Franchisee's expense. Franchisee's indemnification obligations survive this Agreement.

If it is established that both Franchisee and Franchisor were negligent or otherwise liable, then both parties will contribute to the relevant award, and the obligation to indemnify and hold harmless will be determined, based upon the adjudicated and assigned respective degree of fault. In the event of a settlement prior to adjudication, Franchisee and Franchisor will agree to degrees of fault. Franchisor and Franchisee will contribute to the relevant settlement, and the obligation to indemnify and hold harmless will be determined, based upon the agreed degree of fault.

XIX. MISCELLANEOUS COVENANTS OF FRANCHISEE

A. Covenants are Independent

The parties agree that each covenant herein shall be construed to be independent of any other covenant or provision of this Agreement. If all or any portion of the covenants in this Agreement is held to be unenforceable or unreasonable by a court or agency having competent jurisdiction in any final decision to which Franchisor is a party, Franchisee expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resultant covenant were separately stated in and made a part of this Agreement.

B. Franchisee's Principals

The term "**Franchisee's Principals**" shall include, collectively and individually, all managing partners, general partners, LLC members, LLC managers, shareholders, officers, directors and other operational personnel whom we designate as Franchisee's Principals and all holders of an ownership interest in any entity directly or indirectly controlling Franchisee, and any other person or entity controlling, controlled by or under common control with Franchisee. The initial Franchisee's Principals shall be listed on Schedule 7 of this Agreement.

C. Franchisee Will Not Compete Against Franchisor

Franchisee specifically acknowledges that, pursuant to this Agreement, Franchisee will receive valuable specialized training and Confidential Information (as defined in this Agreement) of Franchisor and the System. Franchisee acknowledges and agrees that, during the term of this Agreement, except as otherwise approved in writing by Franchisor, Franchisee shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with, any person, persons, or legal entity, employ or seek to employ any person who is at that time employed or was at any time during the prior twelve months employed by us or by any other Franchisee or affiliate of ours, or otherwise directly or indirectly induce such person to leave his or her employment.

Franchisee agrees that, except as otherwise approved in writing by us, Franchisee shall not, during the term of this Agreement and for a continuous uninterrupted period of three (3) years from the date of (i) a transfer permitted under this Agreement; (ii) the expiration or termination of this Agreement (regardless of the cause for termination); or (iii) a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to the enforcement of this Section XIX.C, either directly or indirectly for itself, or through, on behalf of, or in conjunction with, any person, persons, or legal entity, own, maintain, operate, engage in, be employed by, or have any interest in any business using any aspect of the System, the overall Bricks & Minifigs® business concept, with similar products and/or services of a Bricks & Minifigs® store ("Competing Business") within a twenty-five (25) mile radius of the business location designated hereunder, or within a twenty-five (25) mile radius of any other System franchisee or company-owned outlet in existence or planned as of the time of termination or expiration of this Agreement, as may be identified in the Franchise Disclosure Document in effect as of the date of expiration or termination of this Agreement. In addition, you may not directly or indirectly participate (as described above) in a Competing Business via online e-commerce or any similar medium anywhere in the world during the time frames described above.

Each of your officers, agents, directors, shareholders, trustees, beneficiaries, partners, and independent contractors who may obtain or who are likely to obtain knowledge concerning our Confidential Information must sign the Confidentiality and Non-Compete Agreement attached as Schedule 8 of the Franchise Agreement.

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. This covenant not to compete is given in part in specific consideration for access to trade secrets provided as a part of Franchisor's training or ongoing support programs. In any jurisdiction in which the covenant contained in this Section XIX or any part of it is deemed not enforceable in whole or in part, Franchisee hereby grants Franchisor an option to purchase Franchisee's business on expiration or termination of this Agreement. Franchisor will exercise this option by giving thirty (30) days' written notice to Franchisee (Sections XXII.C and XXII.E). On termination or expiration, Franchisee will deliver to Franchisor a list of these Assets (as described in Section XXIV.G) and their cost as well as receipts evidencing their cost. Franchisee must relinquish possession on receipt of payment, but no later than ninety (90) days after expiration or termination. Franchisee's other post termination obligations under this Agreement and by law remain in effect on termination or expiration of this Agreement.

D. Exception to Covenant Not to Compete

Section XIX.C hereof shall not apply to ownership by Franchisee or any of its Owners of less than a 5% beneficial interest in the outstanding equity securities of any Publicly-Held Corporation (as defined in the subsection of this Agreement entitled "Additional Requirements for Corporate Franchisee").

E. Franchisee Will Not Divert Business

During the term of this Agreement and for a period of three (3) years following the expiration or termination of this Agreement, Franchisee covenants that it will not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, or legal entity:

1. Solicit, service, sell or attempt to divert business directly or indirectly to any competitor by direct or indirect inducement or otherwise, or any customers of its Store or any other Franchisee including company-owned stores with which or with whom Franchisee has had contact during the term of this Agreement to any competitor by direct or indirect inducement or otherwise; or

2. Do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Names and Marks or the System or both; or

3. Induce, directly or indirectly, any person who is at that time employed by Franchisor or by any other Franchisee of Franchisor, to leave his or her employment.

F. Franchisor Is Entitled to Injunctive Relief

In addition to any and all other remedies and damages to which it is entitled, in order to protect its Names, Marks, Products, Services, Confidential Information, proprietary materials and rights, and goodwill, Franchisor may seek a permanent injunction and the preliminary or temporary equitable relief Franchisor deems necessary, to restrain the violation of this Agreement by Franchisee or any persons, parties, and entities acting for Franchisee. Franchisee agrees that Franchisor may obtain the injunctive relief and enter it in any court or arbitration forum that Franchisor deems appropriate.

In recognition of the difficulty in determining on an expedited basis the value of, and the necessity of Franchisor to avoid irreparable harm and to protect, Franchisor's Names and Marks, Products, Services, Confidential Information, programs, methods of operation, copyrighted materials, patents, trade secrets, proprietary materials and rights, and goodwill, Franchisee waives, to the extent permitted by law, the right to interpose the defense that Franchisor has an adequate remedy at law. Franchisee further waives any requirement that Franchisor post a bond or other security, to the extent permitted by law.

G. Covenants Are Enforceable Independent of Claims

Franchisee expressly agrees that the existence of any claim it may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants of this Section XIX. Franchisee further agrees that Franchisor shall be entitled to set off any amounts owed by Franchisor to Franchisee against any loss or damage to Franchisor resulting from Franchisee's breach of this Section XIX.

H. No Right of Set-Off

Franchisee expressly agrees that the existence of any claims it may have against us, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by us of the covenants in this Section XIX and there shall be no set off for your claim. Franchisee agrees to pay all damages, costs and expenses (including reasonable attorney's fees) incurred by us in connection with the enforcement of this Section XIX.

I. Disclosure of Contact Information in FDD

Franchisee must provide specific contact information which will be included in our Franchise Disclosure Document in the future, as required by Oregon and other state agencies and the Federal Trade Commission, and will often result in prospective franchisees contacting Franchisee.

XX. OBLIGATIONS OF THE FRANCHISOR: SUPERVISION, ASSISTANCE OR SERVICES

The Franchisor shall provide the Franchisee with the following assistance and services:

A. The Training Program

Franchisor will provide the initial training program at its headquarters or another location of its choice. Initial training will take place after Franchisee pays the initial Franchisee fee, but before Franchisee opens the franchised business. Franchisor will provide this initial training (five (5) day training program at corporate headquarters) without charge for up to three individuals, being the Owners, Store Manager, or key management personnel as designated by Franchisee no later than sixty (60) days before the date the Franchisee anticipates opening the Store. Franchisee will, however, be responsible for travel, accommodation and other costs for all its attendees. Franchisee must attend and satisfactorily complete training at least sixty (60) days before the date the Franchisee anticipates opening the Store. If Franchisee fails to timely complete the initial training program to Franchisor's satisfaction, Franchisor may terminate this Agreement as described in Section XXIII.C. Thereafter, any Owner and/or Store Manager designated by Franchisee replacing a previously trained Owner or Store Manager may be trained by Franchisor (in Franchisor’s discretion) within thirty (30) to ninety (90) days of first employment, at Franchisee's cost as provided below.

Franchisor may reasonably require Franchisee, its Owners or Store Managers to receive or attend and complete to Franchisor's satisfaction additional or advanced training from time to time. Franchisee may be required to pay for such training at Franchisor's reasonable then-current training fees. Franchisee must also pay travel, food, and accommodations and all other related expenses. Franchisor will attempt to use distance learning techniques where possible, to minimize these costs.

Depending on availability, Franchisor may provide additional training to Franchisee for Franchisee's Owners and/or Store Manager at Franchisee's request. Franchisee may be required to pay Franchisor the charges that Franchisor reasonably determines. Franchisee will be responsible for travel, room and board and other expenses of trainees.

Franchisor offers training resources, such as a Pre-Opening Manual, to assist franchisees at their business location. Franchisee shall give Franchisor not less than thirty (30) days' notice of when Franchisee is available for training. Training dates must be mutually agreed upon by Franchisee and Franchisor.

(i) Franchisor shall also offer additional training resources to the Franchisee to be determined by Franchisor, for the operation, advertising and promotion of the Franchise including refresher training programs, seminars, workshops, annual conference and information available through the franchise website for the benefit of the Franchisee and the Franchisee's employees. Franchisor may charge a reasonable fee for additional training if deemed appropriate (distinct from Continuing Education) but not to exceed a pro-rated amount of the advanced/additional training fee. Any and all travel, living, lodging and other expenses incurred by the Franchisee or Franchisee's representatives or employees attending Franchisor's training shall be paid by Franchisee.

(ii) The Franchisor may conduct an annual conference at such place as shall be designated by it for all Franchisees but initially will most likely be the Franchisor's headquarters. A registration fee for each participant may be required not to exceed $500 per person and our expenses and Franchisee will be responsible for costs associated with attending the conference such as travel, room and board. We reserve the right to increase the fee a reasonable amount based on reasonable criteria.

(iii) Franchisor may provide Continuing Education sessions at locations designated by it but most likely at our headquarters. Continuing Education sessions may have a registration charge at franchisor's reasonable then-current fees. The Franchisee is also responsible for costs associated with attending the meetings such as travel, room and board. The programs will normally not exceed one day and Franchisor expects to have quarterly programs subject to special need. The content will cover particular aspects the franchise including but not limited to new products, new services, merchandising, promotions, operational and customer service standards, POS and software developments, sales and marketing, administration and so forth. Franchisor reserves the right to increase the per day fee a reasonable amount based on reasonable criteria.

Franchisor may also offer additional training resources to the Franchisee to be determined by Franchisor, for the operation, advertising and promotion of the Store which may include certification programs, seminars, workshops, product training programs, annual convention and information available through the Franchisor's website for the benefit of the Franchisee and the Franchisee's employees. Franchisor may charge a reasonable fee for additional training if deemed appropriate. Any and all travel, living, lodging and other expenses incurred by the Franchisee or Franchisee's representatives or employees attending our training shall be paid by the Franchisee.

Franchisor may designate Franchisee's attendance at additional training programs, conferences and Continuing Education Sessions as either mandatory or optional in Franchisor's reasonable discretion.

As part of the initial training program, Franchisor will provide Franchisee with: Product knowledge and specifications, strategies for purchasing Products, inventory management, POS system and software operations, techniques in efficiencies, operational standards, customer service, hiring guidelines and standards, safety procedures, sales and merchandising, suggested pricing for Products and Services in addition to Franchisor's proprietary Software programs as described in Section XX.I that may have been developed by us (or our affiliates) and required in the operation of each Store. Franchisor reserves the right, in its sole discretion, to add, modify and change such training from time to time. Franchisee will be responsible for all costs associated with the administration of such changes.

Franchisor will provide Franchisee with any Software, if developed. Training for the Software and all other software programs necessary to run the Store will be provided by Franchisor as part of the initial franchise training program. Franchisor may update and make changes to the Software as it deems necessary. Franchisor will also provide recommendations for other software programs necessary for the operation of the Store. All costs associated with installation, upgrading, protecting and maintaining the POS system, computers and all other software programs necessary for the operation of the Store are the sole responsibility of the Franchisee.

Franchisor will provide up to five (5) days of pre-opening and/or grand opening supervision and assistance at Franchisee's Store, per written request of Franchisee, as we deem necessary. Such assistance shall be completed within thirty (30) days once the Store is open for operation and after the initial five (5) day training has been completed to Franchisor's satisfaction. Any costs associated with the pre-opening/grand opening supervision and assistance is incurred by the Franchisor. Additional support requested by Franchisee will be subject to the training charges as described in Section XX.A.

Franchisor will provide ongoing guidance in the operation of Franchisee's Store and provide assistance to resolve operational challenges Franchisee may encounter outside the scope of the Operations Manual. This guidance can be furnished in whatever manner we consider appropriate in our Business Judgment, including electronically via an Internet portal, free of charge, to answer questions from Franchisee and its staff (responses to be provided as promptly as possible during regular business hours Pacific Time zone). Guidance may also be furnished in writing, telephonically, through training programs and/or on site consultations, web based computer training, among other methods. On site consultations are subject to additional training fees (as mentioned above) in addition to any and all traveling, living and/or other expenses incurred by the Franchisor and shall be paid by Franchisee.

Franchisor may, from time to time, provide to Franchisee, at Franchisee's expense, such advertising and promotional plans and materials for local advertising as described in Section XII.L of this Agreement and may direct the discontinuance of such plans and materials, from time to time. All other advertising and promotional materials that Franchisee proposes to use must be reviewed and approved by us, pursuant to Section XII.L.

Franchisor may provide memos, newsletters, bulletins, brochures, manuals and reports, if any, as may from time to time be published by or on Franchisor's behalf regarding its plans, policies, developments and activities. In addition, we will provide such communication concerning new products, software, industry developments, operating procedures, training, marketing, advertising and improvements to management that we feel are relevant to the operation of the Store and communication with other franchisees by means of an Internet portal. Franchisor may also establish a Franchisee elected peer group whose main purpose will be to mentor, support each other and regularly communicate to Franchisees. The Franchisor has the power to dissolve, merge, or change such peer advisory groups.

Franchisor shall also provide guidance and specifications for the all furniture, fixtures, POS system, computers, software, camera and security systems and signage necessary to operate the Store. In addition, Franchisor shall provide guidance for establishing standardized accounting, bookkeeping, cost management and inventory tracking systems. Franchisor will provide Franchisee with all update and upgrade requirements for the POS system, computers and related software programs in response to changes in the Operations Manual, or changes in our policies that are communicated to Franchisee in writing. The cost for such updates and/or upgrades is Franchisee's responsibility.

Franchisor will provide a telephone help line, free of charge, to answer any questions from Franchisee or its staff (during regular business hours, Pacific Time zone). Franchisee will be able to send us questions and suggestions using Internet email or internal Internet portal as described above. Franchisor will consult with Franchisee at no additional charge regarding policies, sales, marketing and operational issues.

All obligations of Franchisor under this Agreement shall benefit only the Franchisee, and no other party is entitled to rely on, enforce, benefit from or obtain relief for breach of such obligations, either directly or by subrogation.

B. Web Page

Franchisor will provide to Franchisee a Bricks & Minifigs® URL (referred to as "**Web Page**") housed within the corporate website that may include interactive functionality and portals online for additional training, advertising, operational and support materials. Franchisee may customize parts of the Web Page however the look is to remain consistent as specified in the Operations Manual. Franchisee agrees and acknowledges that maintenance and any changes, edits or updates to the Web Page and/or any Website promotions over the Internet must be performed by Franchisor, its affiliates and/or approved vendors. Upon approval of Franchisee request, which must be submitted in writing, Franchisee is responsible for the cost of such changes. Franchisee may neither establish nor use any Website without Franchisors prior written approval and if such approval is granted Franchisee must comply with our requirements regarding discussing, advertising or disseminating any information on a Website, regarding the Store as described in Section VI of this Agreement. The Franchisor shall own all copyright and other intellectual property rights to the Web Page, as well as the contents of the corporate website or any other Website upon expiration or termination of this Agreement as described in Section XXIV.E. This shall include ownership rights in all media, whether now known or hereinafter invented, by all means, methods, and processes, whether now known or hereinafter invented, including interactive rights and rights to derivate works.

C. Site Selection

The Franchisee has the responsibility for selecting a site for the Store. The Franchisor will review and approve or disapprove the location of the Store and will not unreasonably withhold its approval. Franchisor shall have the right, but not the obligation, to inspect the Store prior to opening.

The Franchisor does not represent that Franchisor has any special expertise in selecting sites. Franchisor approval of a site is not a representation or warranty that Bricks & Minifigs® store will be profitable or that Franchisee's sales will attain any predetermined levels. Approval is intended only to indicate that the proposed site meets our minimum criteria for identifying sites. Franchisee agrees that Franchisor's approval or disapproval of a proposed site does not impose any liability on Franchisor.

Franchisor will provide guidance to Franchisee in Franchisee's efforts to obtain all licenses, permits and approvals required by governmental agencies to construct and operate the Store. Ultimately, however it is Franchisee's responsibility and obligation to obtain and maintain all such licenses, permits and approvals and all out of pocket costs associated with obtaining and maintaining such licenses, permits and approvals as described in Section XII.C of this Agreement.

D. Store Layout and Design

Franchisor will assist the Franchisee in the review of the layout and design of the Store prior to the Franchisee signing a lease or sublease. The costs of leasehold improvements, furniture, fixtures, POS system, camera and security systems, signage and décor for finishing out the Store are the responsibility of the Franchisee. The Franchisee is responsible for all lease negotiations.

Franchisor will make available, at no charge to Franchisee, and will advise Franchisee with regards to architectural plans, floor plans and mandatory specifications for the construction of a Bricks & Minifigs™ store which includes the exterior and interior design and layout that includes: storage, furnishings, fixtures, décor items and signage. Franchisee acknowledges that such specifications shall not contain the requirements of any federal, state or local law, code or regulation (including without limitation those concerning the Americans with Disabilities Act (the "**ADA**") or similar rules governing public accommodations or commercial facilities for persons with disabilities). Franchisee must adhere to all local zoning ordinances, regulations, fire, health and building codes, compliance with all of which shall be Franchisee's responsibility and at Franchisee's expense. Franchisee shall adapt, at Franchisee's expense, the standard specifications to the Store location, subject to Franchisor's approval, as provided in Section XII.T of this Agreement, which will not be unreasonably withheld, provided that such plans and specifications conform to Franchisor's general criteria.

Franchisee understands and acknowledges that Franchisor has the right to modify the architectural plans and specifications as Franchisor deems appropriate, periodically (however Franchisor will not modify the architectural plans and specifications for the Store developed pursuant to this Agreement once those architectural plans and specifications have been approved by Franchisor and given to Franchisee).

E. No Warranties Other than in Writing

With respect to any POS system, computers, software, camera and security systems, products, supplies and/or services provided by us or our affiliates and/or any person/company referred/approved by us or our affiliates, other than specific written warranties expressly provided in connection with such items, such items are provided without any warranties, express or implied, the warranties of merchantability, quality of such items, accuracy of informational content, system integration and suitability for a particular purpose being expressly disclaimed. Franchisor makes no warranties regarding any open source code contained in any software that the Franchisor provides to the Franchisee. Franchisor does not warrant that any such software shall be free of bugs, viruses, worms, or Trojan horses.

Franchisor is not liable for any guarantee or warranty that Franchisee or any Owners, managers, agents or employees make to a customer or third party. Franchisee will fully comply with any Franchisor customer service program(s), which may relate to customer warranties, customer guaranties, return policies and related matters. Franchisee will not misrepresent or omit or fail to state any warranty or guarantee if such program is implemented.

F. Operations Manuals

Franchisor will continue its efforts to improve on the methods of operations. Franchisor will lend Franchisee the confidential Pre-Opening Manual and Operations Manual for the initial Franchisee training session and if Franchisee satisfactorily completes training, for the term of this Agreement. If the copy of either the Pre-Opening Manual or the Operations Manual loaned to Franchisee is lost, stolen or destroyed before Franchisee returns it to Franchisor, Franchisee must replace the Operations Manual at its own expense.

Franchisee shall at all times treat the Operations Manual, the Pre-Opening Manual, and any of our written directives, any business plans and specifications, and any other manuals created for or approved for use in the operation of a Bricks & Minifigs® store, and any supplements thereto, and the information contained therein, in trust and as Confidential Information, as well as the trade secrets of the Franchisor, and shall use all reasonable efforts to maintain such information as secret and confidential. Franchisee shall not at any time copy, duplicate, record, or otherwise reproduce the foregoing materials, in whole or in part, nor otherwise make the same available to any unauthorized person.

The Operations Manual, written directives, other manuals and materials, and any other confidential communications provided or approved by us, shall at all times remain the sole property of Franchisor and shall at all times be kept and maintained in a secure place at the Store premises.

Franchisor may from time to time revise the contents of the Operation Manual and the contents of any other manuals and materials created or approved for use in the operation of the Store, and Franchisee expressly agrees that each new or changed standard shall be deemed effective upon receipt by Franchisee or as specified in such standard.

Any suggestions the Franchisee may have concerning the improvement of our national and/or of Franchisee Web Page, facilities, Products, Services, service format, advertising, promotional and marketing material are encouraged and shall be considered by us when adopting or modifying the standards, specifications and procedures for the System.

G. Selecting Vendors and Purchasing Products

Franchisor shall provide Franchisee with a list of approved vendors that may include or be limited to us or our affiliates for Products, supplies, POS systems, computers, software, camera and security systems, furnishings, fixtures, signage, proprietary products (if applicable), advertising, promotional and marketing materials and any other LEGO® related product and/or merchandise necessary for the operation of the Store. Franchisee acknowledges that because of the nature of the re-sale industry, most all Products that need to be purchased for the Store will be from various sources and Franchisee is responsible for identifying such sources, however Franchisor may make arrangements with vendors for certain Products at negotiated costs that would benefit the entire System. Franchisor will train Franchisee on strategies for purchasing Products and will provide Franchisee with recommended procedures when identifying sources to purchase Products during the initial training program. Franchisee may be required to submit in writing alternate vendors or suppliers to Franchisor for approval as described in Section XII.I of this Agreement. The Franchisee acknowledges that the Franchisor may receive royalties and/or other payments from some or all of the approved vendors.

H. Availability of Products and Supplies

We will use commercially reasonable efforts to ensure that authorized vendors and suppliers, which may include or be limited to us and our affiliates, maintain a reasonable supply of Products (when applicable as described in Sections XII.I and XX.H), supplies, POS systems, computers, software, camera and security systems, advertising, promotional and marketing materials for purchase by Franchisee. Franchisor will provide Franchisee with a list of pre-approved non-LEGO® branded and LEGO® compatible products that Franchisee is authorized to offer and sell in its Store during the initial training program. We may require that the Franchisee purchase such items from us, our affiliates or approved vendors and/or suppliers. We will provide Franchisee with a list of our approved vendors and Franchisee is responsible for acquiring such items necessary for the operation of the Store. All items that are provided by us will be competitively priced, taking into account equivalent quality and other reasonable considerations.

Franchisor reserves the right to establish lower suggested retail prices on certain Products and Services from time to time based on competition prevalent within the LEGO® re-sale industry (as further described in Section XX.K). Franchisor shall publish inventory and minimum representation requirements in the Operations Manual and such requirements may be amended from time to time by the Franchisor in the Franchisor's sole discretion.

Franchisor reserves the right to implement a centralized purchasing system for Franchisees and to negotiate prices and terms with vendors and suppliers and to receive rebates or other financial incentives from such purchases by Franchisees. Franchisor may utilize such rebated funds in any manner it chooses in Franchisor's sole discretion as more fully described in Section X B. Franchisor reserves the right to require Franchisees to purchase all Products, supplies, POS systems, computers, software, furniture, fixtures, advertising and marketing materials through Franchisor's proprietary business to business intranet portal.

I. Advertising and Promotion

The Franchisor shall develop and provide creative materials that could be used for local and regional advertising and make such advertising and promotional materials available to its Franchisees for publication or distribution in the Franchisee's market area at Franchisee's own expense. The Franchisor will provide specific guidelines for advertising, marketing and promotions initiated by individual Franchisees and shall reserve the right to disapprove any advertising, marketing and promotions, which, in the Franchisor's opinion, is not in accordance with these guidelines. However, no such approval shall be unreasonably withheld or denied. Immediately upon notification to do so, Franchisee shall discontinue any advertising that would, in the Franchisor's opinion, be detrimental to any franchisee or any part of the System or the Franchise.

J. Suggested Pricing for Products and Services

Franchisor will provide Franchisee with guidance and suggested pricing for Products and Services offered by its Franchisees. Franchisee shall have the right to offer Services and Products at any price Franchisee may determine, except that we reserve the right, to establish minimum and maximum pricing for any given Product or Service nationwide only to the extent allowed by federal laws and the laws of your state as explained in Section XII.H. Suggested pricing for Products and Services may vary from region to region to the extent necessary in order to reflect differences in costs and other factors applicable to such regions. If Franchisee elects to offer any Product or Service at any price recommended by Franchisor, Franchisee acknowledges that Franchisor has made no guarantee or warranty that offering such Products or Services at the recommended prices will enhance Franchisee's sales or profits.

Franchisor will provide to Franchisee a sample set of forms including policies, waivers, customer agreements, standard brochures, promotional and marketing materials in addition to various operational forms for use in the Store. Franchisor does not warrant the completeness, legality or enforceability of any agreements or forms. Franchisee must retain its own counsel to review and revise such agreements and forms to comply with applicable federal and state laws and regulations. At Franchisor's discretion, any and all forms used by Franchisee shall be subject to Franchisor's review and approval and Franchisor's decision of such approval will be provided within thirty (30) days after such forms are received by Franchisor.

Franchisor will continue to research and develop new Products, Services, POS systems and software as Franchisor deems appropriate in its sole discretion. Franchisor may conduct market research and testing to determine consumer trends and salability of new Products and Services. If Franchisor chooses Franchisee, Franchisee will participate in a market research program to test marketing new Products and Services in the Store and provide us with timely reports and other relevant information regarding that market research. If Franchisee participates in any test marketing, Franchisee agrees to purchase, at Franchisee's expense, a reasonable quantity of products or services being tested and to effectively promote and make a good faith effort to use and/or sell them.

Franchisee shall participate in and comply with all sales and promotional programs and/or product promotions disseminated by us periodically.

K. Business Planning Assistance

After Franchisee signs this Agreement, Franchisor may review and comment on any business plan and pro forma financial projections Franchisee prepares. Franchisor does not represent that Franchisor has any special expertise in reviewing or developing business plans. Franchisor's review and commentary of a business plan or financial pro forma is not a representation or warranty that the Franchisee's Store will be profitable or that Franchisee's sales, volume, or revenues will attain any pre-determined levels. Franchisee acknowledges that it is solely responsible for preparing the entire business plan and its contents, and therefore no such business plan is an earnings claim on the Franchisor's part. Franchisor's review and commentary is intended only to provide information sharing to Franchisee and Franchisee agrees that such review and commentary does not impose any liability on Franchisor.

XXI. VARYING STANDARDS

Because complete and detailed uniformity under many varying conditions may not be possible or practical, Franchisor specifically reserves the right and privilege, at its sole and absolute discretion and as it may deem in the best interests of all concerned in any specific instance, to vary standards for any Franchisee based upon the peculiarities of a particular Store or circumstance, physical characteristics, freeway access, business potential, density of population or trade area, existing business practices, or any other condition which Franchisor deems to be of importance to the successful operation of such Franchisee's business. Franchisee shall not have any right to object to a variation from standard specifications and practices granted to any other Franchisee and shall not be entitled to require Franchisor to grant to Franchisee a like or similar variation, unless the laws of the Franchisee's state expressly require the Franchisor to grant such a similar variation.

Franchisee acknowledges that when we use the phrases "**sole and absolute discretion**", "**sole discretion**" and/or "**Business Judgment**", whether in this Agreement or another context, you and we agree that we have the wholly unrestricted right to make decisions and/or take (or refrain from taking) actions except that we will not do so arbitrarily. We shall use our judgment in exercising such discretion based on our assessment of the interests we consider appropriate and will not be required to consider Franchisee's individual interests or the interests of any other Franchisee(s). You, we and all other franchisees have a collective interest in working within a franchise system with the flexibility to adjust to business conditions, including but not limited to the competitive environment, new regulatory developments and emerging business opportunities. Therefore, you and we agree that the ultimate decision-making responsibility for the System must be vested in us. So long as we act in material compliance with the requirements of this Agreement, we will have no liability for the exercise of our discretion in accordance with the provisions of this Agreement.

XXII. RELOCATION, ASSIGNMENT, TRANSFER, SALE OR REPURCHASE OF FRANCHISE

A. Relocation

Any relocation (1) shall be to a location within the Territory (unless waived by us), (2) requires our prior written consent, which we may grant, condition or withhold in our Business Judgment (and may be withheld, in any case, if you are not in good standing), (3) will be at your sole expense and (4) will require that you (and each Owner if an Entity) sign a general release in a form prescribed by Franchisor.

B. Assignment by Franchisee

Franchisee will not voluntarily or involuntarily transfer or encumber any interest in or ownership or control of Franchisee, the franchised business or this Agreement (however Franchisee is allowed to transfer up to 20% interest or ownership to a wholly owned entity as described below), except in the ordinary course, of the franchised business, or make any lease or sublease of any property Franchisee is leasing or subleasing in connection with the Store, without Franchisor's prior written consent, which will not be unreasonably withheld. Any attempted transfer of any interest in the Store without Franchisor's prior written consent will be a default under the terms of this Agreement, and will be voidable by Franchisor. In granting any such consent, the Franchisor may impose reasonable conditions, including, without limitation, the following:

1. Franchisee must be in full compliance with the terms of this Franchise Agreement, including being paid in full on all fees due and having settled all outstanding accounts with Franchisor, Franchisor's affiliates and all suppliers;

2. The proposed transferee (or its partners, members, managers, directors, officers, or controlling shareholders, if it is a corporation, limited liability company or partnership) must meet the then-applicable standards of Franchisor;

3. The proposed transferee (or its owners if an Entity, and its managers, directors or officers) must not operate a franchise, license another or operate businesses offering products and services similar to those offered by a Bricks & Minifigs® store without Franchisor's permission;

4. Franchisor shall charge a transfer fee that is a flat $5,000. The transfer fee will include, but not be limited to, reasonable attorney's fees actually incurred, the cost of investigating the transferee and our administrative expenses (including employee salaries, sales staff commissions, travel costs, telephone charges, out of pocket costs properly attributable to the transfer). In addition if the transferee was already in Franchisor's lead database at the time of first contact between Franchisee and the transferee, the Franchisor may require Franchisee to pay the referral fee, in addition to the flat $5,000 above, then being charged by Franchisor plus the amount of any broker fees that Franchisor is responsible for paying to third parties (does not include employees of Franchisor);

5. Transferee must pay for and successfully complete the training programs then required of new Franchisees at Franchisor's then-current training fees plus Franchisor's expenses, subject to increase from time to time. Franchisor shall have the right to require transferee and its owners to execute a general release of Franchisor in a form satisfactory to Franchisor's counsel as a condition to its approval of any transfer of the Franchise;

6. Franchisee shall have substantially complied with all of the terms and provisions of this Agreement, any amendment hereof or successor hereto, or any other agreements between the Franchisee and our subsidiaries or affiliates and, at the time of transfer, shall not be in default;

7. Franchisee shall have executed a general release under seal, in a form satisfactory to us, of any and all claims against us and our officers, directors, shareholders, and employees, in their corporate and individual capacities, including, without limitation, claims arising under federal, state, and local laws, rules, and ordinances;

8. The transferee (and, if the transferee is other than an individual, such principals and/or owners of a beneficial interest in the transferee as we may request) shall enter into a written assumption agreement, in a form satisfactory to us, assuming and agreeing to discharge all of Franchisee's obligations, known by transferee after reasonable inquiry, under this Agreement and/or any new franchise agreement, hereinafter provided;

9. The transferee must meet Franchisor's subjective and objective standards, including all quality standards, experience, talent, skills, educational, managerial, business and financial capacity; has the aptitude and ability to operate a Bricks & Minifigs® store; and has adequate financial resources and capital to operate the Store; and must complete the training program to our satisfaction;

10. The transferee (and, if the transferee is other than an individual, such principals and/or owners of a beneficial interest in the transferee as we may request) shall execute and agree to be bound by the then-current form of this Agreement, which form may contain provisions that materially alter the rights or obligations under this Agreement. Alternatively, we may in our sole discretion require the transferee to sign a standard form franchise agreement then being used by us, but, for a term ending on the expiration date of this Agreement and with such renewal term, if any, as may be provided by this Agreement. In addition to the then-current franchise agreement being used by us, the transferee shall sign all other ancillary agreements as we may require for the Store, which Agreements shall supersede this Agreement in all respects and the terms of which Agreements may differ from the terms of this Agreement, including, without limitation, a higher Franchise Fee, royalty rate, renewal rights and advertising contribution;

11. The transferee, at its expense, shall upgrade the Store to conform to the then-current standards and specifications of the System and shall complete the upgrading and other requirements within the time specified by us;

12. Franchisee shall remain liable for all of the obligations to us in connection with the Store incurred prior to the effective date of the transfer and shall execute any and all instruments reasonably requested by us to evidence such liability;

13. Franchisee shall agree to remain obligated under the covenants against competition of this Agreement as if this Agreement had been terminated on the date of the transfer;

14. Franchisee must obtain and submit satisfactory evidence of transfer or consent of lenders, lessors and governmental authorities for all material permits, approvals and licenses;

15. Franchisee may transfer up to 20% of its rights and obligations under this Agreement to a wholly owned entity. Franchisee must promptly agree in writing to personally guarantee the obligations of the entity under this Agreement. Franchisee's transfer of an aggregate of more than twenty percent (20%) ownership in the Franchisee's entity, in one or more transfers, without our prior written approval is a material breach of this Agreement;

16. The transferee shall agree to a sublease or to a transfer and assignment, and assumption of the lease of the Store from the original Franchisee and shall obtain the landlord's approval if required prior to any transfer or sublease, if applicable;

17. The transfer must be completed in compliance with the terms of any applicable leases and other agreements and with all applicable laws, including but not limited to licensing and operations-related laws and/or laws governing franchise sales;

18. Franchisee agrees that we may (but are not required to) discuss with you and/or the proposed transferee any matters related to any transfer at any time which we consider to be appropriate in our Business Judgment without liability (including our opinion of the terms of sale, performance of the Franchise, etc.). Franchisee expressly consents to any such discussions by us and we may contact any proposed transferee directly regarding such matters or otherwise;

19. Neither Franchisee nor any transferee shall rely on us to assist in the evaluation of the terms of any proposed transfer. Franchisee acknowledges and agrees that an approval of a proposed transfer shall not be deemed to an approval of the terms, nor any indication as to any likelihood of success or economic viability;

20. Franchisee and its Owners and/or Principals will agree not to compete after the transfer in accordance with restrictions acceptable to us and substantially similar to those described in <u>Section XIX.C</u> of this Agreement; and

21. Franchisee and its Owners and/or Principals will not directly or indirectly at any time or in any manner (except with respect to other Bricks & Minifigs® store that Franchisee or its Principals own and operate) identify itself or any business as a current or former Bricks & Minifigs® store or as one of our franchise owners; use any Mark, any colorable imitation of a Mark, or other indicia of a Bricks & Minifigs® business in any manner or for any purpose; or utilize for any purpose any trade name, trade or service mark or other commercial symbol that suggest or indicates a connection or association with us as described in <u>Sections XXIV.A and XXIV.C</u> of this Agreement.

In addition, the Franchisee must submit copies of the draft Asset Purchase Agreement or Stock (Membership Unit) (Partnership Unit) Purchase Agreement, all draft Promissory Notes, and Security Agreements, with the transferee, regardless of whether they are Franchisee financed or Lender financed. In addition to all other grounds for rejection, the Franchisor has the right to reject any proposed purchase of the assets of the Franchised business or the stock, membership units, or partnership units of the Franchised business on the grounds that the proposed Franchisee has in the sole opinion of the Franchisor taken on too much debt.

C. <u>Assignment by Franchisor and Right of First Refusal</u>

Franchisor has an unrestricted right to transfer or assign its rights or obligations under this Agreement to any transferee or legal successor of Franchisor and will give Franchisee thirty (30) days written notice of Franchisor's decision to exercise Franchisor's right.

We have a right of first refusal regarding any proposed transfer by Franchisee subject to this Agreement, excluding only those transfers of up to 20% interest of ownership in the Franchise to a wholly owned entity. For each non-excluded proposed transfer, during the term of this Agreement, if Franchisee, any of its Owners wish to sell or otherwise transfer an interest in this Agreement, the Bricks & Minifigs™ Franchise, or an ownership interest in Franchisee (except Franchisor's right of first refusal will not be exercised as described above), then you will comply with the requirements of <u>Sections XXII.B</u>, <u>XXII.C,</u> <u>XXII.E</u> and <u>XXIV.F</u> of this Agreement.

Franchisee will notify us within ten (10) days after Franchisee has commenced discussions or communications even if preliminary, regarding such a proposed transfer and then send us written updates of the status of such discussions or communications every thirty (30) days thereafter unless and until such discussions or communications have ceased, in which case Franchisee must notify us in writing within five (5) business days that such discussions or communications have ceased. Whether the discussions have ceased or not, at our option, we may require Franchisee to send us, by certified mail or other receipted delivery, copies of any materials or information sent to the proposed buyer or transferee regarding the possible transaction as well as any materials Franchisee sends to the buyer or transferee. Before moving forward with any such transaction, Franchisee and its Owners agree to obtain from a responsible and fully disclosed buyer, and then send us, a true and complete copy of a bona fide, executed written offer (which may include a letter of intent) relating to any proposed transfer. The offer must include details of the payment terms of the proposed sale and the sources and terms of any financing for the proposed purchase price. To be a valid, bona fide offer, the proposed purchase price must be in a dollar amount, and the proposed buyer must submit with its offer an earnest money deposit of $5,000 (if a proposed disposition is part of a transaction involving additional Bricks & Minifigs® stores, operating under other Franchise Agreements or license agreements with us, the proposed buyer must pay Franchisee this earnest money deposit for each Bricks & Minifigs® store involved).

If we do not exercise our right of first refusal, the Franchisee or its Owners may complete the transfer to the proposed buyer on the original offer's terms, but subject to our approval of the transfer as provided in Section XXII.B above and further provided, after the transfer, the Bricks & Minifigs® store, must continue to operate as a Bricks & Minifigs® store. This means that, even if we do not exercise our right of first refusal, if the proposed transfer otherwise is not in compliance with any of the terms under Section XXII.B and Section XXII.C above, Franchisee and its Owners may not move forward with the transfer at all. If, after the transfer is determined to be valid, Franchisee no longer continues to operate a Bricks & Minifigs® store, or any other type of materially related business, then Franchisee may complete the sale (with our approval) to the proposed buyer as long as Franchisee complies with Section XXII.E of this Agreement. If the sale is not consummated, Franchisor's right shall continue as described below.

D. Transfer Upon Death or Mental Incapacity

Upon the death or mental incapacity of any person with an interest in a Bricks & Minifigs® store, the executor, administrator, or personal representative of that person must transfer such interest to a third party approved by Franchisor within six (6) months after death or mental incapacity. These transfers, including, without limitation, transfers by devise or inheritance, will be subject to the same restrictions and conditions as any inter vivos transfer. However, in the case of a transfer by devise or inheritance, if the heirs or beneficiaries of any deceased person are unable to meet the conditions of this Agreement, the personal representative of the deceased Franchisee shall have a reasonable time to dispose of the deceased's interest in the Franchise, which disposition will be subject to all the terms and conditions for transfer contained in this Agreement. If the interest is not disposed of within a reasonable time, Franchisor may terminate this Agreement.

Upon the death of the Principal, or in the event of any temporary or permanent mental or physical disability of the Principal or an Owner, a manager shall be employed for the operation of the Franchise who has successfully completed Franchisor's training courses to operate the Franchise on behalf of the Franchisee. If after the death or disability of the Principal, the Franchise is not being managed by such trained manager, Franchisor is authorized to appoint a manager to maintain the operation of the Franchise until an approved transferee or manager will be able to assume the management and operation of the Franchise, but no such operation and management of the Franchise will continue for more than ninety (90) days without the approval of the personal representative of the Principal (renewable as necessary for up to one year) and Franchisor will periodically discuss the status of the Franchise with the personal representative of the Principal; such manager shall be deemed an employee of the Franchisee. All funds from the operation of the Franchise during the period of management by such appointed or approved manager shall be kept in a separate fund and all expenses of the Franchise, including compensation of such manager, other costs and travel and living expenses of such appointed or approved manager (the "**Management Expenses**"), shall be charged to such fund. As compensation for the management services provided, in addition to the Fees due, Franchisor shall charge such fund the full amount of the direct expenses incurred by Franchisor during such period of management for and on behalf of Franchisee, provided that Franchisor shall only have a duty to utilize reasonable efforts and shall not be liable to Franchisee, the Principal or personal representative of the Principal, the Entity or any person or entity having an interest therein for any debts, losses or obligations incurred by the Franchise, or to any creditor of Franchisee or the Principal during any period in which it is managed by a Franchisor-appointed manager.

Within thirty (30) days after any transfer to Franchisee's heirs or successors or the heirs or successors of Franchisee's Owners, the heirs or successors must notify Franchisor in writing and make application for approval of such transfer. The application for such transfer is subject to the same conditions, procedures and costs as any other transfer except that there will be no transfer fee.

E. Sale of Franchise

If Franchisee (or its Owners) desire to sell the Franchise, then within ten (10) days after receipt by Franchisee (or its heirs, estate, guardian, trustee or assigns) of a bona fide offer acceptable to Franchisee to buy the franchised business, Franchisee will notify Franchisor of the offer in writing, enclosing a signed copy of the offer. Franchisor or its assignee may then purchase (exercise its right of first refusal as described in Section XXII.C) and acquire the franchised business and Franchisee's rights under this Agreement at the price and on the same terms and conditions as offered to Franchisee. Franchisor may substitute cash for any other form of consideration contained in the offer and, at Franchisor's option, may pay the entire purchase price at closing. Franchisor may exercise this right to purchase in writing within thirty (30) days after receiving Franchisee's notice.

If Franchisor does not exercise its right to purchase within thirty (30) days, Franchisee may thereafter sell the franchised business to a third party, but not at a lower price or on more favorable terms than disclosed to Franchisor in writing. Sale is subject to Franchisor's prior written approval as specified in this Agreement. If Franchisee does not sell the franchised business to the proposed purchaser within ninety (90) days from the date it is offered to Franchisor, then Franchisee must again extend the first right of refusal to Franchisor before transfer to a third party.

To enable Franchisor to determine whether it will exercise its option, Franchisee or its Owners, shall provide such information and documentation, including financial statements, as Franchisor may require (as noted below). In the event that Franchisor elects to purchase said interest, closing on such purchase must occur within ninety (90) days from the date of notice to the seller of the election to purchase said Interest by Franchisor. Failure of Franchisor to exercise the option afforded by this Section XXII.D shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of Section XXII.B, with respect to a proposed transfer of any interest. Any later change in the terms of any offer prior to closing shall constitute a new offer subject to the same rights of first refusal by Franchisor as in the case of an initial offer.

We may, by delivering written notice to Franchisee or its Owners within thirty (30) days after we receive both an exact copy of the offer and the Preliminary Due Diligence Package (the date on which we have received the exact copy of the offer and the Preliminary Due Diligence Package is called the "**Trigger Date**"), notify Franchisee of our non-binding preliminary intent to purchase or not to purchase the interest proposed to be sold. The "**Preliminary Due Diligence Package**" is information and copies of documents (where applicable) that Franchisee supplies to Franchisor which consists of Franchisee's Bricks & Minifigs® financial statements (including monthly revenue information) for the preceding three (3) years, a copy of Bricks & Minifigs® current lease or sublease (if we do not already have it), information about the number and compensation of employees working at Bricks & Minifigs® store, customer records and the Franchisee's merchant account printouts for the past three (3) years, the Franchisee's bank deposits for the past three (3) years, and a description of competing LEGO® re-sale businesses and/or any other type of re-sale related businesses offering similar Products and Services operating within the Territory. If we notify Franchisee within thirty (30) days after the Trigger Date (the "**First Notice Deadline**") that we are preliminarily interested in exercising our right of first refusal, we will have an additional thirty (30) days after the First Notice Deadline both to conduct our due diligence and then to notify you of either our binding intent to exercise our right of first refusal or our decision not to exercise this right. This additional period is called the "**Due Diligence Deadline**". If we elect to purchase the interest proposed to be sold for the price and on the terms and conditions contained in the offer:

1) We may substitute cash for any other form of payment proposed in the offer (such as ownership interests in a privately-held entity);

2) Our credit will be deemed equal to the credit of any proposed buyer (meaning that, if the proposed consideration includes promissory notes; we may provide promissory notes with the same terms as those offered by the proposed buyer, except as to subordination). Regarding subordination, you acknowledge and agree that our obligations under the promissory notes then outstanding to any and all lenders, although senior to the equity rights of our owners will also be senior to the promissory notes given to you;

3) We will have an additional thirty (30) days after the Due Diligence Deadline to close; and

4) Franchisor must receive, and Franchisee agrees to provide, all customary representations and warranties given a seller of assets of a similar business or the ownership interests in a similar legal entity, as applicable, including, without limitation, representations and warranties regarding:

(i) Ownership and condition of and title to ownership interests and/or;

(ii) Liens and encumbrances relating to ownership interests and/or assets;

(iii) Validity of contracts and the liabilities, contingent or otherwise, of the entity whose ownership interests are being purchased;

(iv) All products, supplies, POS systems, computers, software and vehicles (if applicable) are in good working condition and suitable for use;

(v) No litigation or administrative proceedings pending against the Franchisee, or any of its officers, directors, or Owners arising out of the Franchisee's business;

(vi) There are no notices from any federal, state, or local governmental authority to make any changes to the Store or that negatively affect it;

(vii) The Franchisee has the authority to sell the assets of its business, including a copy of all director and/or Owner resolutions;

(viii) The Franchisee will comply with the Bulk Sales Act, if it is required under the laws of the Franchisee's state;

(ix) There will be no material adverse change in the operation of the Franchisee's business between the Date of Signature of any Asset Purchase Agreement, and the Date of Settlement; and

(x) The Franchisee will not enter into any transaction between the Date of Signature and the Date of Settlement other than in the ordinary course of business.

If Franchisee does not complete the sale to the proposed buyer within ninety (90) days after Franchisor notifies Franchisee that Franchisor does not intend to exercise its right of first refusal (whether or not the First Notice Deadline or the Due Diligence Deadline has expired), or if there is a material change in the terms of the sale (which Franchisee must communicate promptly to Franchisor), Franchisor will have an additional right to accept the sale during the thirty (30) day period following either the expiration of that ninety (90) day period or our receipt of notice of the material change(s) in the sale's terms, either on the terms originally offered or the modified terms, at Franchisor's option. If Franchisee does not complete the sale to the proposed buyer within an additional ninety (90) days, then any proposed sale or transfer thereafter once again must comply with all of the provisions of this Section XXII.E, as though there had not previously been a proposed sale or transfer.

In addition to its other obligations, such as obtaining the prior written approval of Franchisor, if Franchisee sells or offers to sell ownership interests, the sale of which is regulated by any applicable law, Franchisee must: (i) fully comply with all applicable laws, (ii) disclose to offerees and purchasers that neither Franchisor nor its employees, affiliates or agents are an issuer or underwriter, or are in any way liable or responsible for the offering, (iii) ensure that Franchisor has a reasonable time to review any reference to Franchisor or its franchisees in any prospectus or offering documents before their distribution or use, (iv) pay Franchisor actual legal costs incurred for its review, (v) indemnify Franchisor, its officers, owners, directors, employees, affiliates, and agents from any liability, cost, damage, claim, and expense and from any and all obligations to any person, entity or governmental agencies arising out of or relating to the offer, sale or continuing investment, (vi) sign such further indemnities and provide such further assurances as Franchisor may reasonably require and (vii) disclose the Franchisor's ownership rights to all trademarks, service marks, trade names, logos, trade secrets, copyrights, and patents.

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. Franchisor and Franchisee may execute an addendum setting forth certain of these amendments applicable in certain jurisdictions, so long as and to the extent that, then applicable laws referred to in the addenda remain in effect.

F. Resale Assistance

Franchisee may, at any time, request Franchisor's assistance in locating a buyer for the Bricks & Minifigs® Store. Franchisor may, at Franchisor's option, provide such assistance in accordance with the policies and procedures as set forth in the Operations Manual. Franchisor reserves the right to charge Franchisee a fee ("**Resale Fee**") to cover Franchisor's reasonable costs and expenses (including the time committed by Franchisor's employees) incurred in providing such assistance. If Franchisor elects to assist Franchisee in finding a buyer for the Store in any way, Franchisor makes no promises or commitments to Franchisee that a buyer will be located or that anyone will be willing to purchase the Store at a price acceptable to Franchisee. Franchisor reserves the right to reject any proposed sale based on Franchisor's determination, in Franchisor's sole discretion, that the purchase price or purchase terms agreed to between Franchisee and any prospective buyer is excessive or will not enable the buyer to succeed as a franchisee in the System, and by requesting Franchisor's assistance Franchisee waives any liability claims it may have against Franchisor for such rejection.

XXIII. **TERMINATION OF FRANCHISE**

A. Impact of Statutes Upon Franchise Agreement

Some state laws provide certain rights to franchisees located in a particular state, including: (1) limitations on Franchisor's ability to terminate a franchise except for good cause; (2) restrictions on Franchisor's ability to deny renewal of a franchise; (3) circumstances under which Franchisor may be required to purchase certain inventory of franchisees when a franchise is terminated or not renewed in violation of the statute; and (4) provisions relating to arbitration. To the extent that the provisions of this Franchise Agreement are inconsistent with the terms of such state laws, the terms of the applicable state laws may control in those states.

Termination or modification of a lease or contract upon the bankruptcy of one of the parties may be unenforceable under the Bankruptcy Act of 1978, Title II, U.S. Code, as amended.

B. Termination By Franchisor With Right to Cure

Except as otherwise provided in this Agreement, upon any material default by Franchisee under this Agreement or any other agreement between Franchisee and Franchisor or its affiliates, Franchisor may terminate this Agreement only by giving written notice of termination stating the nature of such default to Franchisee at least thirty (30) days prior to the effective date of termination; provided, however, that Franchisee may avoid termination by immediately initiating a remedy to cure such default, curing it to Franchisor's satisfaction, and by promptly providing proof thereof to Franchisor within the thirty (30) day period. If any such default is not cured within the specified time, or such longer period as applicable law may require, this Agreement shall terminate without further notice to Franchisee effective immediately upon the expiration of the thirty (30) day period or such longer period as applicable law may require. Any default for failure to pay monetary amounts must be cured within five (5) days.

Franchisor may invoke its rights under this Section XXIII.B if, among other things, Franchisee fails to pay any required sums contemplated by this Agreement or any other agreement between Franchisee and Franchisor (and/or their respective affiliates).

C. Termination of Franchise Without Right to Cure

Notwithstanding the foregoing, Franchisee shall be deemed to be in breach and Franchisor, at its option, may terminate this Agreement and all rights granted under it without affording Franchisee any opportunity to cure the breach, effective immediately upon Franchisor notifying Franchisee in writing of such breach, if Franchisee or any of its Owners does any of the following:

1. Fails to open the Bricks & Minifigs® store within the time limits as provided in Section IX.A above;

2. Fails to attend and satisfactorily complete the initial training program within sixty (60) days of the date Franchisee anticipates opening the Store;

3. Attends the initial franchise training program and Franchisor determines, in its sole discretion, that the Franchisee, managing partner, or shareholder has failed the initial training program and is deemed not qualified to manage a Bricks & Minifigs® business;

4. Abandons, surrenders, or transfers control of the operation of the Store to a third party other than another Owner or Manager without our permission or fails to continuously and actively operate the Store for five (5) consecutive days, unless precluded from doing so by damage to the premises of the Store due to war, act of God, civil disturbance, natural disaster, labor dispute, Franchisor's permission or other events beyond Franchisee's reasonable control;

5. Fails or refuses, on more than three occasions during the term of this Agreement, to submit when due any financial statement, tax return or schedule or to pay when due Royalty Fees, or any other payments due Franchisor or its affiliate;

6. Operates the Store in a manner that presents a safety, health or environmental hazard to customers, violates any federal, state, or local law, rule, regulation or ordinance (which includes failure to qualify and train Employees as described in Section XII.F as per our guidelines and standards as specified in the Operations Manual);

7. Unable to provide Products and/or Services associated with the System, or if any business or professional license required by law is suspended or revoked, or otherwise not maintained continuously and actively in full force and effect, and in good standing;

8. Fails, for a period of fifteen (15) days (or such lesser period as required by applicable law) after notification of violation or non-compliance by us or any appropriate authority, to comply with any federal, state or local law, ordinance or regulation applicable to the operation of a Bricks & Minifigs® store;

9. Violates any environmental, health, safety or sanitation law, ordinance or regulation, or operates the Store (including operating any Vehicles) in an unsafe manner; and does not begin to cure the violation immediately and to correct the violation within 72 hours after Franchisee receives notice from us or another party unless shorter period for cure provided pursuant to Section XXII.B;

10. Makes a material misrepresentation or omission on the application for the Franchise;

11. Transfers, assigns or sub-franchises this Agreement without having the prior written consent of Franchisor, as set forth herein;

12. Discloses or divulges, to any unauthorized person, the contents of the Operations Manual, training materials or any other Confidential Information provided to Franchisee by Franchisor;

13. Fails to comply with modifications to System standards as required by us within a 120-day period from the time of written notice by Franchisor;

14. Engages in any other activity, which has a material adverse effect on Franchisor or the Names and Marks;

15. Makes or allows any unauthorized use or copy of our Confidential Information, Proprietary Products and/or Software (if developed) or seeks to challenge our ownership rights in the System, including our Confidential Information, Proprietary Products and/or Software;

16. Engages in any activity to translate, reverse engineer, reverse compile, disassemble or create derivative works based on our Confidential Information, Proprietary Products and/or Software (if developed);

17. Manufactures or produces any product that is similar to, or competes with any of our Products, Proprietary Products or third party products offered or used in the Franchise without the advanced written consent of the Franchisor;

18. Engages in activity to distribute, act as an exclusive distributor or secure exclusive rights to distribute any Products, Proprietary Products or third party products without our written consent;

19. Engages in activity to sublicense, rent, lease, sell, distribute or otherwise transfer our Confidential Information and/or Software or any portion thereof, or any rights therein, to any person or entity;

20. Exhibits a reckless disregard for the physical or mental well-being of employees, customers, Franchisor or its representatives, or the public at large, including battery, assault, sexual harassment or discrimination, racial harassment or discrimination, alcohol or drug abuse or other forms of threatening, outrageous or unacceptable behavior as determined in our sole and absolute discretion;

21. Fails to procure and maintain all required insurance coverage (including any lapses, alterations, or cancellations to the insurance policies) as defined in Section XIII of this Agreement;

22. Fails or refuses to: cease using and/or remove any product or other items from the Store deemed to constitute a violation of this Agreement by Franchisor; (ii) perform Services according to Franchisor's standards; and/or (iii) purchase Products, supplies, POS system, software, advertising and marketing materials from Franchisor, its affiliates or approved vendors and suppliers;

23. Fails or refuses to comply with Franchisor's inventory requirements or minimum representation requirements as set forth in the Operations Manual and/or if more than 10% of Franchisee's inventory and items offered for sale (combined) are non-LEGO® branded products;

24. Fails to comply with the terms of any auto-ship programs as set forth in the Operations Manual (currently not in effect);

25. Engages in Target Marketing to solicit and obtain customers by any type of advertising or marketing outside Franchisee's assigned Territory; or following Franchisee's receipt of written notice from Franchisor, Franchisee fails to cease soliciting to customers located outside Franchisee's Territory;

26. Fails to refer off-site events to other Bricks & MiniFigs® franchise or company-owned businesses if such events are outside Franchisee's Territory;

27. Uses the Names and Marks or any part thereof in any form on the Internet, including but not limited to, addresses, domain names, URLs, Websites, links, metatags, locators, search techniques and co-branding arrangements without Franchisor's prior written consent;

28. Is convicted of a felony or has pleaded nolo contendere to a felony, is arrested or convicted on charges relating in any way to the possession or use of illegal drugs, controlled substances or steroids or is charged and convicted of a crime of moral turpitude;

29. Engages in unfair business practices or unethical conduct;

30. Fails to discharge within a reasonable time, any valid lien placed against the property of the Store;

31. Makes an assignment for the benefit of creditors or an admission of the Franchisee's inability to pay its obligations as they become due;

32. Files a voluntary petition in bankruptcy or any pleading seeking any reorganization, arrangement, disposition, adjustment, liquidation, dissolution or similar release under any law, or admitting or failing to contest the material allegations of any such pleading filed against Franchise, or is adjudicated bankrupt or insolvent, or a receiver is appointed for a substantial part of the assets of the Franchisee or the Store, or the claims of creditors of Franchisee or the Store are abated or subject to a moratorium under any laws;

33. If a bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian for Franchisee's business or assets is filed and consented to by Franchisee;

34. If a receiver or other custodian (permanent or temporary) of the Store, Franchisee, or Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction or by private instrument or otherwise;

35. If proceedings for a composition with creditors under any state or federal law should be instituted by or against Franchisee.

36. If a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless a supersedeas bond is filed); or if Franchisee is dissolved or extinguished;

37. If execution is levied against Franchisee's business or property or against any ownership interest in Franchisee;

38. If any real or personal property of Franchisee's Store shall be sold after levy by any sheriff, marshal, or constable;

39. If, in material violation of the terms of <u>Sections XII</u>, <u>XVI</u>, <u>XX</u> and/or <u>XXII</u>;

40. If Franchisee maintains false books or records, or submits any false reports to Franchisor;

41. If any inspection of Franchisee's records discloses an under-statement of payments due to Franchisor of four percent (4%) or more, two or more times in any two (2) year period; or

42. If Franchisee's business has six (6) or more material customer complaints reported to a governmental entity or other public forum (material complaints are determined in Franchisor's sole and absolute discretion) with respect to the Store in any twelve (12) month period.

D. <u>Termination by Franchisee</u>

If Franchisor violates a material and substantial provision of the Agreement and fails to remedy or to make substantial progress toward curing the violation within thirty (30) days after receiving written notice from Franchisee detailing Franchisor's alleged default, Franchisee may terminate this Agreement if so permitted under applicable law. Any termination of this Agreement and the franchise by Franchisee, without complying with the foregoing requirements, or for any reason other than breach of material and substantial provision of this Agreement by Franchisor and Franchisor's failure to cure such breach within thirty (30) days after receipt of written notice thereof, shall be deemed a termination by Franchisee without cause. On termination or expiration, all of Franchisee's post-termination obligations, including covenant not to compete, non-disclosure, return of the Operations Manual and other proprietary materials, and indemnity, will remain in force and effect. If Franchisee continues in a similar or competitive business, or assigns or sells ownership or assets other than in compliance with this Agreement (including <u>Section XXIII</u>), Franchisor will be entitled to its royalties and other fees for either the remaining of the term of this Agreement or three (3) years (whichever comes first) and to all other applicable remedies.

XXIV. **FRANCHISEE'S OBLIGATIONS UPON TERMINATION OR EXPIRATION**

A. Franchisee Shall Cease Using Names and Marks

Franchisee further agrees that, upon termination or expiration of this Agreement, Franchisee shall immediately and permanently cease to use, by advertising, or any manner whatsoever, any Confidential Information, methods, trade secrets, procedures, descriptions of Products and Services associated with Franchisor and the Names and Marks and any proprietary marks and distinctive forms, slogans, symbols, signs, logos or devices associated with the System. In particular, Franchisee shall cease to use, without limitation, all signage (including on vehicles if applicable), advertising materials, stationery, forms and any other articles, which display the Names and Marks. Franchisee shall make or cause to be made, at its expense, changes directed by us in signage, building and structures so as to effectively distinguish the surviving business entity, if any, from its former appearance as a Bricks & Minifigs® store, and from other existing Bricks & Minifigs® stores. Franchisee shall comply with the covenant not to compete and the agreement to maintain the confidentiality of proprietary information, as well as return all information that is considered to be Confidential Information under the terms and conditions of this Agreement back to the Franchisor.

B. Franchisee Shall Cease Operating Franchise

Franchisee shall immediately cease to operate the Store under this Agreement, and shall not thereafter, directly or indirectly, represent itself to the public or hold itself out as a present or former Franchisee of Franchisor.

Franchisee must immediately tender all new and unexpired inventories of Franchisor’s Proprietary Products to Franchisor and/or Franchisor’s designated affiliates or destroy, if notified by Franchisor in writing to do so, all inventory of Franchisor’s Proprietary Products in a timely manner as in accordance with the terms of the Operations Manual and as specified in Section XXIV.G of this Agreement.

C. Franchisee May Not Adopt Confusingly Similar Names and Marks

Franchisee agrees, in the event it continues to operate or subsequently begins to operate any other business, not to use any reproduction, counterfeit, copy or colorable imitation of the Names and Marks, either in connection with such other business or in the promotion thereof, which is likely to cause confusion, mistake or deception, or which is likely to dilute Franchisor's exclusive rights in and to the Names and Marks, and further agrees not to utilize any designation of origin or description or representation which falsely suggests or represents an association or connection with Franchisor or a former association or connection with Franchisor.

D. Franchisee Shall Cancel Assumed Names and Transfer Phone Numbers

Franchisee further agrees that upon termination or expiration of this Agreement, Franchisee shall take all action necessary to cancel all assumed names or equivalent registrations relating to its use of any or all of the Names and Marks. Franchisee shall take all actions necessary to transfer all phone numbers, addresses, domain names, listings and location contacts for the Store to Franchisor or its designee, including but not limited to authorizing all telephone, Internet, email, electronic network, directory and listing entities to effectuate the same.

E. Franchisee Shall Transfer or Terminate Domain Name and Websites

Upon termination or expiration of this Agreement, Franchisee agrees that, Franchisor will have the absolute right to notify InterNIC, ICANN and all other Internet authorities of the termination or expiration of your right to use all domain names, Websites and other search engines for the Store and to authorize the above and other search engines to transfer to us or our designee all domain names, Websites and search engines associated with the Store. Franchisee acknowledges and agrees that we have the absolute right to, and interest in, all domain names, Websites and search engines related to the Store and that we have the full right and authority to direct the above Internet authorities and all search engines to transfer Franchisee’s domain names, Websites and search engines to us or our designee if this Agreement expires or is terminated for any reason. Franchisee further acknowledges that this Agreement will constitute a release by Franchisee of the above Internet authorities from any and all claims, liabilities, actions and damages that you may, at any time, have the right to allege against them in connection with this provision.

F. Franchisee Must Return Operations Manuals and Other Materials

Franchisee further agrees that upon termination or expiration of this Agreement, it will immediately return to Franchisor all copies of the Operation Manual, training materials and any other materials, which have been loaned to Franchisee by Franchisor. Franchisee further agrees to turn over to Franchisor all items containing any of the Marks, and all customer lists and contracts for the franchised business.

G. Franchisor May Purchase Assets

Franchisor shall have the right of first refusal to purchase or assume Franchisee's interest in the franchised business, or in its assets on the same terms as those contained in a bona fide offer from a third party. As used in this Section, "**Assets**" means leasehold improvements, POS systems, computers, furnishings, fixtures, equipment, signage, products, inventory (such as non-perishable products, materials and supplies in addition to all advertising and marketing materials), vehicles (if applicable) and the lease or sublease for the Store. This right is governed by time limits and procedures described in this Agreement with respect to Franchisor's right of refusal in the event of an assignment. If Franchisor exercises its right of first refusal, Franchisee must transfer Franchisee's interest in the franchised business and in the Assets.

If Franchisee is selling its Assets, Franchisor shall have the right (but not the duty), to be exercised by notice of intent to do so within thirty (30) days after termination or expiration, to purchase any or all Assets and items bearing Franchisor's Names and Marks, at fair market value (less the amount of any outstanding liens or encumbrances). The cost shall be determined based upon a five (5) year straight-line depreciation of Franchisee's original costs. For any Asset that is five (5) or more years old, the parties agree that fair market value shall be deemed to be ten percent (10%) of the Asset's original cost; and for any items that display the Marks, the fair market value is agreed to be zero. If Franchisor elects to exercise any option to purchase herein provided, it shall have the right to set off all amounts due from Franchisee.

H. Franchisee Must Pay Monies Owed to Franchisor

Franchisee shall pay to Franchisor or its affiliates, within fifteen (15) days after the effective date of termination or expiration of this Agreement, such Royalty Fees, System Advertising Fund contributions, other advertising fees, payments or any other sums owed to Franchisor or its affiliates by Franchisee, which are then unpaid. Franchisee shall pay to Franchisor or its affiliates all damages, costs, and expenses, including reasonable attorney's fees, incurred by Franchisor in obtaining injunctive or other relief for the enforcement of any provisions of Sections XIX and XXIV.

Franchisee must pay to the Franchisor all Royalty Fee and System Advertising Fee payments that the Franchisor would have received, if this Agreement remained in effect until its scheduled expiration date. The Royalty Fee payment owed to Franchisor is determined by the greater of either (1) or (2) below:

(1) the average contribution paid to the Franchisor during the previous twelve (12) months, or

(2) the remaining term of this Agreement or a period of three (3) years (whichever comes first).

The System Adverting Fund Contribution is determined based on the average contribution paid to the Franchisor during the previous twelve (12) months for either the remaining term of this Agreement or a period of three (3) years (whichever comes first). Such payments shall be due to the Franchisor within fifteen (15) days after the effect Date of Termination or expiration.

Except as otherwise provided in this Agreement, Franchisee shall retain whatever interest it may have in the Assets of the franchised business.

XXV. **ENFORCEMENT**

A. Franchisee May Not Withhold Payments Due Franchisor

Franchisee agrees that Franchisee will not withhold payments of any Royalty Fees, System Advertising Fees or any other amounts of money owed to Franchisor for any reason, on grounds of alleged nonperformance by Franchisor of any obligation. All such claims by Franchisee shall, if not otherwise resolved by Franchisor and Franchisee, be submitted to mediation and/or arbitration as provided in this Agreement. The Franchisee has no right of offset, or set off to any amounts due and owing to the Franchisor.

B. Severability and Substitution of Valid Provisions

All provisions of this Agreement are severable, and this Agreement shall be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein, and any partially valid and enforceable provisions shall be enforced to the extent valid and enforceable. If any applicable law or rule requires a greater prior notice of the termination of this Agreement than is required hereunder, or requires the taking of some other action not required hereunder, the prior notice or other action required by such law or rule shall be substituted for the notice or other requirements.

C. Mediation

The parties agree to mediate any dispute or claim arising between them out of this Agreement, or any resulting transaction before resorting to arbitration as set forth in Section XXV.D. Any party to this Agreement may initiate mediation by serving a written demand on the other party stating the particulars of the demand being served. Mediation fees shall be divided equally among the parties involved. Before any mediation commences, the parties will agree to a date and/or certain event which will constitute a completion of the mediation process. If, for any dispute or claim to which this paragraph applies, any party commences an action without first attempting to resolve the matter through mediation or refuses to mediate after a request has been made, then the other party ("**Mediating Party**") shall be entitled to recover attorney's fees and costs, even if such Mediating Party was not otherwise entitled to recover its attorney fees and cost in any arbitration or legal action between the parties pursuant to the terms of this Agreement. This mediation provision applies whether or not the arbitration provision is initiated. It shall be held at the same venue as for arbitration as described in Section XXV.D.

D. Arbitration

Except as either party elects to enforce this Agreement by judicial process, injunction, or specific performance (as provided above), all disputes and claims relating to any provision hereof, any specification, standard or operating procedure, or any other obligation of Franchisee prescribed by Franchisor, or any obligation of Franchisor, or the breach thereof (including, without limitation, any specification, standard or operating procedure or any other obligation of Franchisee or Franchisor, which is illegal or otherwise unenforceable or voidable under any law, ordinance, or ruling) shall be settled by mandatory binding arbitration in Clackamas County, Oregon. Arbitration must be in accordance with the then current Commercial Rules of Arbitration Service of Portland, Inc. and, where applicable, the provision of the Federal Arbitration Act, i.e. 9 USC §1, et al; and provided that at the option of the Franchisor or the Franchisee that the arbitrator shall be selected from a list of arbitrators supplied by Arbitration Service of Portland, Inc., which arbitrator must have significant franchise legal experience to the extent possible. The actual selection of the arbitrator from the list will be in accordance with the procedures for selecting an arbitrator under the Commercial Rules of Arbitration Service of Portland, Inc. The parties agree that, in connection with any such arbitration proceeding, each will submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 1-3 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. The parties further agree that arbitration will be conducted on an individual and not a class-wide or multiple plaintiff basis.

The party discovering an arbitrable claim will have one (1) year from the date of discovery but not to exceed two (2) years from the date the claim occurred, in which to settle the claim or to commence arbitration on it. Otherwise the claim or demand will be deemed abandoned and shall be barred. The arbitrator shall allow discovery in accordance with the Oregon Rules of Civil Procedure and may apply the sanctions relating to noncompliance with discovery orders therein provided. The arbitrator shall issue a written opinion explaining the reasons for his or her decision and award and the arbitrator shall have the right to award or include in the award the specific performance of this Agreement. Unless specifically provided for by applicable statue, no punitive or exemplary damages shall be awarded against either the Franchisor or Franchisee, or entities related to them, in an arbitration proceeding or otherwise, and are hereby waived. Judgment upon the award of the arbitrator will be entered in any court having competent jurisdiction thereof or of the Franchisor of Franchisee. During the pendency of any arbitration proceeding hereunder, Franchisee and Franchisor shall fully perform their respective obligations pursuant to the terms and conditions of this Agreement. Arbitration fees shall be shared equally and the prevailing party shall be entitled to their attorney fees, provided should there be no prevailing party each party shall pay their own attorney fees.

This arbitration provision shall not apply to any of the following disputes or controversies: any action for injunctive or other provisional relief including but not limited to enforcement of liens, security agreements, or attachment, as Franchisor deems to be necessary or appropriate to compel Franchisee to comply with Franchisee's obligations to Franchisor and/or to protect the Names and Marks or any claim or dispute involving or contesting the validity of any of the Names and Marks, or any claim or dispute involving any of the confidential information, trade secrets, or copyrights provided by the Franchisor to the Franchisee under this Agreement.

E. Rights of Parties Are Cumulative

The rights of Franchisor and Franchisee are cumulative, and the exercise or enforcement by Franchisor or Franchisee of any right or remedy shall not preclude the exercise or enforcement by Franchisor or Franchisee of any other right or remedy hereunder which Franchisor or Franchisee is entitled by law to enforce by the provisions of this Agreement or of the Operations Manual.

F. Judicial Enforcement, Injunction and Specific Performance

Franchisor shall have the right to enforce by judicial process its right to terminate this Agreement for the causes enumerated in Section XXIII of this Agreement, to collect any amounts owed to Franchisor for any unpaid Royalty Fees, or other unpaid fees or charges due hereunder, arising out of the business conducted by Franchisee pursuant hereto, and to pursue any rights it may have under any leases, subleases, sales, purchases, or security agreements or other agreements with Franchisee. Franchisor shall be entitled, without bond, to the entry of temporary or permanent injunctions and orders of specific performance enforcing any of the provisions of this Agreement. If Franchisor secures any such injunction or orders of specific performance, Franchisee agrees to pay to Franchisor an amount equal to the aggregate costs of obtaining such relief, including, without limitation, reasonable attorneys' fees, costs of investigation, court costs, and other litigation expenses, travel and living expenses, and any damages incurred by Franchisor as a result of the breach of any provision of this Agreement.

G. Oregon Law Applies

Except to the extent governed by the U.S. Trademark Act of 1946 (Lanham Act, 15 U.S.C., Section 1051 et. seq.) or the U.S. Arbitration Act, this Agreement shall be governed by the laws of the State of Oregon, and venue for arbitration or litigation shall lie in Clackamas County, Oregon, or in the applicable United States District Court for Oregon.

H. Attorney Fees

In the event that either party incurs any expenses (including but not limited to reasonable attorneys' fees and reasonable expert witness fees) in enforcing the provisions of this Agreement by arbitration or legal action, the prevailing party shall be entitled to recover such expenses directly from the other.

I. Binding Effect

This Agreement is binding upon the parties hereto and their respective permitted assigns and successors in interest.

J. There Are No Unwritten Agreements; Operation Manual(s) are Subject to Change.

This instrument contains the entire Agreement between the Parties relating to the rights herein granted and the obligations herein assumed. However, the Franchisee does not waive reliance upon any warranties or representations made to it by the Franchisor in the Franchise Disclosure Document or the Franchise Agreement. Any oral representations or modifications concerning this Agreement shall be of no force or effect unless a subsequent modification in writing is signed by the parties hereto. The Operation Manual may be amended at any time by Franchisor, and Franchisee shall adapt its methods or procedures to comply with the requirements thereof.

K. Entire Agreement/Integration

This Agreement and all exhibits to this Agreement constitute the entire agreement between the parties. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the Franchise Disclosure Document that we furnished to you. Except for those acts permitted to be made unilaterally by Franchisor hereunder, no amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing. The Operation Manual may be amended at any time by Franchisor, and Franchisee shall adapt its methods or procedures to comply with the requirements thereof.

L. Force Majeure

Except for monetary obligations or as otherwise specifically provided in this Franchise Agreement, if either party to this Agreement shall be delayed or hindered in or prevented from the performance of any act required under this Agreement by reason of strikes, lock-outs, labor troubles, inability to procure materials, failure of power, restrictive governmental laws or regulations, riots, insurrection, war, or other causes beyond the reasonable control of the party required to perform such work or act under the terms of this Agreement through no fault of such party, then performance of such act shall be excused for the period of the delay, but in no event to exceed ninety (90) days from the stated time periods as set forth in this Franchise Agreement.

XXVI. **NOTICES**

Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered, sent by registered mail, or by other means which affords the sender evidence of delivery, or of rejected delivery, to the respective Parties at the addresses shown on the signature page of this Agreement, unless and until a different address has been designated by written notice to the other party. Any notice by a means which affords the sender evidence of delivery, or rejected delivery, shall be deemed to have been given at the date and time of receipt or rejected delivery.

XXVII. **COUNTERPART**

This Agreement and any amendments or supplements hereto may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all of which counterparts together shall constitute but one and the same instrument. This Agreement shall become effective upon the execution of a counterpart hereof by each of the parties hereto.

XXVIII. **TIME IS OF THE ESSENCE**

Time is of the essence. The parties to this Agreement hereby agree that time is of the essence with respect to each of their respective duties and obligations under this Agreement.

XXIX. **APPROVALS AND WAIVERS**

Whenever this Agreement requires the prior approval or consent of Franchisor, Franchisee shall make a timely written request to Franchisor therefore, and such approval or consent shall be obtained in writing.

Franchisor makes no warranties or guarantees upon which Franchisee may rely, and assumes no liability or obligation to Franchisee, by providing any waiver, approval, consent, or suggestion to Franchisee or in connection with any consent, or by reason of any neglect, delay, or denial of any request thereof.

No failure of Franchisor to exercise any power reserved to it by this Agreement or to insist upon strict compliance by Franchisee with any obligation or condition hereunder, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver of Franchisor's right to demand exact compliance with any of the terms herein. Waiver by Franchisor of any particular default or breach by Franchisee shall not affect or impair Franchisor's rights with respect to any later default or breach of the same, similar or different nature, nor shall any delay, forbearance, or omission, breach or default by Franchisor to exercise any power or right arising out of any breach or default by Franchisee of any of the terms, provisions, or covenants hereof, affect or impair Franchisor's right to exercise the same, nor shall such constitute a waiver by Franchisor of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement.

XXX. **AUTHORITY**

Franchisee or, if Franchisee is a corporation, limited liability company or partnership, the individuals executing this Agreement on behalf of such corporation, limited liability company or partnership, warrant to Franchisor, both individually and in their capacities as Owners, partners, members, shareholders, directors and officers, that all of them as the case may be, have read and approved this Agreement, including the restrictions which this Agreement places upon their right to transfer their respective interests in such entity as set forth in Section XXII.

XXXI. **REPRESENTATIONS AND WARRANTIES BY THE FRANCHISOR**

Franchisee acknowledges and warrants that it has received a complete and final copy of this Agreement, Franchisor's Disclosure Document and applicable exhibits, in a timely fashion as required; and that before signing this Agreement, Franchisee was given ample opportunity to review and examine Franchisor's Disclosure Document and was furnished with copies of the documents. **NO ORAL, WRITTEN OR VISUAL CLAIM OR STATEMENT THAT CONTRADICTS THE DISCLOSURE DOCUMENT WAS MADE.**

FRANCHISEE ACKNOWLDEGES THAT FRANCHISEE AND ALL OF ITS OWNERS, HAVE BEEN ADVISED TO HAVE THIS AGREEMENT AND ALL OTHER DOCUMENTS REVIEWED BY AN ATTORNEY AND THAT FRANCHISEE AND ITS OWNERS HAVE READ, UNDERSTOOD, HAD AN OPPORTUNITY TO DISCUSS AND AGREED TO EACH PROVISION OF THIS AGREEMENT. THE FRANCHISEE AND ITS OWNERS AGREE THAT THERE HAS BEEN NO PRESSURE OR COMPULSION BY FRANCHISOR OR ITS AGENTS TO SIGN THIS AGREEMENT.

FRANCHISEE ACKNOWLEDGES AND AGREES THAT THE SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED TO BE UNDERTAKEN BY FRANCHISEE AND ITS OWNERS IS SPECULATIVE AND WILL BE DEPENDENT ON PERSONAL EFFORTS AND SUCCESS IS NOT GUARANTEED. FRANCHISEE AND ITS OWNERS ACKNOWLEDGE AND REPRESENT THAT IT HAS ENTERED INTO THIS AGREEMENT AND MADE AN INVES(R)ENT ONLY AFTER MAKING AN INDEPENDENT INVESTIGATION OF THE OPPORTUNITY, INCLUDING HAVING RECEIVED A LIST WITH THE UNIFORM DISCLOSURE DOCUMENT OF OTHER CURRENTLY AND PREVIOUSLY OPERATED BRICKS & MINIFIGS® FRANCHISES.

(Signatures on following page)

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this BAM Franchising, Inc. Franchise Agreement in duplicate on this date: 5/15/2017.

FRANCHISOR:

Address for Notices:
BAM Franchising, Inc.
250 Southwest First Ave
Clackamas, OR 97015
Telephone: (503) 387-5152
Fax: (503) 387-5260
Attn: John Masek

BAM Franchising, Inc.

Signed: DocuSigned by: B47413B9F75A484...

Name: John Masek

Title: President

Date: 5/15/2017

FRANCHISEE:

PLASTIC PALETTE LLC

By: DocuSigned by: BB288C9B905E471...
Christina Maria Cooper

Title: Ms

Date: 5/7/2017

By: DocuSigned by: 58455A1BB02D447...
David Alan Thornton

Title: Mr.

Date: 5/7/2017

By: DocuSigned by: C26FDEB650E0485...
Leah Marie Brown

Title: Ms.

Date: 5/7/2017

Address for Notices:

250 SW 1st Ave Canby OR 97013
____

____

Telephone: 619 699 9772

Or the "Store" / "Accepted Location" address (once known)

Telephone: ______________________________________

Fax: ____

SCHEDULE 1
BAM FRANCHISING, INC.
AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENTS
(DIRECT DEPOSIT)

The undersigned depositor ("DEPOSITOR") hereby authorizes BAM Franchising, Inc. ("COMPANY") to initiate debit entries and/or credit correction entries to the undersigned's checking and/or savings account(s) indicated below and the depository designated below ("DEPOSITORY") to debit such account pursuant to COMPANY's instructions.

___________________________ DEPOSITORY (Bank)	_________________________________ Branch
___________________________ Address	_________________________________ City, State and Zip Code
___________________________ Bank Transit/ABA Number	_________________________________ Account Number

This authority is to remain in full force and effect unti1 DEPOSITORY has received joint written notification from COMPANY and DEPOSITOR of the DEPOSITOR's termination of such authority in such time and in such manner as to afford DEPOSITORY a reasonable opportunity on which to act. If an erroneous debit entry is initiated to DEPOSITOR's account, DEPOSITOR shall have the right to have the amount of such entry credited to such account by DEPOSITORY, if (a) within 15 calendar days following the date on which DEPOSITORY sent to DEPOSITOR a statement of account or a written notice pertaining to such entry or (b) 45 days after posting, whichever occurs first, DEPOSITOR shall have sent to DEPOSITORY a written notice identifying such entry, stating that such entry was in error and requesting DEPOSITORY to credit the amount thereof to such account. These rights are in addition to any rights DEPOSITOR may have under federal and state banking laws.

DEPOSITOR (Franchisee):	DEPOSITORY (Bank):
PLASTIC PALETTE LLC	
By: ____________________________	By: ____________________________
Title: ____________________________	Title: ____________________________
Date: ____________________________	Date: ____________________________

SCHEDULE 2
BAM FRANCHISING, INC.
PRE EXISTING BUSINESSES

(NOT APPLICABLE – INTENTIONALLY LEFT BLANK)

SCHEDULE 3
BAM FRANCHISING, INC.
EXECUTIVE ORDER 13224 AND RELATED CERTIFICATIONS

If the Franchisee is an individual or individuals, the Franchisee certifies that he/she/they are not, nor to my/our best knowledge have I/us been designated, a terrorist and/or a suspected terrorist, nor am I/us associated and/or affiliated in any way with any terrorist and/or suspected terrorist person and/or organization, as defined in U.S. Executive Order 13224 and/or otherwise.

If the Franchisee is a company, the person(s) signing on behalf of the Franchisee certify(ies) that, to the Franchisee's and such person's best knowledge, neither the Franchisee, such person, and/or any owners, officers, board members, shareholders, members, partners, similar individuals and/or affiliates/associates of the Franchisee have been designated, a terrorist and/or a suspected terrorist, nor is the Franchisee or any such persons and/or affiliates/associates owned, controlled, associated and/or *affiliated* in any way with any terrorist and/or a suspected terrorist person and/or organization, as defined in U.S. Executive Order 13224 and/or otherwise.

Franchisee agrees to fully comply and/or assist Franchisor in its compliance efforts, as applicable, with any and all laws, regulations, Executive Orders or otherwise relating to antiterrorist activities, including without limitation the U.S. Patriot Act, Executive Order 13224, and related U.S. Treasury and/or other regulations, including properly performing any currency reporting and other obligations, whether relating to the Franchise or otherwise, and/or required under applicable law. The indemnification responsibilities provided in the Franchise Agreement cover the Franchisee's obligations hereunder.

Franchisee:

PLASTIC PALETTE LLC

By: DocuSigned by: Christina Cooper
BB288C9B905E471...
Christina Maria Cooper

Title: Ms

Date: 5/7/2017

[SIGNATURES CONTINUE ON THE FOLLOWING PAGE.]

By: DocuSigned by:
58455A1BB02D447...
David Alan Thornton

Title: Mr.

Date: 5/7/2017

By: DocuSigned by:
C26FDEB650E0485...
Leah Marie Brown

Title: Ms.

Date: 5/7/2017

SCHEDULE 4
BAM FRANCHISING, INC.
ADA & RELATED CERTIFICATIONS

BAM Franchising, Inc. ("Franchisor") and All Bricks All Play Inc. ("Franchisee") are parties to a franchise agreement dated 5/15/2017 (the "Franchise Agreement") for the operation of a Bricks & Minifigs™ Business (the "Store").

In accordance with Section XII.C of the Franchise Agreement, Franchisee certifies to Franchisor that the Store and its adjacent areas comply with all applicable federal, state and local accessibility laws, statutes, codes, rules, regulations and standards, including but not limited to the Americans with Disabilities Act and all local zoning regulations and building codes. Franchisee acknowledges that it is an independent contractor and the requirement of this certification by Franchisor does not constitute ownership, control, leasing or operation of the Store. Franchisee acknowledges that Franchisor has relied on the information contained in this certification. Furthermore, Franchisee agrees to defend, hold harmless and indemnify Franchisor and each and all of the Franchisor-Related Persons/Entities, in connection with any and all claims, losses, costs, expenses, liabilities, compliance costs, and damages incurred by the indemnified party (ies) as a result of any matters associated with Franchisee's compliance (or failure to comply) with the Americans with Disabilities Act, all local zoning regulations and building codes and otherwise, as well as the costs, including attorneys' fees, related to the same.

Franchisee:

PLASTIC PALETTE LLC

DocuSigned by:
By: Christina Cooper
BB288C9B905E471...
Christina Maria Cooper

Title: Ms

Date: 5/7/2017

[SIGNATURES CONTINUE ON THE FOLLOWING PAGE.]

By: DocuSigned by: 58455A1BB02D447...
David Alan Thornton

Title: Mr.

Date: 5/7/2017

By: DocuSigned by: C26FDEB650E0485...
Leah Marie Brown

Title: Ms.

Date: 5/7/2017

SCHEDULE 5
BAM FRANCHISING, INC.
FRANCHISE AGREEMENT: INDIVIDUAL GUARANTY
(USE FOR CORPORATE, PARTNERSHIP OR OTHER ENTITY FRANCHISEE)

This Guaranty is a Schedule to the Franchise Agreement between BAM Franchising, Inc. ("Franchisor") and The Brick Fairy, LLC ("Franchisee") dated 5/15/2017.

1. The undersigned agree, individually and on behalf of his or her marital community, to personally and unconditionally guarantee the performance of Franchisee under the Franchise Agreement and to perform all obligations under this Agreement on default by Franchisee. The undersigned further agree to pay any judgment or award against Franchisee obtained by Franchisor. Guarantors are also bound by covenants of the Agreement that by their nature or terms survive the expiration or termination of the Agreement, including but not limited to non-competition, indemnity and non-disclosure provisions.

2. Guarantors have consulted legal counsel of their own choosing as to their responsibilities and liabilities under this Guaranty.

3. Guarantors agree that:

   (a) Liability under this Guaranty is joint and several;

   (b) Each will render any payment or performance required under this Guaranty on demand, if Franchisee fails or refuses punctually to do so;

   (c) Each will individually comply with the provisions and all subsections of the Agreements and associated documents;

   (d) Liability is not contingent or conditioned on Franchisor's pursuit of any remedies against Franchisee or any other persons; and

   (e) Liability is not affected by any extension of time, acceptance or part performance, release of claims, or other compromise that Franchisor may grant.

(f) Each waives acceptance by Franchisor; waives notice of demand, and waives protest and notice of default, except as may be required by the Franchise Agreement.

Dated See below.

Set forth the name, address and percentage ownership of each owner of Franchisee:

NAME	ADDRESS	PERCENTAGE
Signed:		
DocuSigned by: Christina Cooper BB288C9B905E471... Christina Maria Cooper 5/7/2017	[redacted] Canby OR 97013	33.33%
DocuSigned by: 58455A1BB02D447... David Alan Thornton 5/7/2017	[redacted] Canby OR 97013	33.33%
DocuSigned by: C26FDEB650E0485... Leah Marie Brown 5/7/2017	[redacted], Canby OR 97013	33.33%

SCHEDULE 6
BAM FRANCHISING, INC.
ADDENDUM TO LEASE AGREEMENT

This Collateral Assignment of Lease (the "Assignment") is dated ________________20___. It is by and between __________________________ ("Landlord") and _____________________________ ("Tenant").

RECITALS

On or about ______________20___, Landlord and Tenant executed a lease agreement (the "Lease Agreement") by which Tenant leased from Landlord real property for Tenant's operations of a Bricks and Minifigs franchise at the following location: ____ (the "Franchise Premises").

On or about _________________ ___, 2017, Tenant and BAM FRANCHISING, INC. (the "Franchisor") executed a franchise agreement (the "Franchise Agreement") for Tenant to operate a Bricks and Minifigs franchise at the Franchise Premises.

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

AGREEMENT

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

1. **Use of Franchise Premises**. Landlord acknowledges and agrees that the Franchise Premises may be used only for the operation of a Bricks and Minifigs facility. Landlord permits Tenant to use and display the following service marks, trademarks, and commercial logos: Bricks and Minifigs and all other marks that Franchisor has developed or develops in the future for a Bricks and Minifigs facility.

2. **Landlord Reports and Disclosures to Franchisor**. Tenant acknowledges and agrees that Landlord may, upon Franchisor's written request, disclose to Franchisor all reports, information, or data in Landlord's possession respecting sales made in, upon, or from the Franchise Premises and Tenant's business operations.

3. **Assignment to Franchisor**. Anything contained in the Lease Agreement to the contrary notwithstanding, Landlord agrees that without Landlord's consent, the Lease Agreement and Tenant's right, title and interest, may be assigned by Tenant to Franchisor, without cost or penalty. Landlord grants to Franchisor the right, at Franchisor's election, to receive an assignment of the Lease Agreement and the

leasehold interest in the Franchise Premises, upon termination or expiration of Tenant's Franchise Agreement.

4. **Tenant's Default; Notice to Franchisor**. Landlord will give written notice to Franchisor (concurrently with the giving of notice to Tenant) of any breach by Tenant under the Lease Agreement. Franchisor will have the right (but not obligation), in Franchisor's sole discretion, to cure any breach at Tenant's expense within **15** business days after the expiration of the period in which Tenant had to cure the default. Notice will be sent to the following address, or to the address Franchisor may, from time to time, specify in writing to Landlord:

BAM FRANCHISING, INC.
10121 SE Sunnyside Road, Suite 115
Clackamas, OR 97015

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

6. **Renewal, Extension, or Cancellation of the Lease Agreement**. Landlord will not extend, renew, or cancel the Lease Agreement without Franchisor's prior written consent, which consent will not be unreasonably withheld.

7. **Third Party Beneficiary**. Tenant and Landlord acknowledge and agree that Franchisor is a third party beneficiary of this Lease Agreement Rider, and Franchisor is entitled to all rights and remedies conferred upon Franchisor under this Lease Agreement Rider (which Franchisor may enforce directly against Tenant or Landlord, with or without the consent or joinder of Tenant). Notwithstanding anything contained in this Lease Agreement Rider, Franchisor will have no liability under the Lease or this Lease Agreement Rider unless Franchisor expressly enters into a written agreement with Landlord.

8. **Signatures**.

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

Tenant: ______________________________

By: ______________________________

Name: ______________________________

Title: ______________________________

Landlord: ______________________________

By: ______________________________

Name: ______________________________

Title: ______________________________

SCHEDULE 7
BAM FRANCHISING, INC.
STATEMENT OF OWNERSHIP INTERESTS AND PRINCIPALS

(TO BE COMPLETED IF FRANCHISE WILL BE OPERATED THROUGH AN ENTITY)

A. The following is a list of all managing partners, partners, LLC members, LLC managers, shareholders or other Owners or investors in Franchisee, including all investors who own or hold direct or indirect interest in Franchisee and a description of the nature of their interest.

Name	**Percentage of Ownership/Nature of Interest**
Christina Maria Cooper	33.33%
David Alan Thornton	33.33%
Leah Marie Brown	33.33%

B. In addition to the persons listed in paragraph A., the following is a list of all Franchisee's Principals described in and designated pursuant to Section XIX.B of the Franchise Agreement. Each of Franchisee's Principals shall also execute the Confidentiality and Non-Competition Agreement in the form set forth in Schedule 8.

SCHEDULE 8
BAM FRANCHISING, INC.
CONFIDENTALITY AND NON-COMPETE AGREEMENT

This Agreement is made and entered into 5/15/2017, between BAM Franchising, Inc., an Oregon Corporation (hereinafter referred to as "***Franchisor***"), and Christina Maria Cooper, David Alan Thornton, and Leah Marie Brown, individuals (hereinafter referred to as "***You***") and PLASTIC PALETTE LLC, an Oregon limited liability company (the "***Franchisee***").

RECITALS:

WHEREAS, Franchisor has acquired the right to develop a unique system (the "***System***") for the development and operation of businesses under the name and mark "Bricks & Minifigs®" ("***Store***"); and

WHEREAS, the System includes but is not limited to certain trade names, service marks, trademarks, symbols, logos, emblems, and indicia of origin, including, but not limited to the mark Bricks & Minifigs™ and such other trade names, service marks, and trademarks as Franchisor may develop in the future to identify for the public the source of services and products marketed under such marks and under the System and representing the System's high standards of quality, appearance and service standards; build out specifications, distinctive signage, exterior and interior design, décor and color scheme; distinctive products, purchasing strategies, merchandising methods and techniques, inventory management systems, vendor and supplier relationships, cost and pricing strategies, promotional programs, procedures for safety and quality control, operational procedures, customer service standards, advertising and marketing materials, bookkeeping, financing and accounting methods all of which may be changed, improved and further developed by Franchisor from time to time and are used by Franchisor in the operation of the System ("***Trade Secrets***"); and

WHERAS, the Trade Secrets provide economic advantages to Franchisor and are not generally known to and are not readily ascertainable by proper means by Franchisor competitors who could obtain economic value from knowledge and use of the Trade Secrets; and

WHEREAS, Franchisor has taken and intends to take all reasonable steps to maintain the confidentiality and secrecy of the Trade Secrets; and

WHEREAS, Franchisor has granted Franchisee a limited right to manage and participate in the operation of a Store using the System and the Trade Secrets for the period defined in the Franchise Agreement made and entered into 5/15/2017 ("***Franchise Agreement***") between Franchisee and Franchisor; and

WHEREAS, Franchisee and Franchisor have agreed in the Franchise Agreement on the importance to Franchisor and to Franchisee and other licensed users of the System of restricting use, access and dissemination of the Trade Secrets; and

WHEREAS, it will be necessary for certain of Franchisee's owners to have access to and to use some or all of the Trade Secrets in the management and operation of the Store using the System; and

WHEREAS, Franchisee has agreed to obtain from its owners written agreements protecting the Trade Secrets and the System against unfair competition; and

WHEREAS, Franchisee will receive and use the Trade Secrets in the course of operating the Store;

NOW, THEREFORE, in consideration of the mutual covenants and obligations contained herein, the parties agree as follows:

1. Franchisor shall disclose to you some or all of the Trade Secrets relating to the System.

2. You shall receive the Trade Secrets in confidence, maintain them in confidence and use them only in connection with the management and/or operation of the Store using the System for so long as you are affiliated with the Franchisee and the Franchisee is licensed by Franchisor to use the System.

3. You shall not at any time make copies of any documents or compilations containing some or all of the Trade Secrets without Franchisor's express written permission.

4. You shall not at any time disclose or permit the disclosure of the Trade Secrets except to Franchisee's staff members and then only to the limited extent necessary to train or assist such staff members in the management or operation of the Store using the System.

5. That all information and materials, including without limitation, build out drawings, specifications, techniques and compilations of data which Franchisor shall designate as confidential shall be deemed the Trade Secrets for the purposes of this Agreement.

6. You shall surrender the confidential Franchise Operations and Procedures Manual and such other manuals and written materials as Franchisor shall have developed ("Manuals") described in the Franchise Agreement and any other material containing some or all of the Trade Secrets to Franchisor or Franchisee, upon request, or upon termination of your relationship with the Franchisee, or upon conclusion of the use for which the Manuals or other information or material may have been furnished to you.

7. You shall not, directly or indirectly, commit any act or omit to do any act that would or would likely be injurious or prejudicial to the goodwill associated with the Trade Secrets and the System, or the Names and Marks.

8. The Manuals are loaned by Franchisor to Franchisee for limited purposes only and remain the property of Franchisor and may not be reproduced, in whole or in part, without Franchisor's written consent.

9. In further consideration for the disclosure to you of the Trade Secrets and to protect the uniqueness of the System, you agree that for three (3) years following the earlier of cessation of your relationship with the Franchisee, or the expiration, termination or transfer of all of Franchisee's interest in the Franchise Agreement, you will not, without the prior written consent of Franchisor:

a. Divert or attempt to divert, directly or indirectly, any business, business opportunity or customer of the Store to any competitor.

b. Employ or seek to employ any person who is at the time employed by Franchisor or any franchisee or developer of Franchisor's, or otherwise directly or indirectly induce such persons to leave that person's employment.

c. Directly or indirectly, for yourself or through, on behalf of or in conjunction with any person, partnership or corporation, own, maintain, operate, engage in or have any financial or beneficial interest in (including interest in corporations, limited liability companies, partnerships, trusts, unincorporated associations or joint ventures), advise, assist or make loans to, any business which is the same as or similar to the Store including, but not limited to, any other re-sale business offering products and services that are similar to the Products or Services offered by a Bricks & Minifigs® franchised or company-owned store ("Competing Business") which business is, or is intended to be, located within a 25-mile radius of the Accepted Location or of any franchised or company-owned Bricks & Minifigs® location in existence or under construction as of the earlier of: (i) the expiration or termination of, or the transfer of all or Franchisee's interest in, the Franchise Agreement; or (ii) the time you cease to be retained/contracted/affiliated by/with Franchisee, as applicable. In addition, you may not directly or indirectly participate (as described above) in a Competing Business via online e-commerce or any similar medium anywhere in the world during the time frames described above.

10. You undertake to use your best efforts to ensure that Franchisee's staff acts as required by this Agreement.

11. You agree that in the event of a breach of this Agreement, Franchisor would be irreparably injured and be without an adequate remedy at law. Therefore, in the event of such a breach, or threatened or attempted breach of any of the provisions hereof, Franchisor shall be entitled to enforce this Agreement and shall be entitled, in addition to any other remedies which are available to it at law or in equity, including the right to terminate the Franchise Agreement, to a temporary and/or permanent injunction and a decree for the specific performance of the terms of this Agreement, without the necessity of showing actual or threatened harm and without being required to furnish a bond or other security.

12. You agree to pay all expenses (including court costs and reasonable legal fees) incurred by Franchisor or Franchisee in enforcing this Agreement.

13. Any failure by Franchisor or Franchisee to object or to take action with respect to any breach of this Agreement by you shall not operate or be construed as a waiver of or consent to that breach or any later breach by you.

14. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF OREGON. THE PARTIES AGREE THAT ANY ACTION BROUGHT BY ANY PARTY AGAINST ANOTHER IN ANY COURT, WHETHER FEDERAL OR STATE, SHALL BE BROUGHT IN OREGON IN THE JUDICIAL DISTRICT IN WHICH FRANCHISOR HAS ITS PRINCIPAL PLACE OF BUSINESS; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION WHICH INCLUDES INJUNCTIVE RELIEF, FRANCHISEE OR FRANCHISOR MAY BRING SUCH ACTION AGAINST YOU IN ANY COURT IN THE STATE WHICH HAS JURISDICTION. THE PARTIES HEREBY WAIVE ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION.

15. The parties agree that each of the above covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having a valid jurisdiction in an unappealed final decision to which Franchisor is a party, you expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Agreement.

16. This Agreement contains the entire agreement of the Parties regarding the specific subject matter herein. This Agreement may be modified only by a duly authorized amendment executed by all parties.

17. All notices and demands required to be given herein shall be in writing and shall be sent by personal delivery, expedited delivery service, certified or registered mail, return receipt requested, first-class postage prepaid or facsimile, telegram or telex (provided that the sender confirms the facsimile, telegram or telex by sending an original confirmation copy by certified or registered mail or expedited delivery service within three (3) business days after transmission), to the respective parties.

If directed to Franchisor, the notice shall be addressed to:

BAM Franchising, Inc.
10121 SE Sunnyside Road, Suite 115
Clackamas, OR 97015
Attention: John Masek
Facsimile: (503) 387-5260
Telephone: (503) 387-5152

If directed to you, the notice shall be addressed to:

PLASTIC PALETTE LLC
Attn: Christina Maria Cooper, David Alan Thornton, and Leah Marie Brown
250 SW 1st Ave Canby OR 97013
____
____

Or

"Accepted Location" address (once known)
Attention: Christina Maria Cooper, David Alan Thornton, and Leah Marie Brown
Facsimile: __________________________________
Telephone: __________________________________

Any notices sent by personal delivery shall be deemed given upon receipt. Any notices given by facsimile, telegram or telex shall be deemed given upon transmission, provided confirmation is made as provided above.

Any notices sent by expedited delivery service or certified or registered mail shall be deemed given three (3) business days after the time of mailing. Any change in the above addresses shall effected by giving fifteen (15) days written notice of such change to the other party.

18. The rights and remedies of Franchisor under this Agreement are fully assignable and transferable and shall inure to the benefit of its successors, assignees and transferees. Your obligations herein are personal in nature and may not be assigned by you.

IN WITNESS WHEREOF, the undersigned have entered into this Agreement as witnessed by their signatures below.

Franchisor: **BAM FRANCHISING, INC.,** an Oregon Corporation

Printed Name: John Masek

Signature: DocuSigned by: B47413B9F75A484... 5/15/2017

Title: President

Franchisee: **PLASTIC PALETTE LLC**, an Oregon limited liability company

By: DocuSigned by: Christina Cooper BB288C9B905E471...
Christina Maria Cooper

Title: Ms

Date: 5/7/2017

By: DocuSigned by: 58455A1BB02D447...
David Alan Thornton

Title: Mr.

Date: 5/7/2017

By: DocuSigned by: C26FDEB650E0485...
Leah Marie Brown

Title: Ms.

Date: 5/7/2017

You:

Signed: DocuSigned by: Christina Cooper BB288C9B905E471... 5/7/2017
Christina Maria Cooper, an individual

Signed: DocuSigned by: 58455A1BB02D447... 5/7/2017
David Alan Thornton, an individual

Signed: DocuSigned by: C26FDEB650E0485... 5/7/2017
Leah Marie Brown, an individual

SCHEDULE 9
BAM FRANCHISING, INC.
ACCEPTED LOCATION AND TERRITORY

Accepted Location. The Accepted Location is located at the following address:

250 SW 1st Ave.
Canby, Oregon 97013

Territory. The Territory is defined as the following zip codes in the State of Oregon as constituted on the effective date of the Franchise Agreement:

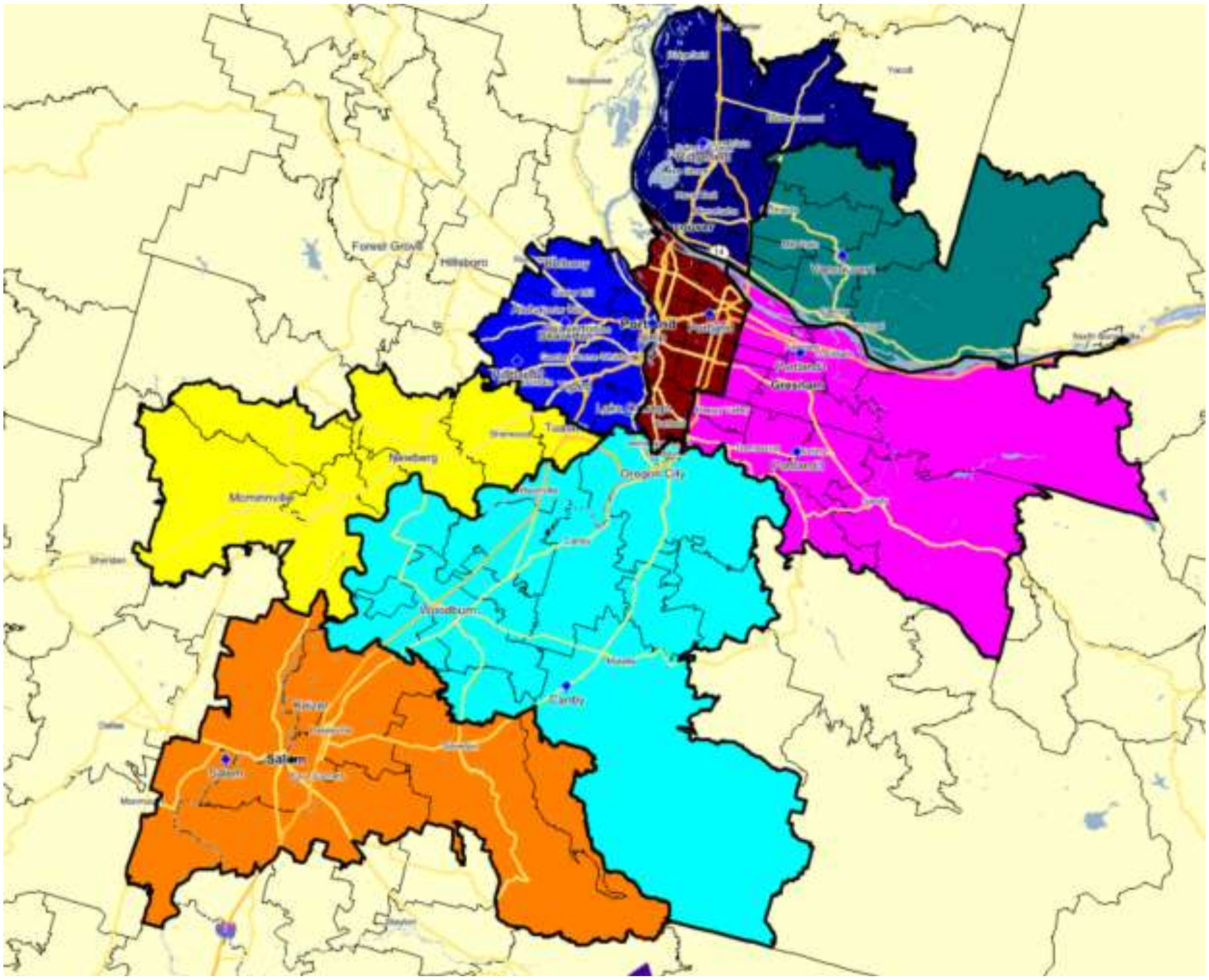
97002
97004
97013
97020
97026
97027
97032
97038
97042
97045
97068
97070
97071
97137
97362

Also, attached is a map delineating the area boundaries of the Territory. (See the lightest blue area). In the event of conflict, the zip codes listed above shall control.

The Accepted Location must be in the United States of America, legally available pursuant to state and federal franchise and business opportunity disclosure and registration laws and pursuant to our contractual commitments (including those with our other franchisees) and in compliance with our franchise placement, market development and demographic criteria.

Except as specifically outlined or forbidden in the relevant Franchise Agreement, there are no understandings oral or written concerning the future placement of stores by any party and concerning any territory protections granted to you.

[MAP APPEARS ON THE FOLLOWING PAGE.]


Forest Grove
Hillsboro
Oregon City
Woodburn
Canby
Salem

FRANCHISE DISCLOSURE QUESTIONNAIRE

As you know, BAM Franchising, Inc. ("we," "us" or "Franchisor") and you are preparing to enter into a Franchise Agreement for the operation of a Bricks & Minifigs® Franchise. The purpose of this Questionnaire is to determine whether any statements or promises were made to you that we have not authorized and that may be untrue, inaccurate, or misleading.

Please review each of the following questions carefully and provide honest and complete responses to each question.

1. Have you received and personally reviewed our Franchise Agreement and each exhibit and schedule attached to it?

   Yes X X X No____ Your Initials ________ DS DS DS

2. Do you understand all of the information contained in the Franchise Agreement and each exhibit and schedule attached to it?

   Yes X X X No____ Your Initials ________ DS DS DS

   If "No," what parts of the Franchise Agreement do you not understand? (Attach additional pages, if necessary)

   .
   ____
   .
   ____
   .
   ____

   ____

3. Have you received and personally reviewed the Disclosure Document we provided to you?

   Yes X X X No____ Your Initials ________ DS DS DS

4. Do you understand all of the information contained in the Disclosure Document?

   Yes X X X No____ Your Initials ________ DS DS DS

   If "No," what parts of the Disclosure Document do you not understand? (Attach additional pages, if necessary)

   .
   ____
   .
   ____
   .
   ____

   ____

5. Do you understand the potential benefits and risks of operating a Franchise?

Yes X X X No____ Your Initials DS DS DS

Did you retain an attorney, accountant or other professional advisor to advise you regarding the potential benefits and risks of operating a Franchise?

Yes ____ No X X X Your Initials DS DS DS

If you decided not to retain one or more professional advisor(s), do you accept the risks of your decision not to retain such advisor(s)?

Yes X X X No____ Your Initials DS DS DS

6. Do you understand that the success or failure of your business will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors?

Yes X X X No____ Your Initials DS DS DS

7. Has any employee or other person speaking on our behalf made any statement or promise concerning the revenues, profits or operating costs of a Franchise operated by us or our franchisees?

Yes ____ No X X X Your Initials DS DS DS

8. Has any employee or other person speaking on our behalf made any statement or promise concerning the Franchise that is contrary to, or different from, the information contained in the Disclosure Document?

Yes ____ No X X X Your Initials DS DS DS

9. Has any employee or other person speaking on our behalf made any statement or promise regarding the amount of money you may earn in operating a Franchise?

Yes ____ No X X X Your Initials DS DS DS

10. Has any employee or other person speaking on our behalf made any statement or promise concerning the total amount of revenue a Franchise will generate?

Yes ____ No X X X Your Initials DS DS DS

11. Has any employee or other person speaking on our behalf made any statement or promise regarding the costs you may incur in operating a Franchise that is contrary to, or different from, the information contained in the Disclosure Document?

Yes ____ No X X X Your Initials DS DS DS

12. Has any employee or other person speaking on our behalf made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a Franchise?

Yes ____ No_x_ x x Your Initials ____

13. Has any employee or other person speaking on our behalf made any statement, promise, or agreement concerning the advertising, marketing, training, support service or assistance that we will furnish you that is contrary to, or different from, the information contained in the Disclosure Document?

Yes ____ No_x_ x x Your Initials ____

14. If you have answered "Yes" to any of questions 7 through 13, please provide a full explanation of your answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.)

If you have answered "No" to any of questions 7 through 13, please leave the following lines blank.

.

.

.

15. 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 the Franchisor?

Yes _x_ x x No____ Your Initials ____

You understand that your answers are important to us and we will rely on them. By signing this questionnaire, you are representing that you have responded truthfully to the above questions.

[SIGNATURES APPEAR ON THE FOLLOWING PAGE.]

Franchisee: PLASTIC PALETTE LLC, an Oregon limited liability company

By: DocuSigned by: Christina Cooper BB288C9B905E471...
Christina Maria Cooper

Title: Ms

Date: 5/7/2017

By: DocuSigned by: 58455A1BB02D447...
David Alan Thornton

Title: Mr.

Date: 5/7/2017

By: DocuSigned by: C26FDEB650E0485...
Leah Marie Brown

Title: Ms.

Date: 5/7/2017

Owners:

Signed: DocuSigned by: Christina Cooper BB288C9B905E471...
Christina Maria Cooper, an individual

Date: 5/7/2017

Signed: DocuSigned by: 58455A1BB02D447...
David Alan Thornton, an individual

Date: 5/7/2017

Signed: DocuSigned by: C26FDEB650E0485...
Leah Marie Brown, an individual

Date: 5/7/2017

RECEIPT
BAM FRANCHISING, INC

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully. If BAM FRANCHISING, INC. offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. (New York and Rhode Island law require delivery at the earlier of the first personal meeting or at least 10 business days, and Michigan and Wisconsin law require delivery at least 10 business days, before signing/paying.)

If BAM FRANCHISING, INC. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency as identified on Exhibit 2.

BAM FRANCHISING, INC.'s franchise sellers are John Masek, David Ortiz, and Reed Brimhall, 10121 SE Sunnyside Road, Suite 115, Clackamas, OR 97015, (888) 534-6776.

Issuance Date: March 28, 2016 (and effective as of the individual state registration dates reflected on the cover page).

I have received a Bricks & Minifigs® disclosure document dated as indicated above that included the following Exhibits:

1. Franchise Agreement with attached Schedules
2. List of State Agencies and Regulators
3. Franchise Disclosure Questionnaire
4. State Addenda
5. Operations Manual Table of Contents
6. Option Agreement
7. List of Franchisees
8. Franchisees Who Have Left the System
9. Financial Statements
10. Receipts

DATED January 23, 2017 *(must be dated at least 14 calendar days before date of Franchise Agreement)*

PLASTIC PALETTE LLC, an Oregon limited liability company

By: DocuSigned by: Christina Cooper
BB288C9B905E471...
Christina Maria Cooper

Title: Ms

By: DocuSigned by: [signature]
58455A1BB02D447...
David Alan Thornton

Title: Mr.

By: DocuSigned by: [signature]
C26FDEB650E0485...
Leah Marie Brown

Title: Ms.

[SIGNATURES CONTINUE ON THE FOLLOWING PAGE.]

Owners:

Signed: DocuSigned by: Christina Cooper
BB288C9B905E471...
Christina Maria Cooper, an individual

Signed: DocuSigned by:
58455A1BB02D447...
David Alan Thornton, an individual

Signed: DocuSigned by:
C26FDEB650E0485...
Leah Marie Brown, an individual

RECEIPT
BAM FRANCHISING, INC

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully. If BAM FRANCHISING, INC. offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. (New York and Rhode Island law require delivery at the earlier of the first personal meeting or at least 10 business days, and Michigan and Wisconsin law require delivery at least 10 business days, before signing/paying.)

If BAM FRANCHISING, INC. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency as identified on Exhibit 2.

BAM FRANCHISING, INC.'s franchise sellers are John Masek and David Ortiz, 250 Southwest 1st Avenue, Canby, OR 97013, (503) 263-3337.

Issuance Date: March 28, 2016 (and effective as of the individual state registration dates reflected on the cover page).

I have received a Bricks & Minifigs® disclosure document dated as indicated above that included the following Exhibits:

1. Franchise Agreement with attached Schedules
2. List of State Agencies and Regulators
3. Franchise Disclosure Questionnaire
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5. Operations Manual Table of Contents
6. Option Agreement
7. List of Franchisees
8. Franchisees Who Have Left the System
9. Financial Statements
10. Receipts

DATED this 23 day of January, 2017.

Signatures of All Prospective Franchisees:

Signature: Christina Cooper Signature: [signature]

Print Name: Christina Cooper Print Name: David Thornton

Name of Corporation/LLC/Partnership (if applicable): —

By: — Title: —

RETURN THIS SIGNED FORM TO THE FRANCHISOR.
Mail to: BAM Franchising, Inc., 250 Southwest 1st Avenue, Canby, OR 97013. **Fax to:** (503) 263-3354

FRANCHISE AGREEMENT AMENDMENT

This Franchise Agreement Amendment ("***Amendment***") amends the Bricks and Minifigs Franchise Agreement ("***Franchise Agreement***") dated 5/15/2017 ("***Effective Date***"), by and between BAM FRANCHISING, INC., an Oregon corporation ("***Franchisor***") and PLASTIC PALETTE LLC, an Oregon limited liability company ("***Franchisee***").

In consideration of the mutual promises and other good and valuable consideration described in the Franchise Agreement, the parties agree as follows:

1. **Store Opening Deadline**. The parties acknowledge and agree that obligations in the Franchise Agreement related to the "Opening Deadline" (for opening the Store) are not relevant given that the Franchise Agreement is for Franchisee's purchase of an operational store.

2. **Execution Prior to Transaction Closing**.

2.1 The parties are executing the Franchise Agreement before formal closing of Franchisee's acquisition of business assets (the "***Business Transaction***") from Cerebral Plastics, Inc., the current owner of the Store. The parties acknowledge that one purpose for this is to permit the Franchisee to participate in the Franchisor's initial training program before the closing of the Business Transaction and before the Franchisee begins Store operations. Therefore, despite any provision in the Franchise Agreement to the contrary, if the Business Transaction fails to close on or before **June 15, 2017** (the "***Closing Deadline***") for any reason, then Franchisor may immediately terminate the Franchise Agreement by delivery of written notice to Franchisee.

2.2 Moreover, Franchisor may immediately terminate the Franchise Agreement before June 15, 2017 upon (1) delivery of written notice by Franchisee to Franchisor that Franchisee will be unable or unwilling to close the Business Transaction by June 15, 2017; or (2) if it is clearly evident to Franchisor, in Franchisor's reasonable discretion, that the Franchisee is unwilling or unable to close the Business Transaction by June 15, 2017.

2.3 Notwithstanding the foregoing, the Franchisor may extend the Closing Deadline by delivery of written notice to Franchisee.

2.4 Upon termination of the Franchise Agreement under this Section 2, Franchisor will promptly refund the Initial Franchise Fee collected from the Franchisee minus Franchisor's reasonable out-of-pocket costs related to Franchisee and incurred through the date of termination, including but not limited to attorney fees and training expenses.

2.5 Upon termination of the Franchise Agreement under this Section 2, Franchisee shall remain bound to its obligations under the Franchise Agreement that expressly or by reasonable implication are intended to extend beyond termination of the Franchise Agreement. This includes, but is not limited to, provisions regarding confidentiality and non-competition.

3. **Miscellaneous**.

3.1 This Amendment is hereby incorporated into the Franchise Agreement. In the event of conflict, the provisions of this Amendment supersede the corresponding provisions of the Franchise Agreement. Otherwise, the provisions of the Franchise Agreement remain unchanged.

3.2 Any capitalized terms not otherwise defined in this Amendment will have the meanings given to such terms in the Franchise Agreement.

3.3 The parties acknowledge and agree that this Amendment is the result of negotiations initiated by the Franchisee.

IN WITNESS WHEREOF, the parties hereto have duly executed this Amendment as of the Effective Date of the Franchise Agreement.

Franchisor: BAM FRANCHISING, INC., an Oregon corporation

By: DocuSigned by: B47413B9F75A484...

Name: John Masek

Title: President

Date: 5/15/2017

Franchisee: PLASTIC PALETTE LLC, an Oregon limited liability company

By: DocuSigned by: Christina Cooper BB288C9B905E471...
Christina Maria Cooper

Title: Ms

Date: 5/7/2017

By: DocuSigned by: 58455A1BB02D447...
David Alan Thornton

Title: Mr.

Date: 5/7/2017

By: DocuSigned by: C26FDEB650E0485...
Leah Marie Brown

Title: Ms.

Date: 5/7/2017

Exhibit 2

DENTONS DURHAM JONES PINEGAR

Phillip C. Kuck
Associate Attorney

phillip.kuck@dentons.com
O 1+ (801) 375-6600

Dentons Durham Jones Pinegar P.C.
3301 North Thanksgiving Way, Ste 400
Lehi, Utah 84043
United States

dentons.com

September 1, 2023

Via U.S. Mail, Fed Ex and E-Mail,

S. Ward Greene, Esq.
121 SW Morrison Street, Suite 600
Portland, Oregon 97204

[redacted]a Cooper
[redacted]
7013

[redacted]

[redacted]

Re: ***Notice of Termination to Plastic Palette, LLC***

Dear Mr. Green, Ms. Cooper, Ms. Brown and Mr. Thornton,

As you are aware, Dentons Durham Jones Pinegar P.C. represents BAM Franchising, Inc. ("BAM"), the franchisor of Bricks and Minifigs®. On behalf of BAM, we formally informed you, in writing, by its 1/16/23 Notice of Default ("Notice of Default") respecting your material and ongoing breaches of the 5/17/17 *Franchise Agreement* ("*Franchise Agreement*") between BAM and Plastic Palette, LLC ("Plastic Palette"), as a franchisee.

The Notice of Default informed you that you were in material breach of numerous sections of the *Franchise Agreement*, and provided you with specific written notice that BAM would exercise its right to immediately terminate the *Franchise Agreement*, if such breaches were not timely cured and an acceptable plan for continued operation was not mutually agreed upon. BAM has been most reasonable and patient, however, as of the date hereof, many breaches in the Notice of Default have not been cured and no meaningful plan has been proposed and accepted. Indeed, your actions and inactions have continued to undermine the interests of both BAM and Bricks and Minifigs, to erode BAM's confidence in your ability to properly and lawfully manage Bricks and Minifigs and to ignore your duties to BAM under the *Franchise Agreement*, including implied duties of good faith and fair dealing, which have further compromised the reputation of BAM.

Based on information available to BAM, Plastic Palette remains in default of the *Franchise Agreement* with regard to, *inter alia*, the following:

- Plastic Palette has failed to update signage as requested. *See Franchise Agreement*, **Sections 23.C.13, 7.B.8; 12.A.1 and 3**.

- The members of Plastic Palette have exhibited a reckless disregard for the physical and/or mental well-being of BAM, including unacceptable behavior as determined in BAM's discretion. *See Franchise Agreement*, **Section 23.C.20**. Specifically but non-exhaustively, Plastic Palette has ignored BAM's request to undo the unlawful assignment of the franchise ownership, has ignored BAM's request to update signage, has threatened to file frivolous lawsuits against BAM if it does not take actions that BAM is not required to take (i.e., including assuming Plastic Palette's debts and finding Plastic Palette a buyer and for an inflated sum), and has created a hostile environment among its members and employees up to and including the most recent events discussed below.

- The members of Plastic Palette have continued to engage in unethical conduct. *See Franchise Agreement*, **Section 23.C.29**. Specifically but non-exhaustively, Plastic Palette has ignored BAM's request to undo the unlawful assignment of the franchise ownership, has ignored BAM's request to update signage, has threatened to file frivolous lawsuits against BAM if it does not take actions that BAM is not required to take (i.e., including assuming Plastic Palette's debts and finding Plastic Palette a buyer and for an inflated sum), and has created a hostile environment among its members and employees up to and including the most recent events discussed below.

- The members of Plastic Palette have failed to maintain high standards of business activities by creating a hostile work environment. *See Franchise Agreement*, **Section 12.A.14**. Specifically but non-exhaustively, Plastic Palette has ignored BAM's request to undo the unlawful assignment of the franchise ownership, has ignored BAM's request to update signage, has threatened to file frivolous lawsuits against BAM if it does not take actions that BAM is not required to take (i.e., including assuming Plastic Palette's debts and finding Plastic Palette a buyer and for an inflated sum), and has created a hostile environment among its members and employees up to and including the most recent events discussed below.

- The members of Plastic Palette have disrupted regular operations. *See Franchise Agreement*, **Section 12.K**. Specifically but non-exhaustively, Plastic Palette has ignored BAM's request to undo the unlawful assignment of the franchise ownership, has ignored BAM's request to update signage, has threatened to file frivolous lawsuits against BAM if it does not take actions that BAM is not required to take (i.e., including assuming Plastic Palette's debts and finding Plastic Palette a buyer and for an inflated sum), and has created a hostile environment among its members and employees up to and including the most recent events discussed below. Members of Plastic Palette appear to prefer antagonizing each other, rather than attending to the regular operations of the store.

- Upon information presently available, Plastic Palette has continued on without reverting ownership to equal parts among the three owners, per BAM's request, thereby ignoring its default under *Franchise Agreement*, **Sections 12.R.8, 22.B, and 23.C.11**.

In addition, BAM is advised that Ms. Cooper and Brown made a unilateral decision to terminate Mr. Thornton's position as manager of the Canby, OR Bricks & Minifigs store. Counsel for Plastic Palette stated that Mr. Thornton's employment termination was necessary due to: (1) his continual refusal to provide essential information; (2) his sending numerous threatening text messages the week prior; and (3) his inviting his own termination, if the other members of Plastic Palette would not turn over ownership of the LLC. Mr. Thornton is a part owner of the store and member of Plastic Palette, LLC. Plastic Palette has represented that following Mr. Thornton's employment termination, Mr. Thornton returned to the store to find that the other two members of Plastic Palette, Ms. Christina Cooper and Ms. Leah Brown had changed the locks. Mr. Thornton thereafter returned to the store on Saturday morning and accosted Jon Beyer, an employee of the store. Following this confrontation, Mr. Thornton apparently left screaming, yelling and honking his horn. Counsel for Plastic Palette reports that Mr. Thornton refuses to turn over passwords and access to the storage unit, which contains inventory and other property belonging to the store. These actions further constitute grounds for immediate termination given the management and operational disfunction evidenced and utter disregard respecting normal store operations.

The events enumerated above were committed by members of Plastic Palette and constitute violations of the *Franchise Agreement* including: (1) **Section 23.C.20** (Exhibiting a reckless disregard for the physical and/or mental well-being of BAM, including unacceptable behavior as determined in BAM's discretion); (2) **Section 23.C.29** (Engaging in unethical conduct); (3) **Section 7.B.3** (Failing to operate the franchised business to BAM's satisfaction); (4) **Section 7.B.3** (Failing to meet BAM's current standards for franchisees); (5) **Section 12.A.14** (Failing to maintain high standards of business activities by creating a hostile work environment); (6) **Section 12.K** (Disrupting regular operations); and (7) **Section 23.C.39** (Materially violating the terms of Sections 12 and 22 of the *Franchise Agreement*).

Therefore, you are hereby notified that the *Franchise Agreement* is terminated, effectively immediately, pursuant to Section VII thereof.

You are further notified that BAM hereby exercises its right, under *Franchise Agreement*, **Section XXIV. G.**, to exercise its right of first refusal and to purchase the assets of Franchisee. The *Franchise Agreement* states that if BAM exercises this right, that Franchisee *must* transfer interest in the franchised business and its assets. BAM therefore has the right to purchase any or all assets (defined as "leasehold improvements, POS systems, computers, furnishings, fixtures, equipment, signage, products, inventory, vehicles, and the lease or sublease for the store") at fair market value (determined based on a five year straight-line depreciation of the asset's original costs). For assets that are five or more years old, the parties agreed in the *Franchise Agreement* that fair market value shall be deemed to be ten percent (10%) of the Asset's original cost; and for any items that display the Marks, the fair market value is agreed to be zero. Formulas to determine values of specific items are further outlined in the Franchise's operations manual and trainings and are non-negotiable. Consistent with Plastic Palette's' responsibility to log their inventory, BAM requests that Plastic Palette produce to BAM a complete list of current inventory no later than **6:00 PM Pacific Time on 09/02/23**.

Note that selling assets to a competitor is a violation of the non-competition clause, which will be immediately enforced by BAM, if necessary. *See Franchise Agreement*, Schedule 8, Confidentiality and Non-Compete Agreement. BAM's purchase of any of the assets will include a global release to all claims against BAM.

As noted, BAM has the right, but not the obligation, to assume possession of the lease for Plastic Palette's Bricks and Minifigs store, the exercise of which BAM hopes to determine shortly. *See Franchise Agreement*, **Section XXIV.G** and **Schedule 6**, Addendum to Lease Agreement. BAM requests that Plastic Palette immediately advise BAM, in writing, if it wishes to continue or terminate its lease, or if it wishes BAM to exercise BAM's right to assume the lease. Should BAM agree to assume the lease, such should minimize your losses. While BAM presumes that your Landlord would be amenable to BAM assuming the lease, BAM requests the courtesy of your advice as to the continuation of the lease before BAM makes its final determination and/or inquires of the Landlord.

Pursuant to the Termination provisions contained in Section XXIV of the *Franchise Agreement*, your obligations upon termination are as follows:

A. Cease using the Names, Marks, and any Confidential Information;

B. Cease Operating the Business and tender Franchisor's Proprietary Products:

> **<u>Franchisee shall immediately cease to operate Bricks & Minifigs® store</u>** under this Agreement, and shall not thereafter, directly or indirectly, represent itself to the public or hold itself out as a present or former Franchisee of Franchisor. (emphasis added).
>
> Franchisee must immediately tender all new and unexpired inventories of Franchisor's Proprietary Products to Franchisor and/or Franchisor's designated affiliates or destroy, if notified by Franchisor in writing to do so, all inventory of Franchisor' s branded products in a timely manner as in accordance with the terms of the Operations Manual and as specified in Section XXIV.G of this Agreement.

C. Do not adopt confusingly similar Names or Marks;

D. Cancel confusingly similar names and transfer phone numbers:

> Franchisee further agrees that upon termination or expiration of this Agreement, Franchisee shall take all action necessary to cancel all assumed names or equivalent registrations relating to its use of any or all of the Names and Marks. Franchisee shall take all actions necessary to transfer all phone numbers,

addresses, domain names, listings and location contacts for the Store to Franchisor or its designee, including but not limited to authorizing all telephone, Internet, email, electronic network, directory and listing entities to effectuate the same.

E. Transfer or terminate domain name and website:

Upon termination or expiration of this Agreement, Franchisee agrees that, Franchisor will have the absolute right to notify Interknit, ICANN and all other Internet authorities of the termination or expiration of your right to use all domain names, Websites and other search engines for the Store and to authorize the above and other search engines to transfer to us or our designee all domain names, Websites and search engines associated with the Store. Franchisee acknowledges and agrees that we have the absolute right to, and interest in, all domain names, Websites and search engines related to the Store and that [BAM has] the full right and authority to direct the above Internet authorities and all search engines to transfer Franchisee's domain names, Websites and search engines to us or our designee if this Agreement expires or is terminated for any reason. Franchisee further acknowledges that this Agreement will constitute a release by Franchisee of the above Internet authorities from any and all claims, liabilities, actions and damages that you may, at any time, have the right to allege against them in connection with this provision.

F. Return Operations Manual (s) and other materials;

G. Sell Assets of the Franchise to Franchisor:

Franchisor shall have the right of first refusal to purchase or assume Franchisee's interest in the franchised business, or in its assets on the same terms as those contained in a bona fide offer from a third party. As used in this Section, "Assets" means leasehold improvements, POS systems, computers, furnishings, fixtures, equipment, signage, products, inventory (such as non-perishable products, materials and supplies in addition to all advertising and marketing materials), vehicles (if applicable) and the lease or sublease for the Store. This right is governed by time limits and procedures described in this Agreement with respect to Franchisor's right of refusal in the event of an assignment. If Franchisor exercises its right of first refusal, Franchisee must transfer Franchisee's interest in the franchised business and in the Assets.

If Franchisee is selling its Assets, Franchisor shall have the right (but not the duty), to be exercised by notice of intent to do so within thirty (30) days after termination or expiration, to purchase any or all Assets and items bearing Franchisor's Names and Marks, at fair market value (less the amount of any outstanding liens or encumbrances). The cost shall be determined based upon a five (5) year straight-line depreciation of Franchisee's original costs. For any Asset that is five (5) or more years old, the parties agree that fair market value shall be deemed to be ten percent (10%) of the Asset's original cost; and for any items that display the Marks, the fair market value is agreed to be zero. If Franchisor elects to exercise any option to purchase herein provided, it shall have the right to set off all amounts due from Franchisee.

H. Pay monies owed to Franchisor:

Franchisee shall pay to Franchisor or its affiliates, within fifteen (15) days after the effective date of termination or expiration of this Agreement, such Royalty Fees, System Advertising Fund contributions, other advertising fees, payments or any other sums owed to Franchisor or its affiliates by Franchisee, which are then unpaid. Franchisee shall pay to Franchisor or its affiliates all damages, costs, and expenses, including reasonable attorney's fees, incurred by Franchisor in obtaining injunctive or other relief for the enforcement of any provisions of Sections XIX and XXIV.

Franchisee must pay to the Franchisor all Royalty Fee and System Advertising Fee payments that the Franchisor would have received, if this Agreement remained in effect until its scheduled expiration date. The Royalty Fee payment owed to Franchisor is determined by the greater of either the average contribution paid to the Franchisor during the previous twelve (12) months or Franchisee's current and remaining Royalty Months (as defined in Section X.A) at the time of expiration or termination of this Agreement for either the remaining term of this Agreement or a period of three (3) years (whichever comes first). The System Adverting Fund Contribution is determined based on the average contribution paid to the Franchisor during the previous twelve (12) months for either the remaining term of this Agreement or a period of three (3) years (whichever comes first). Such payments shall be due to the Franchisor within fifteen (15) days after the effect Date of Termination or expiration.

Pursuant to Section XIX. C., you are also forbidden from competing against the Franchisor:

Franchisee agrees that, except as otherwise approved in writing by us, Franchisee shall not, during the term of this Agreement and for a continuous uninterrupted period of three (3) years from the date of (i) a transfer permitted under this Agreement; (ii) the expiration or termination of this Agreement (regardless of the cause for termination); or (iii) a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to the enforcement of this Section XIX.C, either directly or indirectly for itself, or through, on behalf of, or in conjunction with, any person, persons, or legal entity, own, maintain, operate, engage in, be employed by, or have any interest in any business using any aspect of the System, the overall Bricks & Minifigs® business concept, with similar products and/or services of a Bricks & Minifigs® store within a twenty-five (25) mile radius of the business location designated hereunder, or within a twenty-five (25) mile radius of any other System franchisee franchise in existence or planned as of the time of termination or expiration of this Agreement, as identified in the Franchise Disclosure Document in effect as of the date of expiration or termination of this Agreement.

We trust that you will strictly adhere to these post-termination obligations for which time is of the essence. In addition, Plastic Palette remains subject to the *Franchise Agreement* and any agreements or obligations Plastic Palette entered into related to its operation as the Franchisee of Bricks & Minifigs, which will survive. Please note that BAM reserves the right to set off all costs or damages incurred by reason of Plastic Palette's conduct to date and hereafter, including if it fails to cooperate in this matter. You should take steps to immediately comply with all post-termination duties and confirm your compliance, in writing, to the undersigned counsel no later than **6:00 PM Pacific Time, 9/02/23**. Should you have any questions, please contact me.

Very truly yours,

DENTONS DURHAM JONES PINEGAR P.C.

Phillip Kuck

cc: Ammon McNeff
Manal Hall, Esq.
Wm. Kelly Nash, Esq.

DENTONS DURHAM JONES PINEGAR

Wm. Kelly Nash
Shareholder

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January 16, 2023

Via U.S. Mail, FedEx and E-Mail,

S. Ward Greene, Esq.
121 SW Morrison Street, Suite 600
Portland, Oregon 97204

[redacted] a Cooper
[redacted] 7013

[redacted]

[redacted]

Re: Notice of Default to Plastic Palette, LLC

Dear Mr. Green and Ms. Cooper and Brown and Mr. Thornton,

The law firm of Dentons, Durham, Jones and Pinegar, P.C. has been retained by BAM Franchising, Inc. ("**BAM**"), the franchisor of Bricks and Minifigs® relating to an investigation of your material breaches of the 5/7/17 *Franchise Agreement* between BAM and Plastic Palette, LLC ("**Plastic Palette**") ("**Franchise Agreement**"). We have included each of you, as we are unsure if Mr. Greene is representing Plastic Palette and/or Ms. Cooper, Brown and Thornton.

Please consider this letter as BAM's formal written notice of default and/or material breach of the *Franchise Agreement*, pursuant to which Plastic Palette, LLC is subject to an immediate termination. BAM intends to effectuate such a termination, effective at 5:00 pm on 1/20/23, unless terms of your continued operation are mutually agreed to in writing within five (5) days of the date hereof or by 5:00 pm on 1/20/23.

Your defaults and/or material breaches are summarized below, which both separately and collectively are grounds for immediate termination:

Default Under Franchise Agreement. Section 23.C of the *Franchise Agreement* references BAM's rights to terminate the franchise, without a right to cure, effective immediately upon written notice to Plastic Palette breach. Except as noted above regarding a possible mutual agreement for your continued operation, the *Franchise Agreement* will terminate by operation of this notice.

You are in default and/or material breach of Section 23.C of the *Franchise Agreement* because you have, *inter alia*:

- Failed and/or refused, on more than three occasions during the term of the *Franchise Agreement*, to submit when due any financial statement, tax return or schedule, or to pay when due Royalty Fees, or any other payments due Franchisor. *See Franchise Agreement*, Section 23.C.5;

- Operated in a manner that presents a safety, health or environmental hazard to customers and/or in violation of state health laws enacted during the COVID-19 pandemic. *See Franchise Agreement*, Section 23.C.6, 8, 9 and 14;

- Attempted to assign the franchise without prior written consent from BAM. *See Franchise Agreement*, Section 23.C.11; 22.B;

- Failed to timely update signage. *See Franchise Agreement*, Section 23.C.13;

- Exhibited a reckless disregard for the physical and/or mental well-being of BAM, including unacceptable behavior as determined in BAM's discretion. *See Franchise Agreement*, Section 23.C.20;

- Engaged in unethical conduct. *See Franchise Agreement*, Section 23.C.29;

- Attempted and/or planned to file bankruptcy. *See Franchise Agreement*, Section 23.C.32;

- Materially violated the terms of Sections 12 and 22 of the *Franchise Agreement*. *See Franchise Agreement*, Section 23.C.39.

You have also materially breached several other Sections of the *Franchise Agreement* that likewise warrants termination and/or non-renewal of your *Franchise Agreement* because you have, *inter alia*:p

- Failed to provide BAM with written notice of its election to renew within the specified timeframe. *See Franchise Agreement*, Section 7.B.1 and 3;

- Franchisee is in default of multiple other provisions of the Franchise Agreement. *See Franchise Agreement*, Section 7.B.2 and 3;

- Failed to operate the franchised business to BAM's satisfaction. *See Franchise*

Agreement, Section 7.B.3;

- Failed to meet BAM's current standards for new franchisees. *See Franchise Agreement*, Section 7.B.3;
- Failed to timely meet monetary obligations on multiple occasions during the previous term. *See Franchise Agreement*, Section 7.B.4;
- Failed to comply with BAM's current qualification and training requirements. *See Franchise Agreement*, Section 7.B.6;
- Failed to upgrade signage in accordance with required standards. *See Franchise Agreement*, Section 7.B.8; 12.A.1 and 3;
- Violated state law during the COVID-19 pandemic. *See Franchise Agreement*, Section 12.A.9 and 13;
- Failed to maintain high standards of business activities by creating a hostile work environment. *See Franchise Agreement*, Section 12.A.14;
- Published harmful information about the store. *See Franchise Agreement*, Section 12.A.14;
- Attempted to sell/assign without proper notice to BAM, thereby jeopardizing store goodwill. *See Franchise Agreement*, Section 12.A.14;
- Conducted media interviews that harmed brand goodwill. *See Franchise Agreement*, Section 12.A.15;
- Failed to comply with the law. *See Franchise Agreement*, Section 12.A.16; 12.C;
- Failed to promptly pay debts, jeopardizing ownership of the store. *See Franchise Agreement*, Section 12.A.17;
- Disrupted regular operations (two of the franchisees/owners of Plastic Palette were disruptive (i.e., by attempting to prohibit the proper participation in operations)). *See Franchise Agreement*, Section 12.K;
- Failed to maintain proper corporate formalities and governance documents, and to provide them to BAM. *See Franchise Agreement*, Section 12.R.2 and 6;
- One member of the LLC attempted to sell, assign, pledge and/or transfer ownership of the franchise without written consent from BAM. *See Franchise Agreement*, Section 12.R.8 and 22.B;

- Failed to keep accurate and timely accounting records. *See Franchise Agreement*, Section 14.A;

- Failed to provide timely annual financials. *See Franchise Agreement*, Section 14.D.

Please contact me if you have any questions about any of the foregoing.

Cordially,

Wm. Kelly Nash

cc: Mr. Ammon McNeff
Manal Hall, Esq.
Phillip Kuck, Esq.