

**ACKNOWLEDGMENT:**

It is agreed that the applicable foregoing state law addendum, if any, supersedes any inconsistent portion of the Franchise Agreement dated the \_\_\_ day of \_\_\_\_\_, 20\_\_\_, and of the Franchise Disclosure Document. Except in the State of Maryland, this State Addenda applies only if required by applicable state law.

DATED this \_\_\_ day of \_\_\_\_\_, 20\_\_\_.

**FRANCHISOR:**

**BAM FRANCHISING, INC.**

By: \_\_\_\_\_

Title: \_\_\_\_\_

**FRANCHISEE**

\_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

**(MUST BE SIGNED BY ALL OWNERS AND MANAGERS OF AN ENTITY FRANCHISEE)**

**EXHIBIT B**  
**AREA DEVELOPMENT AGREEMENT**

# Area Development Agreement

## **BAM Franchising, Inc.**

West 520 North  
Orem, UT 84057  
Phone: (888) 534-6722

[www.bricksandminifigs.com](http://www.bricksandminifigs.com)



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Area Developer

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Location

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Date of Agreement

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**BAM FRANCHISING, INC.**  
**AREA DEVELOPMENT AGREEMENT**

This Area Development Agreement (the “**Agreement**”) is made and entered into as of \_\_\_\_\_, 20\_\_, by and between BAM Franchising, Inc., an Oregon corporation, with its principal place of business at 225 West 520 North Orem, Utah 84057 (“**we**”, “**us**”, the “**Company**” or “**Franchisor**”) and \_\_\_\_\_ (“**you**” or “**Area Developer**”), whose principal address is \_\_\_\_\_. The Company and Area Developer may sometimes collectively be referred to in this Agreement as the “**Parties**” or each individually as a “**Party**.”

**1. INTRODUCTION**

**A. BRICKS & MINIFIGS.**

We own, operate, and franchise Bricks & Minifigs® businesses that are retail stores, typically located in shopping malls, strip malls or as free-standing structures, featuring high-quality LEGO® products and related merchandise (the “**System**” or the “**Bricks & Minifigs System**”). We and or our Affiliates, have developed and own a comprehensive system for developing and operating Bricks & Minifigs® stores, which includes trademarks, distinctive store designs and layouts, décor and color schemes, vendor relationships, resale methods, advertising methods and strategies, specifications and procedures for quality control, marketing materials, training programs and certain operational and business standards and policies, all of which we may improve, further develop or otherwise modify. A Bricks & Minifigs® TM 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 pre-approved non- LEGO® branded and/or LEGO® compatible products and other merchandise approved by us (the “**Products**”). Additionally, Area Developer may also offer: 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 services approved by us (the “**Services**”). Products and Services are also customizable, upon our approval, Area Developer may also offer, for example, online LEGO® sales, LEGO® memorabilia and LEGO® posters.

**B. YOUR ACKNOWLEDGEMENTS.**

You have read and understood this Agreement, our Franchise Disclosure Document, and related agreements, if any. You acknowledge that you have had ample time and opportunity to consult advisors of your own choosing about the potential benefits and risks of entering into this Agreement. By signing this Agreement, you understand that the Bricks & Minifigs concept offers businesses that are retail stores, typically located in shopping malls, strip malls or as free-standing structures, featuring high-quality LEGO® products and related merchandise. You have conducted an independent investigation of the business contemplated by this Agreement and recognize that the LEGO resale industry is competitive, with constantly changing market conditions and consumer tastes. You recognize that the nature of a Bricks & Minifigs business may change over time, that an investment in a Bricks & Minifigs business involves business risks and that the

success of the venture is largely dependent on your own business abilities, efforts, and financial resources.

We expressly disclaim the making of, and you acknowledge that you have not received or relied upon, any representation, guaranty, or warranty express or implied, as to the sales volume, income, earnings, expenses, revenues, profits or success of Bricks & Minifigs businesses contemplated by this Agreement or the extent to which we will continue to develop and expand the Bricks & Minifigs System. You further acknowledge that you have not received any representations about the franchise, the Franchisor, or its franchising program or policies from us or our officers, directors, employees, or agents that are contrary to the statements made in our Franchise Disclosure Document or the terms of this Agreement. Any information acquired by you from other Bricks & Minifigs franchisees relating to sales, income, earnings, expenses, revenues, profits or success of any such franchised Business does not constitute information obtained from us, nor do we make any representation as to the accuracy of any such information. You acknowledge and agree that BAM's officers, directors, employees, and agents act only in a representative, and not in a personal, capacity in connection with any of our dealings with you.

C. YOUR REPRESENTATIONS.

You and your Owners jointly and severally represent and warrant to us that: (1) neither you nor any of your Owners has made any untrue statement of any material fact or has omitted to state any material fact in the ADA Application, Personal Profile, or any other written information you have submitted in obtaining the rights granted hereunder; (2) neither you nor any of your Owners has any direct or indirect legal or beneficial interest in any business that may be deemed a Competitive Business, except as you have otherwise completely and accurately disclosed in writing to us in connection with obtaining the rights granted hereunder; and (3) the signing and performance of this Agreement will not violate any other agreement to which you or any of your Owners may be bound. You recognize that we have signed this Agreement in reliance on all of the statements, including the ADA Application and the Personal Profile, you and your Owners have made in writing in connection with this Agreement.

2. DEVELOPMENT RIGHTS.

A. TERM AND DEVELOPMENT FEE.

Unless sooner terminated in accordance with Section 9 below, the term of this Agreement (the "**Term**") starts on the date hereof and expires on the earlier of the expiration date set forth in Schedule A or the date upon which Area Developer opens for operation the cumulative number of Bricks & Minifigs Businesses in the Development Area (as such term is defined in Section 2.B below) set forth in Schedule A, unless earlier terminated pursuant to the terms of this Agreement. You have no right to renew or extend your rights under this Agreement. At the time you sign this Agreement, you must pay to us the nonrefundable Development Fee set forth in Schedule A (the "**Development Fee**"). Any deposit we may require you to pay to us in connection with the ADA Application for the rights granted hereunder will be credited against the Development Fee.

B. DEVELOPMENT RIGHTS.

During the Term and provided you and your Affiliates are in compliance with this Agreement and all other agreements with us or any of our Affiliates (including Franchise

Agreements signed pursuant to this Agreement), we will: (1) grant to you, in accordance with Section 3 below, that cumulative number of franchises for Bricks & Minifigs Businesses set forth in Schedule A, all of which are to be located within the geographic area described in Schedule A (the “**Development Area**”); and (2) not operate (directly or through an Affiliate), nor grant the right to operate, any Bricks & Minifigs Business located within the Development Area, except for: (i) franchises granted pursuant to this Agreement; (ii) Bricks & Minifigs Businesses open (or under commitment to open) as of the date hereof; (iii) Bricks & Minifigs Businesses or other toy and or LEGO related businesses using any part or all of the System Standards and/or Marks that are: (1) Bricks & Minifigs® stores or other Lego® concepts using any part or all of the System Standards and/or Marks that are: (i) located at, education facilities or other special locations (“**Special Locations**”); and (2) Stores that we purchase that are part of another franchise system or chain, regardless of whether any or all of them are converted to Bricks & Minifigs® stores or continue to be operated independently; and (3) other establishments that we purchase or acquire that are not directly related to LEGO® resale.

Additionally, we may purchase or be purchased by, or merge or combine with competing businesses wherever located.

#### C. DEVELOPMENT OBLIGATIONS.

You must have open and operating in the Development Area, in accordance with and pursuant to signed Franchise Agreements, that cumulative number of Bricks & Minifigs Businesses set forth in Schedule A by the corresponding dates set forth therein (“**Development Schedule**”). Time is of the essence in this Agreement, and any requests by you to extend the Development Schedule may be granted or denied by us for any reason or no reason. Your failure to develop and operate Bricks & Minifigs Businesses in accordance with the Development Schedule is a material breach of this Agreement for which we have the right to exercise any and all rights and remedies conferred under this Agreement and applicable law, including the right, in our sole discretion, to: (1) terminate this Agreement pursuant to Section 8.B below without prejudice to our recovery of damages; or (2) require you to pay to us (i) on demand, a fee equal to the initial franchise fees that would have been due under the franchise agreements you would have entered into if you had complied with the Development Schedule (the “**Development Deficiency Initial Fee**”) for each Bricks & Minifigs Business that you have so failed to open; and (ii) from and after this breach (until the failure to meet the Development Schedule is cured) an amount equal to the average royalties received by us from all Bricks & Minifigs Businesses for each Bricks & Minifigs Business that you have so failed to open (the “**Development Deficiency Royalty Fees**”), all of which amounts (inclusive of the Development Deficiency Initial Fee and the Development Deficiency Royalty Fees) represent liquidated damages. Such damages are difficult to calculate with certainty, but the foregoing represents a reasonable estimate of the damages we will incur as a result of your failure to comply with the Development Schedule. The Development Deficiency Initial Fees and the Development Deficiency Royalty Fees are not refundable under any circumstances, provided the Development Deficiency Initial Fees shall be creditable against the initial franchise fees payable under Franchise Agreements signed pursuant to this Agreement. This Section 2.C shall survive the expiration or termination of this Agreement and shall continue in full force and effect until satisfied in full or by its nature expires.

#### D. OUR RESERVATION OF RIGHTS.



Except as otherwise expressly provided in this Agreement, we and all of our Affiliates (and our respective successors and assigns, by purchase, merger, consolidation, or otherwise) retain all of our rights and discretion with respect to the Marks, the System Standards, and Bricks & Minifigs Businesses anywhere in the world, and the right to engage in any business whatsoever, including the right to: (1) operate, and grant to others the right to operate, Bricks & Minifigs Businesses at these locations and on these terms and conditions as deemed appropriate (which Business you acknowledge may be in direct competition with your Business, without regard to any adverse effects of these activities on your Business and without any obligation or liability to you); (2) sell any products or services under any tradenames, trademarks, service marks or trade dress, including the Marks, through other channels of distribution (including, Internet, catalogs, and other outlets); and (3) operate, and grant to others the right to operate, toy and/or LEGO related businesses (including other non-Bricks & Minifigs Businesses) identified by tradenames, trademarks, service marks or trade dress, other than the Marks, pursuant to these terms and conditions as we deem appropriate. You acknowledge and agree that, except as expressly provided to the contrary in Section 2.B above, your rights hereunder shall be non-exclusive. You waive, to the fullest extent permitted under law, all claims, demands or causes of action arising from or related to any of the foregoing activities by us or any of our Affiliates.

E. DEVELOPMENT OF TARGET SITES.

(i) If during the Term, we locate a site within the Development Area at which a Bricks & Minifigs Business is not then operated but which, in our judgment, is suitable for a Bricks & Minifigs Business (a “**Target Site**”), we will, as soon as is practicable after the site is identified (taking into consideration any applicable contractual or legal prohibitions or limitations), notify you in writing of the Target Site if we intend that the Target Site be developed and operated as a Bricks & Minifigs Business. Within 10 days after your receipt of our notice regarding the Target Site (including any relevant site-related materials in our possession), you will notify us if you desire to develop and operate a Bricks & Minifigs Business at the Target Site described in the notice.

(ii) If you timely notify us in writing that you desire to develop and operate a Bricks & Minifigs Business at the Target Site and we have fully negotiated a lease or purchase agreement for the Target Site, then you will (1) obtain the consent of the landlord to execute and will execute the lease or an assignment and assumption of lease, if applicable, or obtain the consent of the seller to execute and will execute a purchase agreement or an assignment and assumption of purchase agreement, if applicable; (2) execute a Franchise Agreement and such ancillary documents as are then customarily used by us in the grant of franchises for Bricks & Minifigs Business, as modified for use in connection with the Target Site (the “**Franchise Documents**”), and pay the fees, including the initial franchise fee, that we are then charging for new Bricks & Minifigs franchises; (3) pay us a site location and negotiation fee plus our reasonable out-of-pocket expenses incurred in locating the Target Site and negotiating the lease or purchase agreement; and (4) sign an agreement indemnifying us and holding us harmless for any and all obligations under the lease as of the date of assignment, all within 10 days after our delivery to you of the lease or purchase agreement, as the case may be, and the Franchise Documents. We will fully cooperate with you in obtaining the landlord’s consent to your execution of the lease or the seller’s consent to your execution of the purchase agreement or assignment of purchase agreement, as the case may be.

(iii) If you timely notify us in writing that you desire to develop and operate a Bricks & Minifigs Business at the Target Site and we have not fully negotiated a lease or purchase agreement for the Target Site, then you will have 30 days in which to negotiate and deliver to us a lease or purchase agreement for the Target Site in form for execution. If we disapprove the lease or purchase agreement for failure to meet our requirements, you will have 10 days within which to negotiate and deliver to us a revised lease or purchase agreement for the Target Site in form for execution. If we approve the lease or the purchase agreement for the Target Site, then you will (1) execute the lease or purchase agreement, as applicable; (2) execute the Franchise Documents and pay the fees, including the initial franchise fee that we are then charging for new Bricks & Minifigs franchises; and (3) pay to us a site location fee plus our reasonable out-of-pocket expenses in locating the Target Site and, to the extent applicable, partially negotiating the lease or purchase agreement, all within 10 days after our delivery of the Franchise Documents to you.

(iv) If you (1) decline the option to develop a Target Site, (2) fail to timely notify us of your election to develop a Target Site, or (3) fail to timely execute the approved lease or purchase agreement and Franchise Documents for a Target Site and pay the applicable fees as provided above, then we or one of our Affiliates may develop and operate a Bricks & Minifigs Business at the Target Site or grant a franchise to a third party to develop and operate a Bricks & Minifigs Business at the Target Site. Any Target Site developed by us, one of our Affiliates, or another franchisee will not count towards the Development Schedule and may therefore put you in material breach and default of this agreement.

(v) Any Target Site for which you execute the Franchise Documents and develop and open a Bricks & Minifigs Business will count towards the Development Schedule.

(vi) For the avoidance of doubt, we are not required to give notice to you or to offer you a franchise to develop a Bricks & Minifigs Business with regard to any Target Site or Conversion Site (defined below) within the Development Area and may develop and open (or franchise others to develop and operate) a Bricks & Minifigs Business at the Target Site or Conversion Site after the Term of this Agreement expires as provided in Section 2.A above.

#### F. CONVERSION SITES.

(i) If during the Term, we acquire the shares or assets (which may include furniture, fixtures, equipment, leasehold improvements and/or leasehold interests) of any business operating retail outlets at one or more sites located within the Development Area which meets our specifications and standards for conversion to Bricks & Minifigs Businesses (in each case a “**Conversion Site**”), and we determine in our sole discretion to convert any Conversion Sites within your Development Area to Bricks & Minifigs Businesses, we will offer to sell such Conversion Sites to you for the price paid by us for such Conversion Sites if:

(A) The sale will not, in our judgment, conflict with any existing legal obligation of us or the business being acquired;

(B) The sale will not, in our judgment, preclude the completion of the acquisition on the terms agreed to by us and the seller;

(C) The sale will not, in our judgment, interfere with any other legal agreement, arrangement or combination or affect federal or state income tax consequences arising from the acquisition in a manner adverse to any of the parties to the acquisition;

(D) You agree, at our option, to include in your purchase (at a price determined on the same basis as for Conversion Sites) certain acquired stores which fall within the Development Area but which do not meet our criteria for conversion to Bricks & Minifigs Businesses and which may have to be closed or sold to a third party subsequent to your acquisition; and

(E) You agree to (i) execute, concurrently with your purchase, the appropriate Franchise Documents and pay the fees, including the initial franchise fee, that we are then charging for new Bricks & Minifigs Businesses franchises, for each Conversion Site in the Development Area, (ii) convert each Conversion Site to a Bricks & Minifigs Business as soon as practicable thereafter (but in no event later than the date reasonably specified by us) in accordance with our standards and specifications, and (iii) close or sell, within the reasonable time period specified by us, any acquired sites which are not suitable for conversion.

(ii) The price to be paid by you for the Conversion Sites will include that portion of the direct and indirect costs and liabilities that would be incurred or assumed by us in making the acquisition and allocated to the Conversion Sites whether paid or owed to the seller of the Conversion Sites, an Affiliate or third parties and other expenses allocated or otherwise related to the Conversion Sites (including losses, whether from continuing operations or closing acquired units) plus interest at our cost of money on the balance of such amounts from time to time.

(iii) You will have 30 days after receipt of our offer in which to accept or reject the offer by written notice to us. If accepted, you will have 30 days from the date of acceptance within which to complete the acquisition.

(iv) If you reject or fail to timely accept our offer to sell you the Conversion Sites within the Development Area or we are unable to extend such offer to you for any of the reasons stated above, you agree that we can acquire the Conversion Sites and operate (or franchise others to operate) those sites as Bricks & Minifigs Businesses.

(v) Any Conversion Sites for which you execute the Franchise Documents and develop and open a Bricks & Minifigs Business will count towards your Development Schedule

(vi) For purposes of this Section 2.F, all references to us include our Affiliates.

### **3. GRANT OF FRANCHISES.**

#### **A. SITE SELECTION ASSISTANCE.**

We may furnish you with our standard site selection criteria and assistance for Bricks & Minifigs Businesses as we may periodically establish. We may also provide such on-site evaluation of sites as we deem necessary or appropriate. If we deem it necessary to provide an on-

site evaluation of the proposed site, you must coordinate and arrange for the visit by our representative or agent, and you may be required to pay our related travel expenses.

**B. SITE EVALUATION AND APPROVAL.**

We will approve sites for the cumulative number of Bricks & Minifigs Businesses set forth in Schedule A located within the Development Area in accordance with the following provisions:

(i) You must complete and submit to us, in accordance with procedures we periodically establish, a complete site proposal (the “**Site Proposal Package**”), containing demographic information, traffic patterns, access, visibility, location of other toy stores and/or LEGO resellers (including other Bricks & Minifigs Businesses) and size, condition, configuration, appearance and other physical characteristics of the site and all other information that we reasonably require for each site for a Bricks & Minifigs Business that you propose to develop and operate and that you in good faith believe to conform to our then-current standard selection criteria for Bricks & Minifigs Businesses;

(ii) We will approve or reject each site for which you submit to us a complete Site Proposal Package in accordance with subparagraph (i) above and, if we approve the site, we will do so by delivering our standard Site Approval Letter. Our Site Approval Letter, duly signed by us, is the exclusive means by which we approve a proposed site, and no other direct or indirect representation, approval or acceptance, whether in writing or verbally, by any of our officers, employees or agents, shall be effective or bind us. We will use all reasonable efforts to make a site approval decision and, if the site is approved, deliver a Site Approval Letter to you within 30 days after we receive the complete Site Proposal Package and any other materials we have requested.

(iii) If you, one of your Owners, or one of your Affiliates at any time owns the site, you must immediately notify us and we may require that you or such Owner or Affiliate (1) enter into an agreement with us in recordable form granting us the right and option, in the event of a termination (for whatsoever reason) of the Franchise Agreement, to lease the Premises at fair market rental rates for a term coterminous with the term of the Franchise Agreement for the site; or (2) enter into a prime lease with us at fair market rental rates for a term coterminous with the term of the Franchise Agreement for the site and a sublease with us on the same terms as the prime lease. The prime lease and sublease referenced in the preceding sentence shall be on the then-current lease and the sublease forms used by us.

(iv) If the lease for your Business expires or is terminated before the end of the term of the applicable Franchise Agreement, you may move your Business to another location chosen in accordance with the site evaluation and approval process set forth in this Section 3.B. The new location (a) must be in the original Business’s Protected Area, as determined by us, and (b) may in no case infringe upon a franchise agreement or other agreement applicable to another Business. Additionally, you must pay a relocation fee as set forth in the Franchise Agreement and otherwise comply with Section 3.B of the Franchise Agreement.

(v) You must provide any other information or materials as we may require, such as a letter of intent or other document which confirms your favorable prospects for obtaining the proposed site.

If you have not obtained legal possession of the site within 120 days of the date of Site Approval Letter, we have the right to retract such approval.

C. FINANCIAL QUALIFICATIONS.

In conjunction with our decision whether to accept or reject a proposed site, we may require that you and your Owners furnish us financial statements (historical and pro forma), statements of the sources and uses of capital funds, budgets and other information regarding yourself, your Owners and each legal entity, if any, involved in the development, ownership and operation of any Bricks & Minifigs Business you propose, as well as any then-existing Bricks & Minifigs Businesses you or your Affiliates own. All information shall be verified by you and your Owners as being complete and accurate in all respects, shall be submitted to us in accordance with our requirements and will be relied on by us in determining whether to grant a franchise for the proposed Bricks & Minifigs Business. We may refuse to grant you a franchise for a Bricks & Minifigs Business if you fail to demonstrate sufficient financial and management capabilities to properly develop and operate the proposed Bricks & Minifigs Business and the then-existing Bricks & Minifigs Businesses you and your Affiliates own. We will evaluate these financial and management capabilities in accordance with the then-current standards we use to establish Bricks & Minifigs Businesses in other comparable market areas.

D. GRANT OF FRANCHISE.

If we accept a proposed site pursuant to Section 3.B above, and you demonstrate the requisite financial and management capabilities (if requested by us) pursuant to Section 3.C above, then we agree to offer you the rights to a franchise to operate a Bricks & Minifigs Business at the proposed site by delivering to you our then-current form of standard Franchise Agreement, together with all standard ancillary documents (including exhibits, addendum, riders, collateral assignments of leases, Owner guaranties and other related documents) that we then customarily use in granting franchises for the operation of Bricks & Minifigs Businesses in the state in which the Bricks & Minifigs Business is to be located, as follows:

(i) The Franchise Agreement must be signed by you and your Owners and returned to us not earlier than seven calendar days and not later than 15 business days after we deliver it to you. If we do not receive the fully signed Franchise Agreement and payment of the initial franchise fee as required hereunder, we may revoke our offer to grant you a franchise to operate a Bricks & Minifigs Business at the proposed site and may revoke our acceptance of the proposed site. Concurrently with your signing and delivery to us of each Franchise Agreement, you and your Owners and Affiliates must, except if limited or prohibited by applicable law, sign and deliver to us a general release in form and substance satisfactory to us, of any and all claims against us, our Affiliates and shareholders, members, officers, directors, employees, agents, successors and assigns; and

(ii) The initial franchise fee payable for each Bricks & Minifigs Business required to be developed by Area Developer pursuant to this Agreement shall be Ten Thousand Dollars (\$10,000), payable upon execution of the Franchise Agreement, and the royalty fees shall not exceed the percentage set forth in our standard form Franchise Agreement being offered as of the date of this Agreement. Five Thousand Dollars (\$5,000) of the Development Fee paid in accordance with Section 2.A above will be applied against the initial franchise fee payable under each Franchise Agreement entered into pursuant to the terms of this Agreement. You acknowledge

and agree that no portion of the Development Fee shall be refunded for any Bricks & Minifigs Business that you have failed to develop in accordance with the terms of this Agreement.

E. RESTRICTIONS ON DEBT.

In connection with the development of the Development Area, including payment to us of the Development Fee set forth in Schedule A, the payment of franchise fees and the costs and expenses to be incurred pursuant to Franchise Agreements, you and each Owner represent, warrant, covenant and agree that neither you nor any Owner borrowed any funds or otherwise incurred any debt to obtain any funds for the payment of any fees, costs, and expenses, except as specifically permitted in this Section 3.E. You and each Owner shall not, without our prior written consent, which we may grant or deny in our sole discretion, directly or indirectly borrow any money or incur any debt or liability (other than lease obligations for the Bricks & Minifigs Business's land and building and trade payables in the ordinary course of business) to develop the Development Area or to establish, operate and maintain the Bricks & Minifigs Businesses, which may be established in the Development Area pursuant to this Agreement, except that you shall be allowed to borrow, in connection with each Bricks & Minifigs Business an amount not to exceed seventy five percent of the cost of the leasehold improvements, furniture, fixtures, kitchen equipment, and signs required for the opening of each Bricks & Minifigs Business; provided, however, that this borrowing shall have a repayment term of no more than ten years from the date of the opening of the Bricks & Minifigs Business. For purposes of this Section 3.E, any equity or other interests that we deem to be substantially similar to debt or borrowed funds (e.g. equity interests with preferences, dividends, etc) shall be deemed debt or borrowed funds. You shall not extend, renew, refinance, modify, or amend any debt or liability permitted by this Section 3.E without our prior written consent, which consent we may grant or deny in our sole discretion.

F. ANNUAL REPORTS.

You must furnish us: (i) within 90 days after the end of each calendar year, (a) a consolidated year- end balance sheet and income statement and statement of cash flow for you and all of your Affiliates that develop, own or operate Bricks & Minifigs Businesses, all prepared in accordance with generally accepted accounting principles, consistently applied, reflecting all year-end adjustments and accrual; (b) similar information from all Owners who have signed guaranties of this Agreement; and (c) such summaries of financial information as we may require; and (ii) within 30 days of our request, such other information as we may periodically require, including sales mix data, labor cost reports, sales and income tax statements and a consolidated Business Plan for all Bricks & Minifigs Businesses that you and your Affiliates own or operate. All reports shall use our then-current standard chart of accounts. You must sign a verification that the information in each such report and financial statement is complete and accurate. We reserve the right to require that your financial statements be audited, at your expense, by an independent certified public accountant approved by us. We reserve the right to publish or disclose information that we obtain under this Section 3.F in any data compilations, collections, or aggregations that we deem appropriate, in our sole discretion, including financial information relating to your individual Business.

G. ACCEPTABLE STANDARDS.

Notwithstanding anything to the contrary in this Agreement, your right to develop each Bricks & Minifigs Business provided for in this Agreement is expressly conditional on the maintenance of Acceptable Standards in all of your and your affiliates' Bricks & Minifigs Businesses, whether developed pursuant to this Agreement or another area development agreement between us and you or your affiliates. Your Organization and Management.

#### H. ORGANIZATIONAL DOCUMENTS.

If you are, or at any time become, a business corporation, partnership, limited liability company or other legal entity, you and each of your Owners represent, warrant, and agree that: (1) you are duly organized and validly existing under the laws of the state of your organization, and, if a foreign business corporation, partnership, limited liability company or other legal entity, you are duly qualified to transact business in the state(s) in which the Development Area is located; (2) you have the authority to sign and deliver this Agreement and to perform your obligations hereunder; (3) true and complete copies of the articles or certificate of incorporation, articles of organization, operating agreement or principles, partnership agreement, bylaws, subscription agreements, buy-sell agreements, voting trust agreements and all other documents relating to your ownership, organization, capitalization, management and control ("**Organizational Documents**") shall be promptly delivered to us for our approval, which approval shall not be unreasonably withheld; (4) any and all amendments, deletions and additions to your Organizational Documents shall be promptly delivered to us for our approval, which approval shall not be unreasonably withheld; (5) your activities are restricted to those necessary solely for the development, ownership and operation of Bricks & Minifigs Businesses in accordance with this Agreement and in accordance with any other agreements entered into with us or any of our Affiliates; (6) the Organizational Documents state that the issuance, transfer or pledge of any direct or indirect legal or beneficial ownership interest is restricted by the terms of this Agreement; (7) all certificates representing direct or indirect legal or beneficial ownership interests now or hereafter issued must bear a legend in conformity with applicable law reciting or referring to these restrictions; and (8) you will deliver to us a secretary's/clerk's certificate or other evidence satisfactory to us, that the signing, delivery and performance of this Agreement, each Franchise Agreement, and all other agreements and ancillary documents contemplated hereby or thereby have been duly authorized by all necessary action by your corporation, partnership, limited liability company or other legal entity, as applicable.

#### I. DISCLOSURE OF OWNERSHIP.

You and each of your Owners represent, warrant and agree that Schedule B is current, complete and accurate. You agree that an updated Schedule B will be furnished promptly to us, so that Schedule B (as so revised and signed by you) is at all times current, complete and accurate. Each person who is or becomes an Owner must sign a guaranty in the form we may choose to prescribe, undertaking to be jointly and severally by the terms of this Agreement, the current form of which is attached hereto as Schedule C. Each person who is or becomes an Investor must sign an agreement in the form we prescribe, undertaking to be bound by the confidentiality and non-competition covenants contained in this Agreement, the current form of which is attached as Schedule D. Each Owner and Investor must be an individual acting in his/her individual capacity, unless we waive this requirement.

#### J. OPERATING PARTNER/MANAGEMENT OF BUSINESS.

You must designate in Schedule B an individual (your “**Operating Partner**”) approved by us who must: (1) be engaged full-time in the business of your Bricks & Minifigs Businesses; (2) have the authority to bind you regarding all operational decisions with respect to your Bricks & Minifigs Businesses; and (3) have completed our training to our satisfaction.

Your Operating Partner: (1) shall exert his/her full-time and best efforts to the development and operation of all Bricks & Minifigs Businesses you own; and (2) may not engage in any other business activity, directly or indirectly, that requires substantial management responsibility or time commitments or otherwise may conflict with your obligations hereunder. You must provide us with a copy of any proposed arrangement, agreement or contract, including any amendments, with your Operating Partner for our prior review and approval, and upon approval thereof, signed copies thereof. Such agreement must include a provision that if the Operating Partner is terminated, for whatever reason, he/she shall not for a period of two years after such termination (or such lesser period as may be prescribed by applicable law), recruit or hire any person who is an employee of yours, ours, or any Bricks & Minifigs Business operated by us, our Affiliates, or any franchisee of ours without obtaining the employer’s consent, which consent may be withheld for any reason. We shall have no responsibility, liability or obligation to any party to any such arrangement, agreement or contract, or any amendments, on account of our approval thereof or otherwise, and you must indemnify and hold us harmless with respect thereto. Each of your Businesses at all times must be managed by your Operating Partner and otherwise in accordance with the applicable Franchise Agreement.

If the relationship with your Operating Partner terminates, you must have in place a qualified replacement Operating Partner within 90 days from the termination date of the former Operating Partner. Failure to notify us of your Operating Partner’s termination or failure to hire or select a successor Operating Partner who satisfies the requirements provided for in this Section will be considered a material breach of this Agreement.

Before opening your first Business, you and your Operating Partner and any other Personnel who are intended to have, or who actually have, responsibilities for more than one Bricks & Minifigs Business must complete the appropriate training program to our satisfaction. Any Personnel who are intended to have, or who actually have, responsibilities for more than one Bricks & Minifigs Business and who are hired after your first Bricks & Minifigs Business is opened must likewise complete the appropriate training program to our satisfaction before assuming such responsibilities.

#### **4. RELATIONSHIP OF THE PARTIES.**

##### **A. INDEPENDENT CONTRACTORS.**

Neither this Agreement nor the dealings of the parties pursuant to this Agreement shall create any fiduciary relationship or any other relationship of trust or confidence between the parties. Franchisor and Area Developer, as between themselves, are and shall be independent contractors.

You understand and agree that we may operate and change the System and our business in any manner that is not expressly and specifically prohibited by this Agreement. Whenever we have expressly reserved in this Agreement or are deemed to have a right and/or discretion to take or withhold an action, or to grant or decline to grant you a right to take or withhold an action, except as otherwise expressly and specifically provided in this Agreement, we may make our decision or



exercise our right and/or discretion on the basis of our judgment of what is in our best interests, including our judgment of what is in the best interest of our franchise network, at the time our decision is made or our right or discretion is exercised, without regard to whether: (1) other reasonable alternative decisions or actions could have been made by us; (2) our decision or the action we take promotes our financial or other individual interest; (3) our decision or the action we take applies differently to you and one or more other franchisees or our company-owned or company-affiliated operations; or (4) our decision or the exercise of our right or discretion is adverse to your interests. In the absence of an applicable statute, we will have no liability to you for any such decision or action. We and you intend that the exercise of our right or discretion will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, we and you agree that this covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants us the right to make decisions, take actions and/or refrain from taking actions not inconsistent with your rights and obligations hereunder.

Nothing contained in this Agreement, or arising from the conduct of the parties hereunder, is intended to make either party a general or special agent, joint venturer, partner or employee of the other for any purpose whatsoever. You must conspicuously identify yourself in all dealings with customers, lessors, contractors, suppliers, public officials, employees, and others as the owner of development rights granted hereunder and must place these other notices of independent ownership on such forms, business cards, stationery, advertising, and other materials as we may periodically require.

You may not make any express or implied agreements, warranties, guarantees or representations or incur any debt in our name or on our behalf or represent that the relationship of the parties is anything other than that of independent contractors. We will not be obligated by or have any liability under any agreements made by you with any third party or for any representations made by you to any third party. We will not be obligated for any damages to any person or property arising directly or indirectly out of the operation of your business hereunder.

#### B. INDEMNIFICATION.

By signing below, you agree, during and after the Term of this Agreement, to indemnify us, our Affiliates and our respective directors, officers, employees, shareholders, members, agents, successors and assigns (collectively, “**Indemnitees**”), and to hold the Indemnitees harmless to the fullest extent permitted by law, (i) from any and all Losses and Expenses (as defined below) incurred in connection with any litigation or other form of adjudicatory procedure, claim, demand, investigation, or formal or informal inquiry (regardless of whether it is reduced to judgment) or (ii) from any settlement which arises directly or indirectly from, or as a result of, a claim of a third party against any one or more of the Indemnitees in connection with the development, ownership, operation or closing of any of your Bricks & Minifigs Businesses (collectively “**Event**”), and regardless of whether it resulted from any strict or vicarious liability imposed by law on the Indemnitees, provided, however, that this indemnity will not apply to any liability arising from a breach of this Agreement by the Indemnitees or the gross negligence or willful misconduct of Indemnitees.

The term “**Losses and Expenses**” includes compensatory, exemplary, and punitive damages; fines and penalties; attorney’s fees; experts’ fees; court costs; costs associated with investigating and defending against claims; settlement amounts; judgments; compensation for

damages to our reputation and goodwill; and all other costs associated with any of the foregoing losses and expenses. We agree to give you reasonable notice of any Event of which we become aware for which indemnification may be required and we may elect (but are not obligated) to direct the defense thereof, provided that the selection of counsel shall be subject to your consent, which consent shall not be unreasonably withheld or delayed.

We may, in our reasonable discretion, take such actions as we deem necessary and appropriate to investigate, defend, or settle any Event or take other remedial or corrective actions as may be necessary for the protection of Indemnitees or Bricks & Minifigs Businesses generally, provided however, that any settlement shall be subject to your consent, which consent shall not be unreasonably withheld or delayed. Further, notwithstanding the foregoing, if the insurer on a policy or policies obtained in compliance with your Franchise Agreement agrees to undertake the defense of an Event (an “**Insured Event**”), we agree not to exercise our right to select counsel to defend such Event if such an action would cause your insurer to deny coverage. We reserve the right to retain counsel to represent us with respect to an Insured Event at our sole cost and expense. This Section 4.B shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

#### C. OWNERSHIP OF THE MARKS.

Your right to use the Marks arises solely from, and is limited to, Franchise Agreements entered into between you and us. Your right is limited to conducting business pursuant to and in compliance with Franchise Agreements entered into between you and us. Your unauthorized use of any of the Marks constitutes a breach of such Franchise Agreements and this Agreement and an infringement of our rights to the Marks. Neither this Agreement nor any of the Franchise Agreements entered into between you and us confer on you any goodwill or other interests in the Marks. Your use of the Marks and any goodwill established thereby inures to our exclusive benefit. All provisions of the Franchise Agreements applicable to the Marks apply to any additional or substitute Marks we authorize you to use. You may not use any Mark (or any abbreviation, modification or colorable imitation) as a part of any corporate or legal business name or in any other manner including any Internet related use such as an electronic media identifier for social media, social handles, websites, web pages or domain names not expressly authorized by us in writing. You may not at any time during or after the Term, contest, or assist any other person or entity in contesting, the validity or ownership of any of the Marks.

### 5. RESTRICTIVE COVENANTS.

#### A. CONFIDENTIAL INFORMATION.

You acknowledge that we possess certain proprietary Confidential Information including, without limitation, proprietary knowledge consisting of the methods and operating procedures of Bricks & Minifigs Businesses. We may disclose Confidential Information to you, your Owners, or your Personnel in the training program, Operating Manual and/or in guidance furnished to you during the Term of the Agreement. Each person who is or becomes an Investor must sign an agreement in the form we prescribe, undertaking to be bound by the confidentiality and non-competition covenants contained in this Agreement, the current form of which is attached hereto as Schedule D.

We will disclose parts of our Confidential Information to you solely for your use in connection with this Agreement. The Confidential Information is proprietary and includes our trade secrets. During the Term and thereafter: (1) you and your Owners may not use the Confidential Information in any other business or capacity (which you and your Owners agree and acknowledge would be an unfair method of competition); (2) you and your Owners must maintain the confidentiality of the Confidential Information; (3) you and your Owners may not make unauthorized copies of any portion of the Confidential Information disclosed in written, electronic, or other form; (4) you and your Owners must implement all reasonable procedures we periodically prescribe to prevent unauthorized use or disclosure of the Confidential Information, including the use of nondisclosure agreements with your Owners, officers, directors, Operating Partners, and other Personnel, and you and your Owners must deliver these agreements to us; (5) you and your Owners must not disclose during or after the Term of the Franchise Agreement any of the Confidential Information; (6) you, your Owners, and all Personnel will be required to sign a standard confidentiality agreement for any trade secrets and Confidential Information herein described and to conform with the covenants not to compete; and (7) you and/or your Owners must immediately notify us if there is an improper disclosure and if it is determined that there was negligence in protecting the behavior, you can be sued for damages.

At the end of the Term, you and your Owners must deliver to us all Confidential Information in your possession or control. Your restrictions on disclosure and use of Confidential Information do not apply to information or techniques which are or become generally known in the industry (other than through your own disclosure), provided you obtain our prior written consent to such disclosure or use. If any of the Confidential Information which has been disclosed to you pursuant to this Agreement becomes generally known in the industry other than through your default in the obligations under this Agreement, and you desire to be released from the confidentiality obligations under this Section with respect to this information, we will not unreasonably withhold our consent to this release.

Notwithstanding the foregoing provisions of this Section 5.A, you must comply with all applicable federal, state and local laws, including any restrictions on post-termination non-competition agreements. In the event of a conflict between the terms of this Agreement and any such laws, your obligation to comply with the laws shall supersede this Agreement, but only to the narrowest extent necessary to ensure compliance with such laws. By way of illustration only: If this Agreement calls for a post-termination non-competition agreement to extend for two years after termination but applicable state law only allows such agreements to extend for one year, then an agreement which extends for one year may be deemed to comply with this Agreement; but an agreement that extends for less than one year would not be in compliance with this Agreement.

#### B. IN-TERM COVENANTS.

During the Term, neither you nor any of your Owners may, without our prior consent (which consent may be withheld at our discretion):

(i) directly or indirectly (such as through immediate families) own any legal or beneficial interest in, or render services or give advice to: (a) any Competitive Business located anywhere; or (b) any entity located anywhere which grants franchises, licenses or other interests to others to operate any Competitive Business; or

(ii) divert or attempt to divert any business or customers of Bricks & Minifigs Businesses to any competitor or do anything injurious or prejudicial to the goodwill associated with the Marks or the System.

## **6. FRANCHISOR'S RIGHTS TO TRANSFER.**

### **A. FRANCHISOR'S RIGHTS.**

This Agreement is fully transferable by us and will inure to the benefit of any transferee or other legal successor to our interest in this Agreement.

## **7. AREA DEVELOPER'S RIGHTS TO TRANSFER.**

### **A. FRANCHISOR'S APPROVAL.**

Your rights and duties under this Agreement are personal to you or, if you are a business corporation, partnership, limited liability company or other legal entity, your Owners. Accordingly, neither you nor any of your Owners may Transfer the Franchise without our approval and without complying with all of the provisions of this Section 7. Any Transfer without this approval or compliance constitutes a breach of this Agreement and is void and of no force or effect. You may not under any circumstance directly or indirectly sub-franchise or sub-license any of your rights hereunder.

“**Transfer**” is defined, for purposes of this Agreement, as the voluntary or involuntary, direct or indirect transfer, assignment, sale, gift, pledge, mortgage, hypothecation or other disposition (including those occurring by operation of law and a series of transfers that in the aggregate constitute a Transfer) of any of your interest in this Agreement or of a Controlling Interest in you. It may also be used as a verb, in which case it shall mean the act of completing a Transfer. “**Controlling Interest**,” for purposes of this Section 7 and provisions, addenda and exhibits which refer to this Section 7, means an interest, the ownership of which empowers the holder to exercise a controlling influence over the management, policies or personnel of an entity. Ownership of 10% or more of the equity or voting securities of a corporation, limited liability company or limited liability partnership or ownership of any general partnership interest in a general or limited partnership will be deemed conclusively to constitute a Controlling Interest in the corporation, limited liability company, or partnership, as the case may be.

### **B. CONDITIONS FOR APPROVAL.**

If we have not exercised our right of first refusal pursuant to Section 7.F below, we will not unreasonably withhold our approval of a Transfer that meets all of the reasonable restrictions, requirements and conditions we impose on the transfer, the transferor and the transferee, including the following:

(i) you are operating your opened Business in accordance with this Agreement, the Franchise Agreements, and all other associated agreements;

(ii) you and your Owners and Affiliates are in compliance with the provisions of this Agreement, all Franchise Agreements signed pursuant hereto and all other agreements with us or any of our Affiliates;

(iii) the proposed transferee, or its Owners (if the proposed transferee is a corporation, partnership, limited liability company or other legal entity), must: (a) provide us on a timely basis all information we request, (b) be individuals acting in their individual capacities who are of good character and reputation, (c) have sufficient business experience, aptitude and financial resources to develop, open and operate Bricks & Minifigs Businesses within the Development Area pursuant to this Agreement, and (d) otherwise meet our approval;

(iv) the proposed transferee may not be an entity, or be affiliated with an entity, that is required to comply with reporting and information requirements of the Securities Exchange Act of 1934, as amended;

(v) the transferee (and its owners) must agree to be bound by all of the provisions of this Agreement for the remainder of its Term;

(vi) at our discretion, we may require that the transferee must acquire, in a concurrent transaction, all of your rights, and the rights of your Owners and Affiliates, under all agreements between you or your Affiliates and us or our Affiliates, including all Franchise Agreements for Bricks & Minifigs Businesses signed by you or your Owners or Affiliates pursuant to this Agreement or pursuant to any other development or similar agreement with us;

(vii) you or the transferee must pay us a Transfer fee equal to Ten Thousand Dollars (\$10,000), plus Ten Thousand Dollars (\$10,000) for each Bricks & Minifigs Business for which a Franchise Agreement has been signed pursuant hereto (as required under the terms of such Franchise Agreements), plus any transfer fee required by any other agreement between you or your Affiliates and us or our Affiliates;

(viii) you and your Owners and Affiliates must, unless limited or prohibited by applicable law, sign a general release, in form and substance satisfactory to us, of any and all claims against us, our Affiliates, shareholders, members, officers, directors, employees, agents, successors and assigns;

(ix) we must not have disapproved the material terms and conditions of the Transfer (including the price and terms of payment and the amount to be financed by the transferee in connection with the Transfer, which shall not in any event exceed seventy-five percent (75%) of the purchase price for the assets or stock to be transferred) on the basis that they are so burdensome as to be likely, in our reasonable judgment, to adversely affect the transferee's operation of Bricks & Minifigs Businesses or its compliance with its Franchise Agreements, this Agreement, and any other agreements being transferred;

(x) if you (or any of your Owners or Affiliates) finance any part of the sale price of the Transferred interest, you and your Owners or Affiliates must agree that all obligations of the transferee, and security interests reserved by any of them in the assets transferred, will be subordinate to the transferee's obligations to pay all amounts due us and our Affiliates and to otherwise comply with this Agreement, any Franchise Agreement being transferred or any Franchise Agreement signed by the transferee;

(xi) you and your Owners and Investors must sign a non-competition covenant, in form and substance satisfactory to us, in favor of us and the transferee agreeing that, for a period

of two years, starting on the effective date of the Transfer, you and your Owners will not directly or indirectly (such as through immediate family members): (a) own any legal or beneficial interest in, or render services or give advice to (1) any Competitive Business that is operating within the Development Area; (2) any Competitive Business that is located within five mile radius of any other Bricks & Minifigs Business in operation or under construction as of the effective date of the Transfer; or (3) any entity which grants franchises, licenses or other interests to others to operate any Competitive Business; and (b) recruit or hire any person who is an employee of ours or of any Bricks & Minifigs Business operated by us, our Affiliates or any franchisee of ours without obtaining the employer's consent, which consent may be withheld for any reason;

(xii) you and your Owners and Affiliates must sign such other documents and do such other things as we may reasonably require to protect our rights under this Agreement, any Franchise Agreements and any other agreements being transferred.

C. EFFECT OF APPROVAL.

Our approval of a Transfer does not constitute: (1) a representation as to the fairness of the terms of any agreement or arrangement between you or your Owners and the transferee or as to the prospects of success by the transferee; or (2) a release of you and your Owners, a waiver of any claims against you or your Owners or a waiver of our right to demand the transferee's compliance with this Agreement. Any approval shall apply only to the specific Transfer proposed and shall not constitute an approval of, or have any bearing on, any other proposed Transfer.

D. SPECIAL TRANSFERS.

Section 7.B(vii) above shall not apply to any Transfer among any of your then-current Owners or to any Transfer to any member of your immediate family or the immediate family of a then-current Owner of you (if you are a corporation, partnership, limited liability company or other legal entity). On 30 days' notice to us, you (if you are an individual or partnership) may Transfer this Agreement, in conjunction with a Transfer of all of the Franchise Agreements signed pursuant hereto and all of the assets of the Bricks & Minifigs Businesses operated pursuant thereto, by an agreement in form and substance approved by us, to an entity which conducts no business other than the development and operation of Bricks & Minifigs Businesses and of which you own and control all of the equity and voting power. None of the foregoing assignments shall relieve you or your Owners of your obligations hereunder, and you and your Owners shall remain jointly and severally liable for all obligations hereunder.

E. DEATH OR DISABILITY OF AREA DEVELOPER.

Upon your death or permanent disability, or the death or permanent disability of the Operating Partner or an Owner of a controlling interest in Area Developer, the executor, administrator or other personal representative of such person shall Transfer his/her interest in this Agreement or his/her interest in Area Developer to a third party approved by us in accordance with all of the applicable provisions of this Section 7 within a reasonable period of time, not to exceed nine months from the date of death or permanent disability.

F. FRANCHISOR'S RIGHT OF FIRST REFUSAL.

If you or any of your Owners desire to Transfer this Agreement or any right thereof or interest therein for legal consideration, you or such Owner must obtain a bona fide, signed written offer from a responsible and fully dislodged purchaser and must deliver immediately to us a complete and accurate copy of such offer. If the offeror proposes to buy any other property or rights from you or any of your Owners or Affiliates (other than rights under other BAM area development agreements) as part of the bona fide offer, the proposal for this property or rights must be set forth in a separate, contemporaneous offer that is fully disclosed to us, and the price and terms of purchase offered to you or your Owners for the Transfer must reflect the bona fide price offered therefore and may not reflect any value for any other property or rights.

We have the option, exercisable by notice delivered to you or your Owners within 30 days from the date of delivery of a complete and accurate copy of this offer to us, to purchase this interest for the price and on the terms and conditions contained in this offer, provided that: (1) we may substitute cash for any form of payment proposed in this offer; (2) our credit shall be deemed equal to the credit of any proposed purchaser; and (3) we will have not less than 90 days from the option exercise date to consummate the transaction. We have the right to investigate and analyze the business, assets and liabilities and all other matters we deem necessary or desirable to make an informed investment decision with respect to the fairness of the terms of our right of first refusal. We may conduct an investigation and analysis in any manner we deem reasonably appropriate and you and your Owners must cooperate fully with us in connection therewith.

If we exercise our option to purchase, we are entitled to purchase an interest subject to all representations and warranties, closing documents, releases, non-competition covenants and indemnities as we reasonably may require, provided that if we exercise our option as a result of a written offer reflected in a fully negotiated definitive agreement with the proposed purchaser, we will not be entitled to any additional representations, warranties, closing documents or indemnities that will have a materially adverse effect on your rights and obligations under the definite agreement. If we do not exercise our option to purchase, you or your Owners may complete the sale to this offeror pursuant to and on the exact terms of the offer, subject to our approval of the Transfer as provided in Sections 7.B and 7.C above, provided that if the sale to the offeror is not completed within 90 days after delivery of this offer to us, or if there is a material change in the terms of the offer, you must promptly notify us and we will have an additional option to purchase (on the terms of the revised offer, if any, and otherwise as set forth herein) during the 30-day period following your notification of the expiration of the 90-day period or the material change to the terms of the offer.

#### **G. SECURITIES OFFERINGS.**

Any proposed private placement of your or your Affiliate's securities must be approved by us; provided however, that we shall not be responsible for its contents and you shall indemnify and hold us harmless from any and all claims associated with such private placement. The offering memorandum or information used in connection with the private placement will clearly identify that it is not an offering by us and that we have not participated in its preparation and have not supplied any financial information, projections, budgets, cost estimates, or similar information contained therein, all of which shall be your sole responsibility. Each recipient of information relating to the private placement must maintain it in confidence, and you shall be responsible for any disclosure.

#### **8. TERMINATION OF AGREEMENT.**

A. IMMEDIATE TERMINATION.

You are in material breach and deemed to be in default of this Agreement, and this Agreement will automatically terminate without notice, at our discretion, if any of the following events occur:

- (i) you become insolvent by reason of your inability to pay your debts as they mature;
- (ii) you become insolvent by reason of your assets being less than the value of your liabilities;
- (iii) you are adjudicated bankrupt or insolvent;
- (iv) you file a petition in bankruptcy, reorganization or similar proceeding under the bankruptcy laws of the United States or have such a petition filed against you which is not discharged within 30 days;
- (v) a receiver or other custodian, permanent or temporary, is appointed for your business, assets or property;
- (vi) you request the appointment of a receiver or make a general assignment for the benefit of creditors;
- (vii) final judgment against you in the amount of Twenty-Five Thousand Dollars (\$25,000) or more remains unsatisfied of record for 30 days or longer;
- (viii) your bank accounts, property or accounts receivable are attached;
- (ix) execution is levied against your business or property;
- (x) suit is filed to foreclose any lien or mortgage against any of your assets and this suit is not dismissed within 30 days;
- (xi) if you voluntarily dissolve or liquidate or have a petition filed for corporate or partnership dissolution and this petition is not dismissed within 30 days;
- (xii) you are in violation of any of the Anti-Terrorism Laws.

You expressly waive all rights under the provisions of the bankruptcy or other applicable laws and rules, and consent to the immediate termination of this Agreement as provided herein. You agree not to seek an order from any court, tribunal, or agency in any jurisdiction relating to bankruptcy, insolvency, reorganization or any similar proceedings that would have the effect of staying or enjoining this provision.

B. NOTICE OF TERMINATION.



In addition to our right to terminate pursuant to other provisions of this Agreement and under applicable law, we have the right to terminate this Agreement, effective upon delivery of notice of termination to you, if you or any of your Principal Owners or Affiliates:

- (i) fail to meet the Development Schedule;
- (ii) make an unauthorized Transfer of the Development Rights or fail to Transfer the Development Rights or the interest of a deceased or disabled Owner as required hereby;
- (iii) make any material misstatement or omission in the Personal Profile, the ADA Application or in any other information, report or summary provided to us at any time;
- (iv) are convicted of, or plead no contest to, a felony or other crime or offense that we reasonably believe may adversely affect the System Standards or the goodwill associated with the Marks;
- (v) make any unauthorized use or disclosure of any Confidential Information;
- (vi) fail or refuse to comply with any other provision of this Agreement and do not correct this failure within 30 days after notice of this failure to comply is delivered to you;
- (vii) are in breach of any Franchise Agreement such that we have the right to terminate the Franchise Agreement, whether or not we elect to exercise our right to terminate the Franchise Agreement;
- (viii) are in breach of any other agreement between you or any of your affiliates and us or any of our Affiliates such that we have a right to terminate any such agreement, whether or not we elect to exercise our right to terminate this agreement;
- (ix) if we determine that any applicable federal or state statute, regulation, rule or law, which is enacted, promulgated or amended after the date hereof, may have material adverse effect on our rights, remedies or discretion in franchising Bricks & Minifigs Businesses; or
- (x) you fail to notify us of your Operating Partner's termination and/or fail to hire or select a successor Operating Partner who satisfies the requirements provided for in Section 4.C above will be considered as a breach of this Agreement.

The Development Fee shall be fully earned by us upon signing of this Agreement for administrative and other expenses incurred by us and for the development opportunities lost or deferred as a result of the rights granted to you herein. We have no obligation whatsoever to refund any portion of the Development Fee upon any termination, except that we will refund the unapplied portion of the Development Fee in the event of a termination pursuant to subparagraph (ix) above.

## **9. EFFECT OF TERMINATION OR EXPIRATION.**

### **A. PAYMENT OF AMOUNTS OWED TO US.**

Within 30 days after the effective date of termination or expiration (without renewal) of this Agreement, you must pay us and our Affiliates all royalties, advertising fund contributions,

amounts owed for purchases from us or our Affiliates, interest due on any of the foregoing and all other amounts owed to us or our Affiliates which are then unpaid.

**B. POST-TERM COVENANTS.**

For a period of two years, starting on the effective date of termination or expiration (without renewal) of this Agreement, neither you nor any of your Owners directly or indirectly (such as through immediate family members) own a legal or beneficial interest in, or render services or give advice to: (1) any Competitive Business operating within the Development Area; (2) any Competitive Business operating within a radius of five (5) miles of any Bricks & Minifigs Business in operation or under construction on the effective date of termination or expiration; (3) any entity which grants franchises or licenses other interests to others to operate any Competitive Business; or (4) recruit or hire any person who is an employee of ours or of any Bricks & Minifigs Business operated by us, our Affiliates or another franchisee of ours without obtaining the employer's consent, which consent may be withheld for any reason.

You and each of your Owners expressly acknowledge the possession of skills and abilities of a general nature and the opportunity for exploiting these skills in other ways, so that enforcement of the covenants contained in this Section 9.B will not deprive any of you of your personal goodwill or ability to earn a living. If you or any of your Owners fail or refuse to abide by any of the foregoing covenants and we obtain enforcement in a judicial proceeding, the obligations under the breached covenant will continue in effect for a period of time ending two years after the date of the order enforcing the covenant.

You agree that, upon termination or expiration of this Agreement, you will immediately cease to use any Confidential Information disclosed to you pursuant to this Agreement in any business or otherwise and you will return to us all copies of the Operations Manual and any other Confidential Information (including, without limitation, all recipe books) which we have loaned to you.

**C. CONTINUING OBLIGATIONS.**

All obligations under this Agreement which expressly or by their nature survive the expiration or termination of this Agreement shall continue in full force and effect until they are satisfied in full or by their nature expire.

**D. OUR OPTION TO PURCHASE YOUR ASSETS**

If this Agreement is terminated pursuant to Section 8.A or 8.B above, upon such termination we shall have the right to purchase the assets of any or all of your Business. Such right to purchase the assets of your Business is pursuant to the applicable Franchise Agreements; provided, however, that if we exercise such right as to more than one Business, the appraisals and closings called for in such Franchise Agreements may be consolidated into one appraisal and closing consisting of all of the assets that we elect to purchase. For the avoidance of doubt, our rights set forth in this Section 9.D shall not be triggered by your completion of the Development Schedule.

**10. DISPUTE RESOLUTION.**

**A. DISPUTE AVOIDANCE AND RESOLUTION.**

(i) MEDIATION AND MANDATORY BINDING ARBITRATION, WAIVER OF RIGHT TO TRIAL BY JURY, ETC.

All claims, disputes, suits, actions, controversies, proceedings, or otherwise, of every kind (hereinafter “**claim**” or “**claims**”) arising under this Agreement, except as expressly provided below, will be resolved as described in this Section. This resolution process will apply to all such claims whether arising out of or relating to this or any other agreement or document, any alleged breach of duty (including the offer and/or sale of any franchise, any action for rescission or other action to set aside such sale or any other agreement), and on whatever theory or basis in fact. The resolution process will be as follows:

(A) First, the claim(s) will be discussed in a face-to-face meeting between the parties with individuals who are authorized to make binding commitments on their behalf. This meeting will be held at Franchisor’s then-current headquarters and within thirty (30) days after written notice is given proposing such a meeting. Either party may require the other to participate in the International Franchise Association’s Ombudsman (or similar) program prior to, or in conjunction with, any mediation, and all meetings to be held at Franchisor’s then-current headquarters.

(B) Second, if, in the opinion of either party, the meeting has not successfully resolved any of the claims at issue, they will be submitted to non-binding mediation through the American Arbitration Association (“AAA”).

(C) Third, if such mediation is not successful in resolving the dispute, claims will be submitted to and finally resolved by binding arbitration before and in accordance with the arbitration rules of AAA in Utah County, Utah. In each case, the parties to any mediation/arbitration will execute appropriate confidentiality agreements, excepting only such public disclosures and filings as required by law.

(D) The Parties agree that this Agreement does not obligate them to mediate or arbitrate claims or issues relating primarily to (i) the validity of the Marks, or any trademarks, service marks or other Intellectual Property licensed to Area Developer, (ii) Franchisor’s rights to obtain possession of any real and personal property (including any action in unlawful detainer, ejectment or otherwise) (iii) Franchisor’s or Area Developer’s rights to obtain a writ of attachment and/or other pre-judgment remedies and/or (iv) Franchisor’s rights to receive and enforce a temporary restraining order, preliminary injunction, permanent injunction or other equitable relief (including, but not limited to, Franchisor’s rights to equitable relief with respect to Franchisee’s unlawful use of any of the Marks and/or other Intellectual Property and Franchisee’s breach of the confidentiality and/or non-compete provisions of this Agreement), intentional interruption by Area Developer or Franchisor of business operations with the exception of the provisions relating to Breaches, Defaults or Termination, and the exercise of any such rights and remedies will not be deemed a waiver of the rights to require or use mediation and/or arbitration.

(E) Franchisor and Area Developer each knowingly waive all rights to trial by a court or jury. The parties each understand that arbitration may be less formal than a court or jury trial, may use different rules of procedure and evidence, and may make appeals generally less available. However, both parties still prefer, and have mutually selected (for the reasons set forth in this Section and the following one), mediation and/or arbitration as provided in this Agreement to resolve any and all disputes and claims, except as expressly provided in this Section. The parties have had an express meeting of the minds on each these matters as set forth in this Section and/or otherwise. Both parties further agree that the provisions of this Agreement will control the state or provincial laws by which this Agreement will be governed and construed, any provisions of state, provincial or other law to the contrary, and/or any statements in Franchisor's Disclosure Document or otherwise required as a condition of registration or otherwise.

## **11. MISCELLANEOUS.**

### **A. SEVERABILITY AND SUBSTITUTION OF PROVISIONS.**

Each section, paragraph, term and provision of this Agreement shall be considered severable, and if any portion of this agreement is held to be invalid, contrary to, or in conflict with any applicable present or future law or regulation, it shall not have any effect upon such other portions of this Agreement as may remain otherwise intelligible. If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of or refusal to renew this agreement than is required under this Agreement, or the taking of some other action not required under it, or if under any applicable and binding law or rule of any jurisdiction, any provision of this agreement or any specification, standard or operating procedure prescribed by us is invalid or unenforceable, the prior notice and/or other action required by this law or rule shall be substituted for the comparable provisions of this Agreement, and we shall have the right to modify such invalid or unenforceable provision, specification, standard or operating procedure if required to be valid and enforceable and you will be bound to such modification. Otherwise, all modifications to this Agreement must be in writing signed by both Parties (except for modifications accomplished by virtue of our amendment to System Standards and/or the Operations Manual as described herein). If any covenant herein which restricts competitive activity is deemed unenforceable by virtue of its scope or in terms of geographic area, type of business activity prohibited and/or length of time, but could be rendered enforceable by reducing any part or all of it, you and we agree that it will be enforced to the fullest extent permissible under applicable law and public policy.

Nothing in this Agreement or any related agreement is intended to disclaim Franchisor's representations made in the Franchise Disclosure Document.

### **B. WAIVER OF OBLIGATIONS.**

We and you may by written instrument unilaterally waive or reduce any obligation of, or restriction upon, the other under this Agreement, effective upon delivery of written notice to the other. We and you shall not be deemed to have waived or impaired any right, power or option reserved by this Agreement (i) by virtue of any custom or practice of the Parties at variance with the terms of this Agreement; (ii) any failure, refusal or neglect of us or you to exercise any right

under this Agreement or to insist upon exact compliance by the other with its obligations under this Agreement; (iii) any waiver, forbearance, delay, failure or omission by us to exercise any right, power or option with respect to any of your Bricks & Minifigs Businesses; or (iv) our acceptance of any payments due from you after any breach of this Agreement. Neither Party shall be liable for loss or damage or deemed to be in breach of this Agreement if its failure to perform its obligations results from: (i) transportation shortages, inadequate supply of labor, material or energy, or the voluntary foregoing of the right to acquire or use any of the foregoing to accommodate or comply with the orders, requests, regulations, recommendations or instructions of any federal, state or municipal government or any department or agency thereof; (ii) compliance with any law, ruling, order, regulation, requirement or instruction of any agency of government; (iii) acts of God; (iv) acts of omissions of the other Party; (v) fires, strikes, embargoes, war, or riot; or (vi) any other similar event or cause. Any delay resulting from any cause shall extend performance accordingly or excuse performance, in whole or in part, as may be reasonable.

C. EXERCISE OF RIGHTS.

Except as otherwise expressly provided herein, the rights of Franchisor and Area Developer hereunder are cumulative and no exercise or enforcement by Franchisor or Area Developer of any right or remedy hereunder shall preclude the exercise or enforcement by Franchisor or Area Developer of any other right or remedy hereunder which Franchisor or Area Developer is entitled to enforce by applicable law. Notwithstanding the foregoing, and except as otherwise prohibited or limited by applicable law, any failure, neglect, or delay of a party to assert any breach or violation of any legal or equitable right arising from or in connection with this Agreement shall constitute a waiver of this right and shall preclude the exercise or enforcement of any legal or equitable remedy arising therefrom, unless written notice specifying this breach or violation is provided to other party within 24 months after the later: (1) the date of this breach or violation; or (2) the date of discovery of the facts (or the date the facts could have been discovered, using reasonable diligence) giving rise to this breach or violation.

D. INJUNCTIVE RELIEF.

We may obtain in any court of competent jurisdiction any injunctive relief, including temporary restraining orders and preliminary injunctions, against conduct or threatened conduct for which no adequate remedy at law may be available or which may cause us irreparable harm. We may have this injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and your sole remedy in the event of the entry of this injunction, shall be its dissolution, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived). You and each of your Owners acknowledge that any violation of Sections 6, 7.B(xi), or 9.B above would result in irreparable injury to us for which no adequate remedy at law may be available. Accordingly, you and each of your Owners consent to the issuance of an injunction prohibiting any conduct in violation of any of those Sections and agree that the existence of any claim you or any of your Owners may have against us, whether or not arising from this Agreement, shall not constitute a defense to the enforcement of any of those Sections.

E. ATTORNEYS' FEES.

In a judicial proceeding, the non-prevailing party agrees to reimburse the prevailing party for all of the prevailing party's costs and expenses, including reasonable accounting, paralegal, expert witness and attorneys' fees.

F. GOVERNING LAW.

This Agreement shall be construed under the laws of the State of Utah, provided, however, that the foregoing shall not constitute a waiver of any of your rights under any applicable franchise law of another state. Otherwise, in the event of any conflict of law, Utah law will prevail, without regard to its conflict of law principles. However, if any provision of this Agreement would not be enforceable under Utah law, and if the Development Area is predominantly located outside of Utah and this provision would be enforceable under the laws of the state in which the Development Area is located, then this provision shall be construed under the laws of that state. Nothing in this Section 11.F is intended to subject this Agreement to any franchise or similar law, rule or regulation of the State of Utah or any other state or political subdivision to which it otherwise would not be subject.

G. SUCCESSORS AND ASSIGNS.

This Agreement is binding on the parties and their respective executors, administrators, heirs, assigns and successors in interest. This Agreement is fully transferable and assignable by us, whether by operation of law or otherwise, and shall inure to the benefit of any transferee or other legal successor to our interests herein.

H. LIMITATIONS ON LEGAL ACTIONS.

Except with respect to your obligations regarding use of the Marks in Section 5 above and the Confidential Information in Section 6.A above, we, you and your Owners each waives, to the fullest extent permitted by law, any right to or claim for any punitive or exemplary damages against the other. You and each of your Owners waive, to the fullest extent permitted by applicable law, the right to recover consequential damages for any claim directly or indirectly arising from or relating to this Agreement.

You agree that for our franchise system to function properly we should not be burdened with costs of litigating system-wide disputes. Accordingly, any disagreement between you or your Owners and us shall be considered unique as to its facts and shall not be brought as a class action, and you and each of your Owners waive any right to proceed against us or any of our shareholders, members, Affiliates, officers, directors, employees, agents, successors and assigns by way of class action, or by way of a multi-plaintiff, consolidated or collective action. In any legal action between the parties, the court shall not be precluded from making its own independent determination of the issues in question, notwithstanding the similarity of issues in any other legal action involving us and any other franchisee, and each party waives the right to claim that a prior disposition of the same or similar issues precludes this independent determination.

Furthermore, the Parties agree that any legal action in connection with this Agreement shall be tried to the court sitting without a jury, and all Parties waive any right to have any action tried by jury.

I. CONSTRUCTION.

The language of this Agreement shall be construed according to its fair meaning and not strictly against any party. The preamble, introduction, personal guaranties, exhibits and riders (if any) to this Agreement are a part of this Agreement, which constitutes the entire Agreement of the parties with respect to the subject matter thereof. Except as otherwise expressly provided herein, there are no other oral or written agreements, understandings, representations or statements relating to the subject matter of this Agreement, other than the Franchise Disclosure Document, that either party may or does rely on or that will have any force or effect. Nothing in this Agreement shall be deemed to confer any rights or remedies on any person or legal entity not a party. This Agreement shall not be modified except by written agreement signed by both parties.

The headings of sections are for convenience only and do not limit or construe their contents. The word “**including**” shall be construed in all instances to include the words “**without limitation.**” The term “**Area Developer**” or “**you**” is applicable to one or more persons, or entities, as the case may be. If two or more persons are at any time Area Developer hereunder, whether as partners, joint venturers or otherwise, their obligations and liabilities to us shall be joint and several. References to a controlling interest in an entity shall mean more than fifty percent of the equity or voting control of such entity. Any singular usage includes the plural, and the masculine and neuter usages include the other and the feminine.

J. SIGNATURES; TIME OF THE ESSENCE.

This Agreement may be signed in multiple copies, each of which shall be deemed an original. Time is of the essence in this Agreement.

K. APPROVAL AND CONSENTS.

Whenever this Agreement requires the approval or consent of either Party, the other Party shall make written request therefore, and such approval or consent shall be obtained in writing; provided however, unless specified otherwise in this Agreement, such Party may withhold approval or consent, for any reason or for no reason at all. Furthermore, unless specified otherwise in this Agreement, no such approval or consent shall be deemed to constitute a warranty or representation of any kind, express or implied, and the approving or consenting Party shall have no responsibility, liability or obligation arising therefrom.

L. NOTICE AND PAYMENTS.

All notices, requests and reports permitted or required to be delivered by this Agreement shall be deemed delivered:

(i) at the time delivered by hand to the recipient party or any officer, director, or partner of the recipient party;

(ii) on the same day of the transmission by facsimile, telegraph or other reasonably reliable electronic communication system;

(iii) one business day after being placed in the hands of a commercial courier service for guaranteed overnight delivery; or

(iv) five business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed to the party to be notified

at its most current principal business address of which the notifying party has been notified in writing.

All notices to us must consist of two copies, one each to our general counsel and chief executive officer, to be effective. These notices, requests, and reports shall be sent to us at the address identified in this Agreement unless and until a different address has been designated by written notice to the other party. No restrictive endorsement on any check or in any letter or other communication accompanying any payments shall bind us, and our acceptance of any such payments shall not constitute an accord and satisfaction.

M. PROVISIONS CONCERNING COMPLIANCE WITH ANTI-TERRORISM LAWS.

(i) You, your Owners and your Affiliates agree to comply with and/or to assist us to the fullest extent possible in our efforts to comply with Anti-Terrorism Laws (as defined below). In connection with this compliance, you, your Owners and your Affiliates certify, represent, and warrant that none of your property or interests is subject to being “blocked” under any of the Anti-Terrorism Laws and that you, your Owners, and your Affiliates are not otherwise in violation of any of the Anti-Terrorism Laws.

(ii) For the purposes of this Section 11.M, “**Anti-Terrorism Laws**” means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state, and local laws, ordinances, regulations, policies, lists and any other requirements of any Governmental Authority (including the United States Department of Treasury Office of Foreign Assets Control) addressing or in any way relating to terrorist acts and acts of war.

(iii) You, your Owners and your Affiliates certify that none of you, your Owners and your Affiliates, your employees, or anyone associated with you is listed in the Annex to Executive Order 13225. You agree not to hire any individual who is listed in the Annex. (The Annex is available at:

<http://www.treasury.gov/offices/enforcement/ofac/sanctions/terrorism.html>).

(iv) You, your Owners, and your Affiliates certify that you have no knowledge or information that, if generally known, would result in you, your Owners and your Affiliates, your employees, or anyone associated with you to be listed in the Annex to Executive Order 13224.

(v) You, your Owners, and your Affiliates are solely responsible for ascertaining what actions must be taken by you to comply with the Anti-Terrorism Laws, and you specifically acknowledge and agree that your indemnification responsibilities set forth in Section 4.B of this Agreement pertain to your obligations under this Section 11.M.

(vi) Any misrepresentation by you under this Section 11.M or any violation of the Anti- Terrorism Laws by you, your Owners and your Affiliates, or your employees shall constitute



grounds for immediate termination of this Agreement and any other Agreement you have entered with us or one of our Affiliates, in accordance with the terms of Section 8.A of this Agreement.

N. RECEIPT OF DISCLOSURE DOCUMENT AND AGREEMENT.

You acknowledge having received our Franchise Disclosure Document at least 14 calendar days before signing this Agreement. You also acknowledge having received this Agreement, with all blanks completed, at least seven calendar days before you signed it.

*< Signatures on following page >*

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

**FRANCHISOR:**

**BAM Franchising, Inc.,**  
an Oregon corporation

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: President and CEO

**AREA DEVELOPER:**

\_\_\_\_\_

\_\_\_\_\_

Print Name: \_\_\_\_\_

**SCHEDULE A  
DEVELOPMENT AREA AND SCHEDULE**

BAM Franchising, Inc., an Oregon corporation (“we”, “us”, the “**Company**” or “**Franchisor**”) and [\_\_\_\_\_, \_\_\_\_\_], (“you” or “**Area Developer**”) have, as of [\_\_\_\_\_, \_\_\_\_\_], entered into a certain BAM Franchising Area Development Agreement (“**Area Development Agreement**”) and desire to supplement its terms, as set out below.

1. The Term expires on \_\_\_\_\_, 20\_\_.

\_\_\_\_\_ [*Area Developer’s Initials*]

2. The Development Area is geographic are described as follows and shown on the map attached hereto as Schedule A-1:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_ [*Area Developer’s Initials*]

3. You acknowledge and agree that you must have open and in operation in the Development Area, pursuant to Franchise Agreements, that cumulative number of Bricks & Minifigs Businesses set forth below as of each of the following dates:

Cumulative Number of Bricks & Minifigs Businesses	Date
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

\_\_\_\_\_ [*Area Developer’s Initials*]

4. For purposes hereof, no Bricks & Minifigs Businesses that are open and operating as of the date of this Agreement shall be counted for purposes of the Development Schedule. In addition, a Bricks & Minifigs Business that is permanently closed after having been opened, other than as result of non- compliance by you with the terms of the applicable Franchise agreement, shall be deemed open for a period of six months after the last day it was open for business, provided that: (i) during this period of time, you continuously and diligently take such actions as may be required to develop and open a substitute Bricks & Minifigs Business within the Development Area pursuant to a new Franchise Agreement therefore; and (ii) by the end of this period you have the substitute

Bricks & Minifigs Business open and operating in compliance with the Franchise Agreement therefore.

\_\_\_\_\_ [*Area Developer's Initials*]

5. The Development Fee, due upon execution of this Agreement and the first Franchise Agreement shall be \$30,000 (the “**Development Fee**”). \$15,000 for the 1st location and \$7,500 for the 2nd and 3rd locations. The \$7,500 for the 2nd and 3rd locations shall be applied to the initial franchise fee of \$15,000 per location for the 2nd and 3rd locations.

\_\_\_\_\_ [*Area Developer's Initials*]

< *Signatures on following page* >

IN WITNESS WHEREOF, the undersigned have signed this Agreement on the date first above written.

**FRANCHISOR**

**BAM Franchising, Inc.,**  
an Oregon corporation

By: \_\_\_\_\_

Print Name: [\_\_\_\_\_]

Title: President and CEO

**AREA DEVELOPER**

[\_\_\_\_\_] ,  
[\_\_\_\_\_]

By: \_\_\_\_\_

Print Name: [\_\_\_\_\_]

Title: \_\_\_\_\_

**SCHEDULE A-1  
DEVELOPMENT AREA MAP**

**(attach)**

**SCHEDULE B**  
**OWNERSHIP ADDENDUM TO AREA DEVELOPMENT AGREEMENT**

BAM Franchising, Inc., an Oregon corporation (“we”, “us”, the “Company” or “Franchisor”) and [\_\_\_\_], [\_\_\_\_] (“you” or “Area Developer”) have, as of [\_\_\_\_], entered into a certain BAM Franchising Area Development Agreement (“Area Development Agreement”) and desire to supplement its terms, as set out below. The parties therefore agree as follows:

1. **Operating Partner.** The name, home address, and social security number of the Operating Partner are as follows:

<u>NAME</u>	<u>HOME ADDRESS</u>	<u>SSN</u>
_____	_____	_____

2. **Entity Type of Area Developer.** Area Developer is a [limited liability company / corporation / general partnership / limited partnership], which was [organized/formed] on the \_\_\_\_ day of \_\_\_\_\_, 20\_\_, under the laws of the State of \_\_\_\_\_. Its Federal Employer Identification Number is \_\_\_\_\_. It has not conducted business under any name other than its [company/corporate/partnership] name. The following is a list of all of Area Developer’s [directors, officers or managers / general partners] as of [\_\_\_\_\_].

<u>NAME OF [DIRECTOR/OFFICER/MANAGER/GENERAL PARTNER]</u>	<u>POSITION</u>
_____	_____
_____	_____
_____	_____

3. **Owners.** Area Developer and each of its Owners represents and warrants that the following is a complete and accurate list of all Owners of Area Developer, including the full name, mailing address, and social security number of each Owner, and fully describes the nature and extent of each Owner’s interest in Area Developer. Area Developer and each Owner as to his/her ownership interest in Area Developer, represents and warrants that each Owner is the sole and exclusive legal beneficial owner of his/her ownership interest in Area Developer, free and clear of all liens, restrictions, agreements and encumbrances of any kind or nature, other than those required or permitted by the Agreement.

<u>OWNER’S NAME</u>	<u>SSN</u>	<u>OWNER’S ADDRESS</u>	<u>OWNERSHIP PERCENTAGE</u>
[_____]	_____	_____	_____
[_____]	_____	_____	_____
[_____]	_____	_____	_____

4. **Change.** You must immediately notify us in writing of any change in the information contained in this Addendum and, at our request, prepare and sign a new Addendum containing the correct information.

5. **Date of Addendum.** The date of this Addendum is [\_\_\_\_\_].

*< Signatures on following page >*



IN WITNESS WHEREOF, the undersigned have signed this Agreement on the date first above written.

**FRANCHISOR**

**BAM Franchising, Inc.,**  
an Oregon corporation

By: \_\_\_\_\_

Print Name: [\_\_\_\_\_]

Title: President and CEO

**AREA DEVELOPER**

[\_\_\_\_\_] ,  
[\_\_\_\_\_]

By: \_\_\_\_\_

Print Name: [\_\_\_\_\_]

Title: \_\_\_\_\_

**OWNERS:**

Signed: \_\_\_\_\_  
Print Name: [\_\_\_\_\_]

Signed: \_\_\_\_\_  
Print Name: [\_\_\_\_\_]

Signed: \_\_\_\_\_  
Print Name: [\_\_\_\_\_]

## SCHEDULE C GUARANTY

In consideration of, and as an inducement to, the signing of a BAM Franchising Area Development Agreement dated [ ] (the “**Agreement**”) by and between BAM Franchising, Inc., an Oregon corporation (“**Franchisor**”) and [ ], [ ] (“**Area Developer**”), each of the undersigned owners of a ten percent (10%) or greater interest in Area Developer for themselves, their heirs, legal representatives, successors and assigns (each a “**Guarantor**”, and collectively the “**Guarantors**”) do hereby personally, unconditionally, individually, jointly and severally: (1) guarantee to Franchisor and to its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that Area Developer shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement (and any modification or amendment to the Agreement) including the payment of all continuing license fees, marketing fees and all other fees and charges accruing pursuant to the Agreement and that each and every representation of Area Developer made in connection with the Agreement (and any modification or amendment to the Agreement) are true, correct and complete in all respects at and as of the time given; and (2) agree personally to be bound by, and personally liable for the breach of, each and every provision in the Agreement (and any modification or amendment to the Agreement).

Each of the Guarantors further agrees as follows:

1. The Guarantors, individually, jointly and severally, shall be personally bound by each and every condition and term contained in the Agreement as though each of the Guarantors had signed an area development agreement containing the identical terms and conditions of the Agreement, including the provisions relating to confidentiality and non-competition covenants. This Guaranty shall continue in favor of Franchisor notwithstanding any extension, modification, or alteration of the Agreement, and notwithstanding any assignment of the Agreement, with or without the Franchisor’s consent. No extension, modification, alteration or assignment of the Agreement shall in any manner release or discharge the Guarantors, and each of the Guarantors consents to any such extension, modification, alteration or assignment.
2. Each Guarantor’s liability under this Guaranty is primary and independent of the liability of Area Developer and any other Guarantors. Each Guarantor waives any right to require Franchisor to proceed against any other person or to proceed against or exhaust any security held by Franchisor at any time or to pursue any right of action accruing to Franchisor under the Agreement. Franchisor may proceed against each Guarantor and Area Developer, jointly and severally or may, at its option, proceed against each Guarantor without having commenced any action, or having obtained any judgment, against Area Developer or any other Guarantor. Each Guarantor waives the defense of the statute of limitations in any action under this Guaranty or for the collection of any indebtedness or the performance of any obligation guaranteed pursuant to this Guaranty. Each Guarantor waives any right that the undersigned may have to require that an action be brought against Area Developer or any other person as a condition of liability. Each Guarantor waives any and all other notices and legal or equitable defenses to which the undersigned may be entitled.
3. The Guarantors unconditionally, individually, jointly and severally agree to pay all attorneys’ fees and all costs and other expenses incurred in any collection or attempted collection

of this Guaranty or in any negotiations relative to the obligations guaranteed or in enforcing this Guaranty against Area Developer.

4. Each Guarantor waives notice of any demand by Franchisor, any notice of default in the payment of any amounts contained or reserved in the Agreement (and any modification or amendment to the Agreement), or any other notice of default or nonperformance of any obligations under the Agreement. Each Guarantor waives protest and notice of default to any party with respect to indebtedness, default or nonperformance of any obligations under the Agreement (and any modification or amendment to the Agreement).

5. Each Guarantor expressly agrees that the validity of this Guaranty and its obligations shall in no way be terminated, affected or impaired by reason of any waiver by Franchisor, or its successors or assigns, or the failure of Franchisor to enforce any of the terms, covenants or conditions of the Agreement or this Guaranty, or the granting of any indulgence or extension of time to Area Developer, all of which may be given or done without notice to the Guarantors.

6. This Guaranty shall extend, in full force and effect, to any assignee or successor of Franchisor and shall be binding upon the Guarantors and each of their respective successors and assigns.

7. Until all obligations of Area Developer to Franchisor have been paid or satisfied in full, the Guarantors have no remedy or right of subrogation and each Guarantor waives any right to enforce any remedy which Franchisor has or may in the future have against Area Developer and any benefit of, and any right to participate in, any security now or in the future held by Franchisor.

8. All existing and future indebtedness of Area Developer to each Guarantor is hereby subordinated to all indebtedness and other monetary obligations guaranteed in this Guaranty and, without the prior written consent of Franchisor, shall not be paid in whole or in part to any Guarantor, nor will any Guarantor accept any payment of or on account of any this indebtedness while this Guaranty is in effect, unless at the time of this payment, all indebtedness and other monetary obligations to Franchisor are current under the terms of the Agreement.

9. Each Guarantor consents and agrees that the undersigned shall render any payment or performance required under this Guaranty shall be joint and several. This liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which the Franchisor may periodically grant to Area Developer or to any other person including the acceptance of any partial payment or performance or the compromise or release of any claims, none of which shall in any way modify or amend this Guaranty, which shall be continuing and irrevocable until satisfied in full.

10. Each Guarantor waives acceptance and notice of acceptance by Franchisor of the foregoing undertakings. Each Guarantor waives notice of any amendment to the Agreement.

11. Each Guarantor hereby acknowledges that Franchisor or its affiliates may perform inquiries into each Guarantor's credit history for purposes of enforcing or maintaining its rights under this Guaranty. Each Guarantor hereby authorizes, without reservation, all government agencies, institutions, information service bureaus, consumer reporting agencies, and other public records providers contacted by Franchisor or its affiliates to furnish such information upon request.

You and your owners irrevocably submit to the jurisdiction of the courts of the State of Utah in any suit, action or proceeding, arising out of or relating to this Guaranty or any other dispute between you and us, and you irrevocably agree that all claims in respect of any such suit,

action or proceeding must be brought and/or defended except with respect to matters that are under the exclusive jurisdiction of the federal courts of the United States, which shall be brought and/or defended in the federal district court sitting in Salt Lake City, Utah. You irrevocably waive, to the fullest extent you may lawfully do so, the defense of an inconvenient forum to the maintenance of this suit, action, or proceeding and agree that service of process for purposes of any such suit, action, or proceeding need not be personally served or served within the State of Utah, by certified mail or any other means permitted by law addressed to you at the address set forth herein. Nothing contained herein shall affect our rights to bring a suit, action or proceeding in any other appropriate jurisdiction, including any suit, action or proceeding brought by us to enforce any judgment against you entered by a state or federal court.

*< Signatures on following page >*

IN WITNESS WHEREOF, each of the undersigned has hereunto affixed his/her signature to be effective as of [\_\_\_\_\_].

**GUARANTORS**

Signed: \_\_\_\_\_  
Print Name: [\_\_\_\_\_]

Signed: \_\_\_\_\_  
Print Name: [\_\_\_\_\_]

Signed: \_\_\_\_\_  
Print Name: [\_\_\_\_\_]

**SCHEDULE D**  
**INVESTOR PERSONAL COVENANTS REGARDING CONFIDENTIALITY & NON-  
COMPETITION**

In conjunction with your investment in [\_\_\_\_], [\_\_\_\_] (“**Area Developer**”), you (“**Investor**” or “**you**”), acknowledge and agree as follows for the benefit of BAM Franchising, Inc., an Oregon corporation (“**BAM Franchising**” of “**BAM**”):

1. Area Developer owns and operates, or is developing, Bricks & Minifigs Businesses located or to be located in or about [ ] pursuant to an Area Development Agreement dated [ ] (“**Area Development Agreement**”) with BAM Franchising, which Area Development Agreement requires persons with legal or beneficial ownership interests in Area Developer under certain circumstances to be personally bound by the confidentiality and non-competition covenants contained in the Area Development Agreement. All capitalized terms contained herein shall have the same meaning set forth in the Area Development Agreement.
2. You own or intend to own the percentage legal or beneficial ownership interest in Area Developer, set forth beneath your signature below, and acknowledge as set forth below your signature and agree that your signing of this Agreement is a condition to such ownership interest and that you have received good and valuable consideration for signing this Agreement. BAM may enforce this Agreement directly against you and your Owners (as defined below).
3. If you are a corporation, partnership, limited liability company or other entity, all persons who have a legal or beneficial interest in you (“**Owners**”) must also sign this Agreement.
4. You and your Owners, if any, may gain access to parts of BAM Franchising’s Confidential Information (as defined in the Area Development Agreement) as a result of investing in Area Developer. The Confidential Information is proprietary and includes BAM Franchising’s trade secrets. You and your Owners hereby agree that while you and they have a legal or beneficial ownership interest in Area Developer and thereafter you and they: (a) will not use the Confidential Information in any other business or capacity (this use being an unfair method of competition); (b) will maintain the confidentiality of the Confidential Information; and (c) will not make unauthorized copies of any portion of the Confidential Information disclosed in written, electronic or other form. If you or your Owners cease to have an interest in Area Developer, you and your Owners, if any, must deliver to BAM Franchising any of this Confidential Information in your or their possession or control.
5. During the term of the Area Development Agreement and during such time as you and your Owners, if any, have any legal or beneficial ownership interest in Area Developer, you and your Owners, if any, agree that you and they will not, without BAM Franchising’s written consent (which consent may be withheld at Our discretion) directly or indirectly (such as through an affiliate or through your or their immediate families) own any legal or beneficial interest in, or render services or give advice in connection with: (a) any Competitive Business (as defined in the Area Development Agreement) located anywhere; or (b) any entity located anywhere which grants franchises, or licenses to others to operate any Competitive Business.

6. For a period of two years, starting on the earlier to occur of the date you or your Owners cease to have any legal or beneficial ownership interest in Area Developer and the effective date of termination or expiration (without renewal) of the Area Development Agreement, neither you nor any of your Owners directly or indirectly (such as through an Affiliate or through you or their immediate families) shall own a legal or beneficial interest in, or render services or give advice to: (a) any Competitive Business operating within a radius of five miles of any Bricks & Minifigs Business then in operation or under construction; (b) any entity which grants franchises or licenses other interests to others to operate any Competitive Business; or (c) recruit or hire any person who is an employee of yours, ours or of any Bricks & Minifigs Business operated by us, our Affiliates or any Area Developer of ours without obtaining the employer's consent, which consent may be withheld for any reason. If you or any of your Owners fail to or refuse to abide by any of the foregoing covenants and BAM Franchising obtains enforcement in a judicial proceeding, the obligations under the breached covenant will continue in effect for a period of time ending two years after the date of the order enforcing the covenant.
7. You and each of your Owners expressly acknowledge the possession of skills and abilities of a general nature and the opportunity to exploit these skills in other ways, so that enforcement of the covenants contained in Paragraphs 5 and 6 above will not deprive any of you of your personal goodwill or ability to earn a living. If any covenant herein which restricts competitive activity is deemed unenforceable by virtue of its scope or in terms of geographic area, type of business activity prohibited and/or length of time, but could be rendered enforceable by reducing any part or all of it, you and we agree that it will be enforceable to the fullest extent permissible under applicable law and public policy. In addition to relief as may be available at equity or law, BAM Franchising may obtain in any court of competent jurisdiction any injunctive relief, including temporary restraining orders and preliminary injunctions, against conduct or threatened conduct for which no adequate remedy at law may be available or which may cause it irreparable harm. You and each of your Owners acknowledge that any violation of Paragraphs 4, 5, or 6 hereof would result in irreparable injury for which no adequate remedy at law may be available. If BAM files a claim to enforce this Agreement and prevails in such proceeding, you must reimburse BAM for all its costs and expenses, including reasonable attorneys' fees.
8. This agreement does not supersede or cancel any prior understandings and agreements you and your Owners had with respect to these matters, including any provision of the Area Development Agreement and any agreement previously entered into with BAM or its affiliates pertaining to confidentiality. You and your Owners have read this agreement thoroughly, understand it, and sign it freely and voluntarily.

*< Signatures on following page >*

IN WITNESS WHEREOF, the undersigned have signed this Agreement as of the date first above written.

**INVESTOR**

Signed: \_\_\_\_\_  
Print Name: [\_\_\_\_\_]

Ownership Percentage: \_\_\_\_\_%

**OWNERS**

Signed: \_\_\_\_\_  
Print Name: [\_\_\_\_\_]

Signed: \_\_\_\_\_  
Print Name: [\_\_\_\_\_]

Signed: \_\_\_\_\_  
Print Name: [\_\_\_\_\_]



## **SCHEDULE E**

### **STATE-SPECIFIC ADDENDA TO AREA DEVELOPMENT AGREEMENT**

The following modifications may supersede certain portions of the Area Development Agreement dated [\_\_\_\_\_].

The following states have statutes that may supersede the Area Development Agreement in your relationship with us, including the areas of termination and renewal of your franchise: ARKANSAS [Stat. Section 70-807], CALIFORNIA [Bus. & Prof. Code Sections 20000-20043], CONNECTICUT [Gen. Stat. Section 42- 133e et seq.], DELAWARE [Code, Tit. 6, Ch. 25, Sections 2551-2556], HAWAII [Rev. Stat. Section 482E-1], ILLINOIS [Rev. Stat. 815 ILCS 705/19 and 705/20], INDIANA [Stat. Sections 23-2-2.7 and 23-2-2.5], IOWA [Code Sections 523H.1-523H.17], MARYLAND [Maryland Franchise Registration and Disclosure Law, MD. Code Ann., Bus. Reg. Sections 14-201 to 14-233 (2004 Repl. Vol.)], MICHIGAN [Stat. Section 19.854(27)], MINNESOTA [Stat. Section 80C.14], MISSISSIPPI [Code Section 75-24-51], MISSOURI [Stat. Section 407.400], NEBRASKA [Rev. Stat. Section 87-401], NEW JERSEY [Stat. Section 56.10-1], SOUTH DAKOTA [Codified Laws Chapter 37-5B], VIRGINIA [Code 13.1-517-574], WASHINGTON [Code Section 19.100.180], WISCONSIN [Stat. Section 135.03]. These and other states may have court decisions that may supersede the Area Development Agreement in your relationship with us including the areas of termination and renewal of your franchise.

#### **CALIFORNIA**

The California Franchise Investment Law requires that a copy of all proposed agreements relating to the sale of the franchise be delivered together with the FDD.

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

California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer or non-renewal of a franchise. If the Area Development Agreement contains a provision that is inconsistent with the law, the law will control.

The Franchise Agreement requires binding arbitration. The arbitration will occur in Utah with the costs being borne by the non-prevailing party. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

The Area Development Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

The Area Development Agreement requires application of the laws of the State of Utah. This provision may not be enforceable under California law.

The following paragraph is added to Item 19 of the Franchise Disclosure Document:

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

BAM's Uniform Resource Locator ("URL") address for locating its internet website is: <http://www.bricksandminifigs.com>. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF CORPORATIONS. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION at [www.dfpi.ca.gov](http://www.dfpi.ca.gov).

**THE CALIFORNIA SECTION OF THIS ADDENDUM APPLIES ONLY TO AREA DEVELOPERS WHO ARE RESIDENTS OF CALIFORNIA OR WHO LOCATE THEIR FRANCHISES IN CALIFORNIA.**

## **HAWAII**

1. The following list reflects the status of our franchise registrations in the states which have franchise registration and/or disclosure laws:

This renewal registration is not currently effective in any state.

This proposed registration is on file with or will shortly be on file with the States of Minnesota, North Dakota, and South Dakota.

An Application/Notice of Exemption is on file or will be shortly on file with the States of California, Illinois, Indiana, New York and Washington.

There are no states which have revoked or suspended the right to offer these franchises.

2. The Area Development Agreement has been amended as follows:

The Hawaii Franchise Investment Law provides rights to the Area Developer concerning non-renewal, termination and transfer of the Area Development Agreement. If the Area Development Agreement, and more specifically, Sections 2, 7 and 8 contain a provision that is inconsistent with the Hawaii Franchise Investment Law, the Hawaii Franchise Investment Law will control.

Section 7.B(viii) of the Area Development Agreement requires Area Developers to sign a general release as a condition of transfer of the Area Development Agreement; this release shall exclude claims arising under the Hawaii Franchise Investment Law.

Section 8.A(i) of the Area Development Agreement, which terminates the Area Development Agreement upon the bankruptcy of the Area Developer may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, et seq.).

3. The Receipt Pages are amended to add the following:

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

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

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

THE HAWAII SECTION OF THIS ADDENDUM APPLIES ONLY TO AREA DEVELOPERS WHO ARE RESIDENTS OF HAWAII OR WHO LOCATE THEIR FRANCHISES IN HAWAII.

## **ILLINOIS**

THE AREA DEVELOPMENT AGREEMENT MAY STATE THAT YOU MUST MEET CERTAIN MINIMUM PERFORMANCE SALES REQUIREMENTS. IF YOU DO NOT MEET THESE REQUIREMENTS YOUR AREA DEVELOPMENT AGREEMENT CAN BE TERMINATED BY BAM.

This provision may be affected by Illinois Law, 815 ILCS §§ 705/4 and 705/41.

Section 8 of the Area Development Agreement is amended, if required by law, to state:

“The conditions under which your franchise can be terminated and your rights upon non-renewal may be affected by Illinois Law, 815 ILCS §§ 705/19 and 705/20.”

Sections 10 and 11.F and any other choice of law, venue and jurisdictions provisions in the Area Development Agreement are amended, if required by law, to include the following:

“Provisions regarding jurisdiction and venue and choice of law may be affected by Illinois law, 815 ILCS §§ 705/4 and 705/41, respectively.”

“Notwithstanding anything in this Agreement to the contrary, EXCEPT IF GOVERNED BY THE FEDERAL ARBITRATION ACT, THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. SECTIONS 1051 ET SEQ.) OR OTHER FEDERAL LAW OR MATTERS ARISING UNDER SECTION 4 OF THE ILLINOIS FRANCHISE DISCLOSURE ACT WHICH SHALL BE GOVERNED THEREBY, THIS AGREEMENT, THE FRANCHISE AND THE RELATIONSHIP BETWEEN COMPANY AND AREA DEVELOPER SHALL BE GOVERNED BY THE LAWS OF THE STATE OF UTAH, EXCEPT THAT (A) THE UTAH BUSINESS OPPORTUNITY DISCLOSURE ACT AND ANY OTHER STATE LAW RELATING TO (1) THE OFFER AND SALE OF FRANCHISES, (2) FRANCHISE RELATIONSHIPS OR (3) BUSINESS OPPORTUNITIES, SHALL NOT APPLY UNLESS THE APPLICABLE JURISDICTIONAL REQUIREMENTS ARE MET INDEPENDENTLY WITHOUT REFERENCE TO THIS PARAGRAPH; and (B) THE ENFORCEABILITY OF THOSE PROVISIONS OF THIS AGREEMENT WHICH RELATE TO RESTRICTIONS ON YOUR COMPETITIVE ACTIVITIES WILL BE GOVERNED BY THE LAWS OF THE STATE IN WHICH YOUR BUSINESS IS LOCATED.”

SPECIFICALLY, PROVISIONS REGARDING JURISDICTION AND VENUE AND CHOICE OF LAW MAY BE AFFECTED BY ILLINOIS LAW, 815 ILCS §§ 705/4 AND 705/41, RESPECTIVELY, AND RULE SECTION 200.608 OF THE RULES AND REGULATIONS PROMULGATED PURSUANT TO THE ILLINOIS FRANCHISE DISCLOSURE ACT.”

No provision in the Area Development Agreement shall be construed to mean that you may not rely on representations in the BAM Disclosure Document that we provided to you in connection with the offer and purchase of your franchise.

Section 41 of the Illinois Franchise Disclosure Act states that “any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act is void.”

**THE ILLINOIS SECTION OF THIS ADDENDUM APPLIES ONLY TO AREA DEVELOPERS WHO ARE RESIDENTS OF ILLINOIS OR WHO LOCATE THEIR FRANCHISES IN ILLINOIS.**

**MARYLAND**

The Disclosure Document is amended to state:

“BAM Franchising has not registered the trademark, servicemark/logo in the State of Maryland. You must register the name “BAM Franchising Association” as a dba for the entity operating the franchise in the state where the franchise marketing area is located.”

Section 7.B(viii) of the Area Development Agreement is amended to state:

“Any release signed in connection with the Area Development Agreement is not intended to, nor shall it act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.”

Sections 10 and 11.F of the Area Development Agreement are amended to state:

“Notwithstanding anything in this Agreement to the contrary, EXCEPT IF GOVERNED BY THE FEDERAL ARBITRATION ACT, THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. SECTIONS 1051 ET SEQ.) OR OTHER FEDERAL LAW OR MATTERS ARISING UNDER THE MARYLAND FRANCHISE REGISTRATION AND DISCLOSURE LAW WHICH SHALL BE GOVERNED THEREBY, THIS AGREEMENT AND THE RELATIONSHIP BETWEEN YOU AND US WILL BE GOVERNED BY THE LAWS OF THE STATE OF UTAH, EXCEPT THAT THE UTAH BUSINESS OPPORTUNITY DISCLOSURE ACT AND ANY OTHER STATE LAW RELATING TO (1) THE OFFER AND SALE OF FRANCHISES, (2) FRANCHISE RELATIONSHIPS, OR (3) BUSINESS OPPORTUNITIES, WILL NOT APPLY UNLESS THE APPLICABLE JURISDICTIONAL REQUIREMENTS ARE MET INDEPENDENTLY WITHOUT REFERENCE TO THIS PARAGRAPH. YOU MAY BRING A LAWSUIT IN MARYLAND FOR CLAIMS ARISING UNDER THE MARYLAND FRANCHISE REGISTRATION AND DISCLOSURE LAW.”

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

“Any limitation of claims provisions shall not act to reduce the three year statute of limitations afforded an Area Developer for bringing

a claim arising under the Maryland Franchise Registration and Disclosure Law.”

The Disclosure Document and Area Development Agreement are amended as follows:

“Any provision in the Area Development Agreement restricting jurisdiction or venue to a forum outside of Maryland or requiring the application of the laws of another state is void with respect to a claim arising under the Maryland Franchise Registration and Disclosure Law.”

“Any claims under the Maryland Franchise Registration and Disclosure law may be brought in the State of Maryland.”

“Pursuant to COMAR 02.02.0816L, the general release required as a condition of renewal, sale and/or assignment/transfer will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.”

“Any provision in the Area Development Agreement or the agreements attached as appendices that requires you to disclaim the occurrence and/or acknowledge the non- occurrence of acts that would constitute a violation of the Maryland Franchise Registration and Disclosure Law is not intended to nor will it act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.”

“Your acknowledgement and representations are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.”

**THE MARYLAND SECTION OF THIS ADDENDUM APPLIES ONLY TO AREA DEVELOPERS WHO ARE RESIDENTS OF MARYLAND OR WHO LOCATE THEIR FRANCHISES IN MARYLAND.**

## **MICHIGAN**

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

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

- (a) A prohibition on your right to join an association of franchisees.
- (b) A requirement that you assent to a release, assignment, novation, waiver, or estoppel which deprives you of rights and protections provided in this act. This shall not preclude you, after entering into an Area Development Agreement, from settling any and all claims.

- (c) A provision that permits us to terminate a franchise before the expiration of its term except for good cause. Good cause shall include your failure to comply with any lawful provision of the Area Development Agreement and to cure this failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure this failure.
- (d) A provision that permits us to refuse to renew your franchise without fairly compensating you by repurchase or other means for the fair market value at the time of expiration of your inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to us and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years and (ii) you are prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or you do not receive at least 6 months advance notice of our intent not to renew the franchise.
- (e) A provision that permits us to refuse to renew an Area Development Agreement on terms generally available to other area developers of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude you from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits us to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent us from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
  - (i) The failure of the proposed transferee to meet our then-current reasonable qualifications or standards.
  - (ii) The fact that the proposed transferee is a competitor of us or our subfranchisor.
  - (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
  - (iv) You or your proposed transferee's failure to pay any sums owing to us or to cure any default in the Area Development Agreement existing at the time of the proposed transfer.
- (h) A provision that requires you to resell to us items that are not uniquely identified with us. This subdivision does not prohibit a provision that grants to us a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants us the right to acquire the assets of a franchise for the market or appraised value of these assets if you have breached the

lawful provisions of the Area Development Agreement and have failed to cure the breach in the manner provided in subdivision (c).

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

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

**ESCROW REQUIREMENTS (IF ANY):** \_\_\_\_\_

Any questions regarding this notice should be directed to:

State of Michigan  
Department of Attorney General  
Consumer Protection Division  
Attn: Franchise  
670 Law Building  
Lansing, Michigan 48913  
Telephone Number: (517) 373-7117

**THE MICHIGAN SECTION OF THIS ADDENDUM APPLIES ONLY TO AREA DEVELOPERS WHO ARE RESIDENTS OF MICHIGAN OR WHO LOCATE THEIR FRANCHISES IN MICHIGAN.**

## **MINNESOTA**

If required by law, the Area Development Agreement is modified as follows:

Any release signed in connection with the Area Development Agreement shall not apply to any claims arising under Minnesota Statutes 1973 Supplement, Sections 80C.01 to 80C.22, providing that an area developer cannot be required to assent to a release, assignment, or waiver that would relieve any person from liability imposed by such statutes; provided, however that this shall not bar the voluntary settlement of disputes.

With respect to the franchises governed by Minnesota law, we will comply with Minnesota Statutes Sec. 80C.14, subdivisions 3, 4 and 5 which require, except in certain specific cases, that we give you 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the Area Development Agreement. If Franchisor fails to give notice, the Area Development Agreement shall remain in effect from month to month until Franchisor has given the required notice.

Minnesota Statutes Sec. 80C.21 and Minnesota Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Area Development Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your



rights to a jury trial or any procedure, forum, or remedies provided for by the laws of the jurisdiction.

Minnesota Rule 2860.4400J also prohibits us from asking you to consent to the Franchisor obtaining injunctive relief. We may merely seek injunctive relief. Also, it is up to a court to determine if a bond is required.

Provided that you are in compliance with the terms and conditions of the Area Development Agreement, we will comply with Minnesota Statutes Sec. 80C.12, Subd.1(g) which requires that the franchisor protect the area developer's right to use the trademarks, service marks, tradenames, logotypes or other commercial symbols

and/or indemnify the Area Developer from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.

We will also comply with the requirements of Minnesota Statutes Sec. 80C.17, Subd. 5, which requires that any action commenced under Section 80C.17 be commenced within 3 years after the cause of action accrues.

**THE MINNESOTA SECTION OF THIS ADDENDUM APPLIES ONLY TO AREA DEVELOPERS WHO ARE RESIDENTS OF MINNESOTA OR WHO LOCATE THEIR FRANCHISES IN MINNESOTA.**

### **NORTH DAKOTA**

Sections of the Disclosure Document and Area Development Agreement providing for resolution of disputes to be outside North Dakota may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly if required by law.

Sections of the Disclosure Document and Area Development Agreement relating to choice of law, may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly if required by law.

Sections of the Disclosure Document and Area Development Agreement requiring you to sign a general release upon renewal of the Area Development Agreement may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly if required by law.

Sections of the Disclosure Document and Area Development Agreement stipulating that you shall pay all costs and expenses incurred by us in enforcing the Area Development Agreement may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly if required by law.

Sections of the Area Development Agreement requiring you to consent to a waiver of trial by jury may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended if required by law.

Sections of the Area Development Agreement requiring you to consent to a waiver of exemplary and punitive damages may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended if required by law.

**THE NORTH DAKOTA SECTION OF THIS ADDENDUM APPLIES ONLY TO AREA DEVELOPERS WHO ARE RESIDENTS OF NORTH DAKOTA OR WHO LOCATE THEIR FRANCHISES IN NORTH DAKOTA.**

### **RHODE ISLAND**

§ 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.” The Area Development Agreement is amended accordingly if required by law.

**THE RHODE ISLAND SECTION OF THIS ADDENDUM APPLIES ONLY TO AREA DEVELOPERS WHO ARE RESIDENTS OF RHODE ISLAND OR WHO LOCATE THEIR FRANCHISES IN RHODE ISLAND.**

### **VIRGINIA**

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

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

**THE VIRGINIA SECTION OF THIS ADDENDUM APPLIES ONLY TO FRANCHISEES WHO ARE RESIDENTS OF VIRGINIA OR WHO LOCATE THEIR FRANCHISES IN VIRGINIA.**

### **WASHINGTON**

The State of Washington has imposed a financial condition under which the initial franchise fees due will be deferred until the franchisor has fulfilled its initial pre-opening obligations under the Franchise Agreement and the franchise is open for business. Because the Franchisor has material pre-opening obligations with respect to each franchised business the Franchisee opens under the Area Development Agreement, the State of Washington will require that the franchise fees be released proportionally with respect to each franchised business.

**THE WASHINGTON SECTION OF THIS ADDENDUM APPLIES ONLY TO AREA DEVELOPERS WHO ARE RESIDENTS OF WASHINGTON OR WHO LOCATE THEIR FRANCHISES IN WASHINGTON.**

## **WISCONSIN**

Item 17 of the Disclosure Document is amended to add the following:

The Wisconsin Fair Dealership Law Title XIV-A Ch. 135, Section 135.01-135.07 may affect the termination provision of the Franchise Agreement and the Area Development Agreement.

**THE WISCONSIN SECTION OF THIS ADDENDUM APPLIES ONLY TO FRANCHISEES WHO ARE RESIDENTS OF WISCONSIN OR WHO LOCATE THEIR FRANCHISES IN WISCONSIN.**

*< Signatures on following page >*

**ACKNOWLEDGMENT:**

It is agreed that the applicable foregoing state law addendum, if any, supersedes any inconsistent portion of the Area Development Agreement dated [EFFECTIVE DATE]. Except in the State of Maryland, this State Addenda applies only if required by applicable state law.

DATED [EFFECTIVE DATE].

**FRANCHISOR**

**BAM Franchising, Inc.,**  
an Oregon corporation

By: CV Holdings, LC, an Oregon  
corporation, its manager

By: \_\_\_\_\_  
Print Name: [\_\_\_\_\_] \_\_\_\_\_  
Title: President and CEO

**AREA DEVELOPER**

[\_\_\_\_\_] \_\_\_\_\_,  
[\_\_\_\_\_] \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: [\_\_\_\_\_] \_\_\_\_\_  
Title: \_\_\_\_\_

**OWNERS/MANAGERS:**

Signed: \_\_\_\_\_  
Print Name: [\_\_\_\_\_] \_\_\_\_\_

Signed: \_\_\_\_\_  
Print Name: [\_\_\_\_\_] \_\_\_\_\_

Signed: \_\_\_\_\_  
Print Name: [\_\_\_\_\_] \_\_\_\_\_

***[MUST BE SIGNED BY ALL OWNERS AND MANAGERS OF AN ENTITY AREA DEVELOPER]***

**EXHIBIT C**  
**LIST OF FEDERAL, STATE AND CANADIAN FRANCHISE REGULATORS**

## **EXHIBIT C**

### **LIST OF FEDERAL, STATE AND CANADIAN FRANCHISE REGULATORS**

#### **LIST OF STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS**

**The following table reflects our Agents for Service of Process and the Relevant State Franchise Authorities. We may not be registered to offer and sell franchises in all of these states:**

<b>STATE</b>	<b>REGISTERED AGENTS</b>	<b>REGULATORY AUTHORITIES</b>
<b>CALIFORNIA</b>	California Commissioner of Financial protection and Innovation  Los Angeles: 320 West 4 <sup>th</sup> Street, Suite 750 Los Angeles, CA 90013-2344 (213) 576-7205  Sacramento: 2101 Arena Blvd. Sacramento, CA 95834 (916) 445-4233  San Diego: 1350 Front Street San Diego, CA 92101-3697 (619) 525-4233  <u>Toll-Free Number: 1-866-275-2677</u>	Commissioner of Financial Protection and Innovation Department of Financial Protection and Innovation 320 West 4 <sup>th</sup> Street, Suite 750 Los Angeles, CA 90013-1105
<b>CONNECTICUT</b>	Connecticut Department of Banking 260 Constitution Plaza Hartford, CT 06103 (860) 240-8233 or (860) 240-8232	Banking Commissioner 260 Constitution Plaza Hartford, CT 06103 (860) 240-8233 or (860) 240-8232
<b>FLORIDA</b>	[Not Applicable]	Senior Consumer Complaint Analyst Department of Agriculture and Consumer Services Division of Consumer Services Mayo Building, Second Floor Tallahassee, Florida 32399-0800 (850) 922-2770

HAWAII	Commissioner of Securities of the Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, HI 96813-2921 (808) 586-2722	Commissioner of Securities of the Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, HI 96813-2921 (808) 586-2722
ILLINOIS	Illinois Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465	Chief, Franchise Bureau Illinois Attorney General 500 South Second Street Springfield, IL 62706 (312) 814-3892
INDIANA	Secretary of State Administrative Offices of the Secretary of State 201 State House Indianapolis, IN 46204 (317) 232-6681	Securities Commissioner Securities Division Room E-111 302 West Washington Street Indianapolis, IN 46204 (317) 232-6681
IOWA	[Not Applicable]	Director of Regulated Industries Unit Iowa Securities Bureau 340 East Maple Des Moines, Iowa 50319-0066 (515) 281-4441
MARYLAND	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020 (410) 5760-6360	Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 5760-6360
MICHIGAN	Michigan Department of Commerce, Corporations and Securities Bureau 525 W. Ottawa 670 Law Building Lansing, MI 48913 (517) 373-7117	Franchise Administrator Consumer Protection Division Antitrust and Franchise Unit Michigan Department of Attorney General 670 Law Building Lansing, MI 48913 (517) 373-7117

MINNESOTA	Minnesota Department of Commerce 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1600	Minnesota Department of Commerce 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1600
NEBRASKA	[Not Applicable]	Staff Attorney Department of Banking and Finance 1200 N Street, Suite 311 P.O. Box 95006 Lincoln, Nebraska 68509 (402) 471-3445
NEW YORK	Secretary of State of the State of New York 99 Washington Avenue Albany, NY 12231	NYS Department of Law Investor Protection Bureau 28 Liberty St. 21 <sup>st</sup> Fl New York, NY 10005 (212) 416-8222
NORTH DAKOTA	North Dakota Securities Commissioner Fifth Floor 500 East Boulevard Bismarck, ND 58505	Franchise Examiner Office of Securities Commissioner 600 East Boulevard, 5 <sup>th</sup> Floor Bismarck, ND 58505 (701) 328-4712
OREGON	Director of Oregon Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, OR 97310 (503) 378-4387	Department of Consumer and Franchise Services Division of Finance and Corporate Securities Labor and Industries Building Salem, OR 97310 (503) 378-4387
RHODE ISLAND	Director of Rhode Island Department of Franchise Regulation Division of Securities 233 Richmond Street, Suite 232 Providence, RI 02903 (401) 222-3048	Associate Director and Superintendent of Securities Division of Securities 233 Richmond Street, Suite 232 Providence, RI 02903 (401) 222-3048



SOUTH DAKOTA	Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563	Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563
TEXAS	[Not Applicable]	Secretary of State Statutory Document Section P.O. Box 12887 Austin, TX 78711 (512) 475-1769
UTAH	Ryan C. Combe Registered Agent 2181 Combe Road Ogden, Utah 84403	Division of Consumer Protection Utah Department of Commerce 160 East 300 South P.O. Box 45804 Salt Lake City, Utah 84145-0804 (801) 530-6601
VIRGINIA	Clerk of the State Corporation Commission 1300 E. Main Street, 1 <sup>st</sup> Floor Richmond, VA 23219 (804) 371-9733	State Corporation Commission Division of Securities and Retail Franchising 1300 E. Main Street, 1 <sup>st</sup> Floor Richmond, VA 23219 (804) 371-9051
WASHINGTON	Director of Department of Financial Institutions Securities Division 150 Israel Rd. SW Tumwater, WA 98501 (360) 902-8760	Administrator Dept. of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98501 (360) 902-8760
WISCONSIN	Wisconsin Commissioner of Securities P.O. Box 1768 345 W. Washington Avenue, 4 <sup>th</sup> Floor Madison, WI 53703 (608) 261-9555	Franchise Administrator Securities and Franchise Registration Wisconsin Securities Commission 345 W. Washington Avenue, 4 <sup>th</sup> Floor Madison, WI 53703 (608) 261-9555

FEDERAL TRADE  
COMMISSION

Franchise Rule Coordinator  
Division of Marketing Practices  
Bureau of Consumer Protection  
Federal Trade Commission  
600 Pennsylvania Avenue, NW  
Washington, DC 20580  
(202) 326-2222

**CANADA**

Director of Franchises  
Alberta Securities Commission Agency  
21<sup>st</sup> Floor  
10025 Jasper Avenue  
Edmonton, Alberta T5J 3Z5

Director of Franchises  
New Brunswick Securities Commission  
Suite 300  
85 Charlotte Street  
Saint John, New Brunswick 32L 2J2  
(506) 658-3060

Director of Franchises  
Ontario Securities Commission  
Suite 1903  
20 Queen Street, West  
Toronto, Ontario MSH 3S8  
(416) 593-8314

Office of the Attorney General  
Consumer, Corporate, and Insurance Division  
PEI Securities Office  
P.O. Box 2000  
Charlottetown, Prince Edward Island C1A 7N8

**EXHIBIT D**  
**DISCLOSURE ACKNOWLEDGMENT AND AGREEMENT**

## **EXHIBIT D**

### **DISCLOSURE ACKNOWLEDGMENT AND AGREEMENT**

1. **BAM FRANCHISING, INC.** (“*Franchisor*” and “*we/us*”) through the use of this document, desires to ascertain that \_\_\_\_\_ and your owners and officers (collectively “**You**”) fully understand and comprehend that the purchase of a Bricks and Minifigs franchise is a business decision, complete with its associated risks. It is our company policy to verify that you are not relying upon any statements, representations, promises, or assurances (oral, visual, written, or otherwise) during the negotiations for the purchase of the franchise that have not been authorized by us.

2. You recognize that business risks, which exist in connection with the purchase of any business, make the success or failure of a Bricks and Minifigs franchise subject to many variables, including your skills and abilities, the hours you work, competition, interest rates, the economy, inflation, store location, operating costs, lease terms and costs, and the market place. You acknowledge your willingness to undertake these business risks.

3. You acknowledge that you received a copy of our Franchise Disclosure Document, which includes a copy of the form of Franchise Agreement and audited financials of BAM FRANCHISING, INC. You acknowledge that you have personally and carefully reviewed all of this document.

4. You acknowledge that we have advised you to seek professional assistance, to have professionals review the documents, and to have them consult with you regarding the risks associated with the purchase of the franchise.

5. You represent to us that your decision to enter into this business risk is in no manner predicated upon any representations, assurances, warranties, guarantees, or promises made by us or our representatives that are not set forth in our Franchise Disclosure Document or Franchise Agreement, such as representations as to the likelihood of success of the franchise. You further acknowledge that you have not received any information concerning actual, average, projected, or forecasted franchise sales, profits, or earnings except for those set forth in our Franchise Disclosure Document. If you believe that you have received any information concerning actual, average, projected, or forecasted franchise sales profits or earnings other than as set forth in our Franchise Disclosure Document, please describe these in the space provided below or write “None.”

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6. This Disclosure Acknowledgement Agreement does not limit any claims arising under Washington’s Franchise Investment Protection Act, Chapter 19.100 RCW.

Acknowledged and accepted on the following date: \_\_\_\_\_

**FRANCHISEE:**

Signed: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**OWNERS:**

Signed: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Date: \_\_\_\_\_

Signed: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Date: \_\_\_\_\_

**EXHIBIT E**  
**OPERATIONS MANUAL TABLE OF CONTENTS**

## **EXHIBIT E**

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**EXHIBIT F**  
**LIST OF FRANCHISEES**

## **EXHIBIT F**

### **LIST OF FRANCHISED OUTLETS AS OF DECEMBER 31, 2022**

#### **Alabama**

Carl Powell  
7914 Memorial Parkway SW  
Huntsville, Alabama 35802  
256-337-0197

#### **Arizona**

Todd and Desiree Ayres  
1721 N. Dysart Rd. Suite 108  
Avondale, Arizona 85392  
623-518-3113

Rebecca and Jerry Burnett  
6145 E Broadway Blvd  
Tucson, Arizona 85711  
520-372-7733

Allen and Kat Blaz  
1730 W. Happy Valley Rd. Ste #106  
Phoenix, Arizona 85085  
623-606-6705

Walt and Cathy Chrisman  
24 W Camelback Rd. Ste G  
Phoenix, Arizona 85013  
602-675-1392

Rachel Mangum and Theresa Bartholomew  
4024 E Guadalupe Rd. Ste #103  
Gilbert, Arizona 85234  
480-588-3953

Josh Ewald and Cassandra Savoy  
7440 W. Cactus Rd., Suite A-6  
Peoria, Arizona 85381  
623-440-3269

#### **California**

Jason and Kristen Messer  
2250 Commerce Ave., Suite B  
Concord, California 94520  
925-825-1954

Jason and Kristen Messer  
1140 N. Main St.  
Manteca, California 95336  
209-624-3462

Nancy Randle and Gina Hendricks  
1105 S. Euclid, Suite B  
Fullerton, California 92832  
657-378-9777

Raphael and Shauna Garcia  
2502 S. Euclid Ave., Suite A  
Ontario, California 91762  
909-391-8248

William “Bo” and Shannon Schmidt  
863 March St.  
San Luis Obispo, California 93401  
805-439-3788

### Colorado

Russel and Shelley Haman  
8966 W. Bowles Ave., Suite V  
Littleton, Colorado 80123  
720-484-5700

Rick Snyder  
449 N. Denver Ave.  
Loveland, Colorado 80538  
970-888-3783

Rick Snyder  
1387 E. South Boulder Rd.  
Louisville, Colorado 80027  
970-888-3783

Caleb, Rebecca, Greg and Sharon Thorne  
5730 N Academy Blvd  
Colorado Springs, Colorado 80918  
719-309-6196

## Florida

Veronica Raffone  
1700 Tamiami Trail, Unit A-5  
Port Charlotte, Florida 33948  
941-787-2311

Gabriel and Soyhun Ribeiro  
28210 Paseo Dr., #135  
Wesley Chapel, Florida 33543  
813-994-7500

## Georgia

Chris and Heather Loomis  
9945 Jones Bridge Rd. #205  
John's Creek, Georgia 30022  
678-825-2976

## Illinois

Ryan Linsner  
20647 Renwick Rd.  
Crest Hill, Illinois 60403  
630-442-8509

James Demer  
204 E. Geneva Rd.  
Wheaton, Illinois 60187  
630-506-5488

## Kentucky

Adam Blust  
1850 S Hurstbourne Pkwy  
Louisville, Kentucky 40220  
502-709-4202

Heather and Elliot Sweat  
2220 Nicholasville Rd  
Lexington, Kentucky 40503  
859-810-4313

## Michigan

Jody Lesinski  
15254 Canal Road  
Clinton Township, Michigan 48038  
586-580-3180

Adam and Allison Weiner  
1926 Whites Rd.  
Kalamazoo, Michigan 49008  
269-350-5690

Julia and Nathen Petersen  
2927 Breton Road SE  
Grand Rapids, Michigan 49512  
616-719-1973

#### Missouri

Matthew and Zuri Walenty  
20 Crossroads Plaza  
O'Fallon, Missouri 63368  
636-339-2100

#### Montana

Kevin Woods  
1911 Kings Highway West, Suite 9  
Billings, Montana 59102  
406-969-2931

#### Nebraska

Brian and Annette Seely  
2449 South 132nd Street  
Omaha, Nebraska 68144  
402-884-6323

#### New Mexico

Rick Crouse  
6001 San Mateo Boulevard, N.E.  
Albuquerque, New Mexico 87109  
505-369-1574

#### Oklahoma

Justin and Candi Fritz

9118 S. Western Ave., Ste E  
Oklahoma City, Oklahoma 73139  
405-735-7356

### Oregon

Lynnette Scott  
3205 SW Cedar Hills Blvd., Suite 44  
Beaverton, Oregon, 97005  
503-644-5701

Christina Cooper, David Thornton and Leah Brown  
250 SW 1st Ave.  
Canby, Oregon 97013  
503-263-3337

Brian Aljian  
780 Blair Boulevard  
Eugene, Oregon 97402  
541-225-4981

Nathaniel Funk  
3040 NE Sandy Blvd  
Portland, Oregon 97232  
503-908-32639

Marc and Natasha Perrault  
540 NW Eastman Pkwy.  
Gresham, Oregon 97030  
503-328-8848

### South Dakota

Jenn and Ryan Dean  
2804 W. 41<sup>st</sup> St.  
Sioux Falls, South Dakota 57105  
605-274-7447

### Tennessee

Bradley and Talana Patterson  
4650 Merchants Park Circle  
Collierville, Tennessee 38017  
901-207-3007

### Texas

Gary and Holly Friedman  
14010 N Hwy 183, Suite 525  
Austin, Texas 78717  
512-520-8019

Scott and Heather Zachary  
2030 Glade Road  
Grapevine, Texas 76051  
833-289-5346

Chris and Jamie Donnell  
12415 Bandera Rd, #212  
Helotes, Texas 78023  
210-437-2985

Devon Shows  
Broadway Street, Suite 710  
Pearland, TX 77581  
281-741-0279

Jason and Andrea Klima  
7224 Independence Pkwy, Suite 332  
Plano, Texas 75025  
972-618-2343

Chris and Jamie Donnell  
21850 Bulverde Rd Ste 102  
San Antonio, Texas 78259  
210-437-2985

#### Utah

Cory Anderson  
1086 W South Jordan Parkway, Suite 105  
South Jordan, Utah 84095  
385-645-5346

Cory Anderson  
755 E 3300 S  
Salt Lake City, Utah 84106  
385-429-0166

#### Virginia

Steve and Sharon Jensen  
14650 N Kelsey St. Suite 102  
Monroe, Washington 98272



360-243-3068

Washington

Steve and Sharon Jensen  
14650 N Kelsey St. Suite 102  
Monroe, Washington 98272  
360-243-3068

Wisconsin

Dan Jacobsohn  
3000 Cahill Main St., Suite 114  
Fitchburg, Wisconsin 53711  
608-286-1302

Chris and Tammy Eyerly  
7300 Green Bay Rd.  
Kenosha, Wisconsin 53142  
262-764-0048

Newfoundland, Canada

Chad Graham  
29 Stavanger Dr.  
St. John's, NL A1A5E8  
709-237-5700

**List of Franchisees Who Have Signed Franchise Agreements but Not Yet Opened as of  
December 31, 2022**

California

Ryan Spalding and Yi Yang-Spalding  
Katherine and Tim Leuschner  
Ryan and Carissa McDivett  
Michael and Michelle Wu  
Chris Davis  
Robert and Monica Schwaniger  
Miguel and Diala Zuniga  
Henry and Janet Leyvas  
Aimee and Kevin Paul

Colorado

Rick Snyder  
Donnie and Cindy Greenfield

Florida

James Olk Jennifer and Jonathan Martin

Illinois

Madrigal Brown-Vorce

Missouri

Phillip and Tiffany Vice

Nevada

Edgar Garcia and Xin Gan

New Jersey

Scott and Rebecca Warren

New York

Lawrence Joffe

North Carolina

Travis and Chelsea Parker  
Steve Brewer and Trisha Loder  
Demetrius and Anne Grandel

Ohio

Vikran and Priya Reddy

Rhode Island

Byron and Connie Willeford

South Carolina

Jamie Volkmar and Jon Volkmar

Rebecca and Kyle Kapp

Tennessee

Jake Faust

Texas

Thomas and Dana Keene

Scott and Jennifer Stewart

Thomas and Sarah Smith

Chris and Rena Foreman

Blake and Jennifer Mitchell

Utah

Jason Messer

Virginia

Nick Gerow

Wisconsin

Joseph and Sarah Schmidt

**Outlets Owned and Operated by Corporate and/or One or More of Our Officers as of  
December 31, 2022**

Connecticut

Traci Schneider  
1173 Queen St.  
Southington, Connecticut 06489  
860-385-1007  
*(Operated by an entity owned by BAM Franchising Inc.)*

Idaho

Reed Brimhall  
10150 W. Fairview Ave.  
Boise, Idaho 83704  
208-377-4386  
*(Owned and operated by an entity in which our CFO is an owner)*

Oregon

Chrystal Law  
3670 River Rd. N  
Keizer, Oregon 97303  
503-390-1830  
*(Owned and operated by an entity owned by BAM Franchising, Inc.)*

Utah

Matthew, Karen, Ammon, and Nicole McNeff  
658 S. State St.  
Orem, UT 84058  
801-874-2362  
*(During 2018, Ammon and Matthew McNeff, two of the owners of the entity that operates this outlet, became officers of BAM Franchising, Inc.)*

**EXHIBIT G**  
**FRANCHISEES WHO LEFT THE SYSTEM**  
**DURING OUR LAST FISCAL YEAR AS OF DECEMBER 31, 2022**

**Transferred to New Owner:**

Tom and Lindsey Hayden  
Littleton Colorado  
720-484-5700

Jennifer Pyer  
Avondale Arizona  
623-518-3113

**Mutual Termination:**

Matthew Bauman  
Salem Oregon  
503-390-1830

**Termination:**

None

**Ceased Operations – Other Reasons:**

None

**EXHIBIT H**  
**FINANCIAL STATEMENTS OF BAM FRANCHISING, INC.**

*[SEE THE FOLLOWING PAGES.]*

# **BAM FRANCHISING, INC. AND SUBSIDIARIES**

FINANCIAL STATEMENTS

DECEMBER 31, 2022, AND 2021

**BAM FRANCHISING, INC. AND SUBSIDIARIES**  
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**GILBERT & STEWART**  
CERTIFIED PUBLIC ACCOUNTANTS  
A PROFESSIONAL CORPORATION  
ESTABLISHED 1974

RANDEL A. HEATON, CPA  
LYNN A. GILBERT, CPA  
JAMES A. GILBERT, CPA  
BEN H. PROBST, CPA  
RONALD J. STEWART, CPA  
  
SIDNEY S. GILBERT, CPA  
JAMES E. STEWART, CPA

## INDEPENDENT AUDITOR'S REPORT

Board of Directors and Stockholders  
BAM Franchising, Inc.

### Opinions

We have audited the accompanying consolidated financial statements of Bam Franchising, Inc. and its subsidiaries (the Company), which comprise the consolidated statement of financial condition as of December 31, 2022 and 2021, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position BAM Franchising, Inc. and subsidiaries as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Responsibilities of Management for the Financial Statements

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

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

### Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

#### **Other Matters**

The company implemented FASB ASC 842 leasing standards. This required a restatement of the 2021 statements to reflect the implementation of this standard. See note 1 of the footnotes to the financial statements.

***Gilbert & Stewart***

**Gilbert & Stewart, CPA  
Provo, Utah  
March 23, 2023**

**BAM FRANCHISING, INC. AND SUBIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION**  
**DECEMBER 31, 2022 AND DECEMBER 31, 2021**

	<u>12/31/2022</u>	<u>12/31/2021</u>
<b>ASSETS</b>		
Current Assets		
Cash	\$323,286	\$186,837
Accounts receivable (Net of Allowance)	5,358	38,418
Inventory	156,594	164,985
Prepaid expenses	63,319	13,419
Other Receivables	1,200	7,259
Note receivable - Current Portion	19,573	-
Total current assets	<u>569,330</u>	<u>410,918</u>
Property & Equipment		
Property & Equipment - (Net of Accumulated Depreciation)	13,657	7,250
Intangible Assets - (Net of Accumulated Amortization)	2,905	3,196
Net property & equipment	<u>16,562</u>	<u>10,446</u>
Other Assets		
Deferred Tax asset	159,892	10,756
Note Receivable -net of current portion	84,264	
Right of use assets - (net of accumulated amortization)	400,446	229,188
Total other assets	<u>644,602</u>	<u>239,944</u>
 Total Assets	 <u><u>\$1,230,494</u></u>	 <u><u>\$661,308</u></u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$83,133	\$58,724
Payroll taxes	116,287	27,804
Income tax payable	22,695	1,061
Gift Card Payable	146,338	56,515
Deferred revenue	630,000	155,000
Lease liability - current portion	121,146	54,828
Total Current Liabilities	<u>1,119,599</u>	<u>353,932</u>
Long-Term Liabilities		
Note payable	-	3,502
Lease Liability - net of current portion	292,830	188,472
Total Long-Term Liabilities	<u>292,830</u>	<u>191,974</u>
 Total Liabilities	 <u><u>1,412,429</u></u>	 <u><u>545,906</u></u>
Stockholders' Equity		
Common Stock - no Par Value; 1,000,000 Shares Authorized, \$ 926,500 shares issued and \$ 926,500 shares outstanding	-	-
Additional paid-in capital	329,876	110,000
Retained earnings	(441,785)	8,962
Equity attributable to non-controlling interest	-	66,466.00
Treasury stock (32,270 shares at 2.17 per share)	(70,026)	(70,026)
Total Stockholders' Equity	<u>(181,935)</u>	<u>115,402</u>
 Total Liabilities and Stockholders' Equity	 <u><u>\$1,230,494</u></u>	 <u><u>\$ 661,308</u></u>

*See accountant's report and notes to financial statements.*

**BAM FRANCHISING, INC. AND SUBIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021**

	<u>12/31/2022</u>	<u>12/31/2021</u>
<b>Revenues</b>		
Franchise fee	\$ 375,000	\$ 125,000
Royalty fee	1,082,626	640,616
Advertising fee	35,907	19,300
Product sales	1,298,135	1,006,812
Other income	<u>15,314</u>	<u>315</u>
Total revenues	<u>2,806,982</u>	<u>1,792,043</u>
Cost of product sales		
Cost of product	934,531	489,213
Total cost of products sold	<u>934,531</u>	<u>489,213</u>
Gross Profit	<u>1,872,451</u>	<u>1,302,830</u>
Operating expenses		
Compensation expenses	1,605,258	657,376
Advertising expenses	188,476	134,317
Professional fees	245,866	155,043
Computer and software	36,848	58,155
Bad debt expense	8,846	12,746
Training	37,876	30,679
Occupancy	221,678	208,662
Travel	55,576	15,249
Supplies	24,719	27,328
Insurance	5,829	6,428
Depreciation	3,086	3,607
Meals and entertainment	19,862	4,678
Licensing fees	5,754	1,473
Other administrative expenses	<u>47,507</u>	<u>8,225</u>
Total Operating expenses	<u>2,507,181</u>	<u>1,323,966</u>
Other income (expense)		
Gain on sale of business interest	<u>43,711</u>	<u>-</u>
Total Other income (expense)	<u>43,711</u>	<u>-</u>
<b>Net income before provision of income taxes</b>	(\$591,019)	(\$21,136)
Income tax provision	<u>149,135</u>	<u>10,757</u>
Net income including noncontrolling interest	<u>(441,884)</u>	<u>(10,379)</u>
Less income attributable to noncontrolling interest	<u>(8,863)</u>	<u>(53,341)</u>
Net income (loss)	<u><u>(\$450,747)</u></u>	<u><u>(\$63,720)</u></u>

*See accountant's report and notes to financial statements.*

**BAM FRANCHISING, INC. AND SUBIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021**

	<u>12/31/2022</u>	<u>12/31/2021</u>
<b>Cash flows from operating activities:</b>		
Net Income	(\$450,747)	(\$63,720)
Adjustments to reconcile net Income to		
Net cash provided by operating activities:		
Depreciation and amortization	3,086	3,607
Pass-through income	(69,058)	13,125
Net Income non controlling interest	8,863	53,341
Lease expense	(583)	14,111
Change in operating assets and liabilities		
(Increase) Decrease in accounts receivable (net)	33,060	13,020
(Increase) Decrease in inventory	8,391	(82,824)
(Increase) Decrease in prepaid expenses	(49,900)	-
(Increase) Decrease in due from related party	6,059	15,125
(Increase) Decrease in notes receivable	(103,837)	-
(Increase) Decrease in due from other assets	-	(3,159)
(Increase) Decrease in deferred income tax	(149,136)	(10,756)
Increase (Decrease) in accounts payable & accrued expenses	24,409	28,283
Increase (Decrease) in payroll taxes payable	88,483	1,798
Increase (Decrease) in income tax payable	21,634	848
Increase (Decrease) in Gift Card Payable	89,823	51,941
Increase (Decrease) in deferred revenue	475,000	130,000
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>(\$64,453)</u>	<u>\$164,740</u>
<b>Cash Flows Used In Investing Activities:</b>		
Cash Payments for the Purchase of Property	(15,472)	(6,374)
Cash from additional paid in capital	219,876	-
<b>Net Cash Provided (Used) by Financing Activities</b>	<u>204,404</u>	<u>(6,374)</u>
<b>Cash Flows from Financing Activities</b>		
Repayment of notes payable	(3,502)	(10,091)
Repurchase of treasury stock	-	(30,011)
<b>Net Cash Provided (Used) by Financing Activities</b>	<u>(3,502)</u>	<u>(40,102)</u>
<b>Net Increase (Decrease) in cash</b>	136,449	118,264
<b>Cash and Equivalents - Beginning of Year</b>	186,837	68,573
<b>Cash and Equivalents - End of Year</b>	<u>\$323,286</u>	<u>\$186,837</u>
<b>Supplemental Disclosure</b>		
Interest paid	\$ 382	\$ 550
Income tax paid	\$ -	\$ -

*See accountant's report and notes to financial statements.*

**BAM FRANCHISING, INC. AND SUBIDIARIES**  
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021

	<u>Common Stock</u>		Additional	Retained	Non Controlling	Treasury	
	<u>Shares</u>	<u>Amount</u>	<u>Paid-In Capital</u>	<u>Earnings</u>	<u>Interest</u>	<u>Stock</u>	<u>Total</u>
Balance December 31, 2020	926,500	\$ -	\$ 110,000	\$ 72,682	\$ -	\$ (40,015)	\$ 142,667
Shareholder Distributions	-	-	-	-	-	-	-
Repurchase of treasury stock	-	-	-			(30,011)	(30,011)
Non controlling interest	-	-	-	-	66,466	-	66,466
Net Income	<u>-</u>	<u>-</u>	<u>-</u>	<u>(63,720)</u>	<u>-</u>	<u>-</u>	<u>(63,720)</u>
Balance December 31, 2021	926,500	-	110,000	8,962	66,466	(70,026)	115,402
Shareholder Distributions	-	-	-	-			-
Additional Capital	-	-	219,876	-	-	-	219,876
Sale of noncontrolling interest	-	-	-		(66,466)	-	(66,466)
Net Income	<u>-</u>	<u>-</u>	<u>-</u>	<u>(450,747)</u>	<u>-</u>	<u>-</u>	<u>(450,747)</u>
Balance December 31, 2022	<u>926,500</u>	<u>\$ -</u>	<u>\$ 329,876</u>	<u>\$ (441,785)</u>	<u>\$ -</u>	<u>\$ (70,026)</u>	<u>\$ (181,935)</u>

*See accountant's report and notes to financial statements.*

**BAM FRANCHISING, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022, AND 2021**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization and Nature of Business

The consolidated financial statement includes the accounts of BAM Franchising Inc (the “BAM”), its wholly owned subsidiaries BAMF Southington CT LLC (“Southington”), BAMF Wesley Chapel LLC (“Wesley Chapel”), BAMF Salem 1, LLC (“Salem”) and BAMF Vancouver which is 50% owned by BAM Franchising Inc. BAM is an Oregon Corporation formed on April 29, 2011. In 2018, the Company had an ownership change and has elected to be treated as C-corporation instead of S-corporation. Southington is a Connecticut Limited Liability Company formed on November 19, 2020. Wesley Chapel is a Florida Limited Liability Company formed on December 17, 2020. Salem is a Oregon Limited Liability Company formed on January 19, 2022.

During 2022 BAMF Vancouver and BAMF Wesley Chapel were sold (See Note 8).

BAM is the franchisor that franchises the right to open, operate, promote, arrange, and manage a retail store that buys and sells new and used LEGO® building bricks, minifigures and accessories to the general public under the name “Bricks and Minifigs®”. Southington and Salem are the outlet stores 100% owned by BAM.

The estimated initial investment to open a store ranges from \$108,500 to \$276,400. Actual investment costs experienced by a franchisee can vary significantly depending on a host of variables, many of which are in the franchisee’s control. The estimated initial investment above includes the initial franchise fees; leasehold improvements; furniture, fixtures, and equipment; starting inventory; and signage and marketing. All approved applicants pay \$25,000 initial franchise fee for a single area franchise. The initial term of the franchise is 5 years. If franchisee is in good standing, they may renew for period of 5 years under the terms of the then current franchise agreement forms. There is no initial franchise fee by purchasing the business of one of existing franchisees, but it is subject to \$5,000 transfer fee to be paid by existing franchisee. The payment of the transfer fee covers the legal, accounting, credit check, and investigation expenses.

Basis of Presentation

The Company has an accounting year end of December 31. The accompanying consolidated financial statements have been prepared using the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America.

Basis of Consolidation

All material intercompany transactions and balance have been eliminated in consolidation.

Non-Controlling Interest

The Corporation owns 50% of BAMF Vancouver, LLC. This entity is included in the consolidated financial statements, The amount of the net income and equity of the attributable to the non-controlling interest is reflected on the balance sheet and income statement respectively for 2021. In 2022 the 50% interest in BAMF Vancouver was sold.

**BAM FRANCHISING, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022, AND 2021**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*CONTINUED*)**

Use of Estimates

These consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. The Company regularly assesses these estimates and, while actual results could differ, management believes that the estimates are reasonable.

Cash

Cash and cash equivalents include all short-term highly liquid investments with original maturities of 3 months or less. The Company maintains its cash in bank deposit accounts which at times may exceed federally insured limits. Those funds that exceed the FDIC insurance limits would be considered a concentration of credit risk. The carrying amount of cash and deposits with financial institutions is \$323,286 and the bank balance is \$326,510 all of which is covered by FDIC insurance.

Accounts Receivable

The Company records as a receivable all applicable fees, including franchise fees, monthly royalty fees, advertising fees and other related revenues. The allowance for doubtful accounts is the best estimate of the amount of probable credit losses in the Company's accounts receivable. Management determines the allowance based on historical write-off experience and reviews its allowance for doubtful accounts periodically. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company has recorded an allowance for doubtful accounts of \$41,373 and \$32,527 as of December 31, 2022 and 2021.

Inventory

The Company values inventories at the lower of cost or net realizable value. Cost is determined under the weighted average cost method.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 5 to 39 years. Leasehold improvements are amortized over the shorter of the useful life of the related assets or the lease term. Expenditures for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any related gain or loss is reflected in income for the period.



**BAM FRANCHISING, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022, AND 2021**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Revenue Recognition

The Company recognizes revenue in accordance with ASU No. 2014-09, Revenue from Contract with Customers (Topic 606). The Company records its revenues based on the performance obligation under the contract with its franchisees and the determination of fee collectability. Franchise fees from the sales of franchises meet the requirements for recognitions and are recorded upon opening of the store. Royalty fees, which are based on the percentage of the franchisee's monthly gross sales, are recognized as earned upon recognition of sales by franchisees. The Company also collects fixed monthly advertising fees from franchisees, which are recognized on monthly basis. Product sales are recognized when the delivery of the products has occurred, and the benefits are transferred to the customers.

Fair Value Measurements

GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Under the standard, fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date.

Income Taxes

The Company accounts for income taxes under ASC 740, Income Taxes. Under the asset and liability method of ASC 740, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period the enactment occurs. A valuation allowance is provided for certain deferred tax assets if it is more likely than not that the Company will not realize tax assets through future operations. The Company is a C-corporation and files the tax returns in the U.S federal jurisdiction and registered states. The management has determined that the Company has no uncertain tax positions that would require consolidated financial statement recognition as of December 31, 2022.

Advertising

Advertising costs are treated as expenses either as incurred or the first time the advertising takes place. For the years ended December 31, 2022 and 2021, the Company incurred advertising expenses of \$188,476 and \$134,317, respectively.

**BAM FRANCHISING, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022, AND 2021**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Trademarks

The Company has adopted FASB Accounting Standards Codification 350, Intangibles – Goodwill and Other. That statement required the Company to evaluate certain intangible assets on an annual basis for potential impairment. After estimating the value of the trademarks at December 31, 2022 and 2021, the Company recognized no loss because of trademark impairment for the year ended December 31, 2022 and 2021.

Changes in accounting policy

The Company adopted FASB ASC 842. Under this standard lessees are required to recognize assets and liabilities on the balance sheet for most leases and provide additional disclosures. The Company adopted FASB ASC 842, with a date of initial application of January 1, 2022.

The Company did restate the 2021 comparative financial statements. The restatement resulted in a right of use asset and a lease liability of \$268,297.58. The cumulative effect on retained earnings for 2021 is the amount of \$14,112.

The Company has elected to not record right of use assets and lease liabilities for short term leases with a lease term of 12 months or less, but greater than 1 month.

The Company accounts for leases in accordance with FASB ASC 842. The Company is a lessee in several noncancellable operating leases for office space. The Company determines if an arrangement is a lease, or contains a lease, at inception of a contract and when terms of an existing contract are changed. The Company determines if an arrangement conveys the right to use an identified asset and whether the Company obtains substantially all of the economic benefits from and has the ability to direct the use of the asset. The Company recognizes a lease liability and ROU asset at the commencement date of the lease.

Beginning January 1, 2021, operating lease ROU assets and related current and long-term portions of operating lease liabilities have been presented in the balance sheet.

*Lease liabilities.* A lease liability is measured based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or rate and are measured using the index or rate at the commencement date. Lease payments, including variable payments made based on an index rate, are remeasured when any of the following occur: (1) the lease is modified (and the modification is not accounted for as a separate contract), (2) certain contingencies related to variable lease payments are resolved, or (3) there is a reassessment of any of the following: the lease term, purchase options, or amounts that are probable of being owed under a residual value guarantee. The discount rate is the rate implicit in the lease if it is readily determinable; otherwise, the Company uses its incremental borrowing rate.

**BAM FRANCHISING, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022, AND 2021**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The implicit rates of the Company's leases are not readily determinable; accordingly, the Company uses its incremental borrowing rate based on the information available at the commencement date for each lease. The Company's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment and geographic location. The Company determines its incremental borrowing rates by starting with the interest rates on recent borrowings and other observable market rates and adjusting those rates to reflect differences in the amount of collateral and the payment terms of the leases.

*ROU assets.* A ROU asset is measured at the commencement date at the amount of the initially measured liability plus any lease payments made to the lessor before or after commencement date, minus any lease incentives received, plus any initial direct costs. Unless impaired, the ROU asset is subsequently measured throughout the lease term at the amount of the lease liability (that is the present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued lease payments, less the unamortized balance of lease incentives received. Lease cost for lease payments is recognized on a straight-line basis over the lease term. Finance lease ROU assets are amortized on a straight-line basis over the shorter of the lease term or the remaining useful life of the asset.

*Accounting policy election for short-term leases.* The Company has elected for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less, but greater than 1 month at lease commencement, and do not include an option to purchase the underlying asset that the Company is reasonably certain to exercise. The Company recognizes lease cost associated with its short-term leases on a straight-line basis over the lease term.

**NOTE 2 – FRANCHISE INFORMATION**

Years Ended December 31	<u>2022</u>	<u>2021</u>
Open at beginning of year	41	36
Opened during the year	15	5
Closed during the year	<u>-</u>	<u>-</u>
Open at end of year	56	41
Franchisees	54	36
Company owned franchises	2	5

**BAM FRANCHISING, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022, AND 2021**

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**NOTE 3 – PROPERTY AND EQUIPMENT**

Property and equipment as of December 31, 2022, and 2021 consists of the following:

December 31,	<u>2022</u>	<u>2021</u>
Equipment	\$ 37,946	\$ 22,474
Leasehold Improvements	-	6,374
Less: accumulated depreciation	(24,289)	(21,598)
Property and equipment (net)	<u>\$ 13,657</u>	<u>\$ 7,250</u>

Depreciation expense amounted to \$2,795 and \$3,196 for the years ended December 31, 2021 and 2020.

**NOTE 4 – INTANGIBLE ASSETS**

Intangibles assets as of December 31, 2022, and 2021 consists of the following:

December 31,	<u>2022</u>	<u>2021</u>
Trademark	\$ 4,359	\$ 4,359
Less: accumulated amortization	(1,453)	(1,163)
Intangible assets (net)	<u>\$ 2,906</u>	<u>\$ 3,196</u>

Amortization expense amounted to \$291 and \$291 for the years ended December 31, 2022 and 2021

**NOTE 5 – RELATED PARTY TRANSACTIONS**

On April 14, 2020, the Company issued a promissory note in the amount of \$20,000 with a related party. The loan carries an interest rate of 6% and monthly payments, including interest, are approximately \$886. The note was fully repaid in 2022.

**BAM FRANCHISING, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022, AND 2021**

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**NOTE 6 – DEFERRED REVENUE**

During 2022 the company finalized 33 franchise agreements. The revenues from these agreements will be recognized as the franchise stores open. Several of the franchises met the criteria for recognition and the revenue was recognized. The remaining franchise revenue will be deferred and recognized as the recognition criteria is met. The balance of deferred revenue is as follows:

Balance 1/1/2022	Additions	Revenue recognized	Balance 12/31/2022
<u>\$ 155,000</u>	<u>\$ 840,000</u>	<u>\$ 365,000</u>	<u>\$ 630,000</u>

**NOTE 7 – LEASES**

The Company has obligations as a lessee for office space, with initial noncancelable terms in excess of one year. Generally, the office space leases have an initial term of 5 years. The Company classifies these leases as operating leases, because the Company's leases do not include termination options for either party to the lease the company will use the original lease term.

The Company entered into an operating lease agreement for its Southington location in 2021. The lease is for office space, the lease has an initial term of 5 years. The Company is not reasonably certain to exercise these renewal options, therefore the optional periods are not included in determining the lease term, and associated payments under these renewal options are excluded from lease payments used to determine the lease liabilities. The lease created a right of use asset and a lease liability. At December 31, 2022 the balances for the right of use asset and lease liability was \$174,427 and \$188,471 respectively. The Company determined the incremental borrowing rate to be 3.25%. the remaining lease term is 33 months. The 2021 presentation was restated to reflect the lease transactions.

The Company entered into an operating lease agreement for its Salem location in 2022. The lease is for office space, the lease has an initial term of 5 years. The Company is not reasonably certain to exercise these renewal options, therefore the optional periods are not included in determining the lease term, and associated payments under these renewal options are excluded from lease payments used to determine the lease liabilities. The lease created a right of use asset and a lease liability. At December 31, 2022 the balances for the right of use asset and lease liability was \$ 226,019 and \$225,503, respectively. The Company determined the incremental borrowing rate to be 3.00%. The remaining lease term is 48 months.

**BAM FRANCHISING, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022, AND 2021**

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The maturities of the operating lease liabilities as of December 31, 2022 are as follows:

Year	Operating leases
2023	\$ 121,146
2024	126,969
2025	114,095
2026	63,431
Total lease payments	425,641
less present value adjustment	(11,665)
Present value of lease liability	<u>413,976</u>

**NOTE 8 – SALE OF BUSINESS INTERESTS**

On October 29, 2022 the Company sold BAMF Wesley Chapel to an outside party. The purchase price was \$80,000 and the transaction resulted in a gain of \$34,685. The sale was financed by a note receivable in the amount of \$80,000 and is reflected on the balance sheet at December 31, 2022.

On March 1, 2022 the Company sold its 50% interest in BAMF Vancouver to an outside party. The purchase price was \$33,161.70 and the transaction resulted in a gain of \$9,026. The sale was financed by a note receivable in the amount of \$32,017. As of December 31, 2022 the balance of the note was \$23,502.71.

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**BAM FRANCHISING, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022, AND 2021**

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**NOTE 9 – PROVISION FOR INCOME TAX AND DEFERRED INCOME TAX**

The provision for income tax for the year ended December 31, 2022 consists of the following:

<u>Components of Income Tax Provision</u>	<u>2022</u>
Current:	
Federal	\$ -
State	-
Total current income tax	<u>-</u>
Deferred:	
Federal	128,119
State	31,773
Total deferred income tax	<u>159,892</u>
Total tax expense	<u>\$ 159,892</u>
 <u>Inventory of Deferrals</u>	
Deferred tax assets:	
Deferred revenue	\$ 156,936
Accrued liabilities	16,156
Tax NOL	<u>30,691</u>
Total deferred assets	<u>203,783</u>
Deferred tax liabilities	
Accounts receivable	12,180
Inventory	39,303
Allowance for bad debt	(10,307)
Accumulated depreciation	<u>2,715</u>
Total deferred tax liabilities	<u>43,891</u>
Net deferred tax assets/ (liabilities)	<u>\$ 159,892</u>

**BAM FRANCHISING, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022, AND 2021**

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**NOTE 10 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through auditor's report date, the date the Consolidated financial statements were available to be issued and determined that no material events have occurred that require disclosure in the consolidated financial statements.



**BAM FRANCHISING, INC. AND SUBSIDIARIES**

**FINANCIAL STATEMENTS**

DECEMBER 31, 2021, AND 2020

# **BAM FRANCHISING, INC. AND SUBSIDIARIES**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors and Stockholders  
BAM Franchising, Inc.

### *Report on the Financial Statements*

We have audited the accompanying consolidated financial statements of Bam Franchising, Inc. and its subsidiaries (the “**Company**”), which comprise the consolidated statement of financial condition as of December 31, 2021, and the related consolidated statements of operations, Changes in stockholders equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position BAM Franchising, Inc. and subsidiaries as of December 31, 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Prior Period Financial Statements***

The Consolidated financial statements of BAM Franchising, Inc. as of December 31, 2020 were audited by other auditors whose report dated April 29, 2021 expressed an unqualified opinion on those financial statements.

### ***Other Matters***

Management determined to report a subsidiary company using the consolidation with non-controlling interest for the year ended 2021. This constitutes a change in accounting method. This change was not retroactively applied to the prior year.

***Gilbert & Stewart***

**Gilbert & Stewart, CPA  
Provo, Utah  
March 12, 2022**

**BAM FRANCHISING, INC. AND SUBIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION**  
**DECEMBER 31, 2021 AND DECEMBER 31, 2020**

	12/31/2021	12/31/2020
ASSETS		
Current Assets		
Cash	\$186,837	\$68,573
Accounts receivable (Net of Allowance)	38,418	51,438
Inventory	164,985	69,038
Prepaid expenses	13,419	13,419
Other Recievables	7,259	4,100
Due from related parties	-	15,125
Investment	-	13,125
Total current assets	<u>\$410,918</u>	<u>\$234,818</u>
Property & Equipment		
Property & Equipment - (Net of Accumulated Depreciation)	7,250	4,191
Intangible Assets - (Net of Accumulated Amortization)	3,196	3,486
Net property & equipment	<u>10,446</u>	<u>7,677</u>
Other Assets		
Deferred Tax asset	<u>10,756</u>	<u>-</u>
Total Assets	<u><u>\$432,120</u></u>	<u><u>\$242,495</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	\$58,725	\$30,442
Payroll taxes	27,804	26,006
Income tax payable	1,061	213
Gift Card Payable	56,515	4,574
Deferred revenue	155,000	25,000
Total Current Liabilities	<u>299,105</u>	<u>86,235</u>

# Long-Term Liabilities

Note payable	3,502	13,593
Total Liabilities	302,607	99,828

# Stockholders' Equity

Common Stock - no Par Value; 1,000,000 Shares Authorized, 675,000 shares issued and 642,730 shares outstanding	-	-
Additional paid-in capital	110,000	110,000
Retained earnings	23,073	72,682
Equity attributable to non-controlling interest	66,466	-
Treasury stock (32,270 shares at 2.17 per share)	(70,026)	(40,015)
Total Stockholders' Equity	129,513	142,667
Total Liabilities and Stockholders' Equity	\$432,120	242,495

**BAM FRANCHISING, INC. AND SUBIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND DECEMBER 31, 2020**

	Year Ended 12/31/2021	Year Ended 12/31/2020
<b>Revenues</b>		
Franchise fee	125,000	\$25,000
Royalty fee	640,616	471,904
Advertising fee	19,300	20,250
Product sales	1,006,812	36,829
Other income	315	13,345
Total revenues	<u>1,792,043</u>	<u>567,328</u>
 Cost of product sales		
Cost of product	489,213	32,152
Inventory shrinkage	-	17,686
Company Store cost of sales	-	500
Total cost of products sold	<u>489,213</u>	<u>50,338</u>
Gross Profit	<u>1,302,830</u>	<u>516,990</u>
 Operating expenses		
Compensation expenses	657,376	78,540
Advertising expenses	134,317	101,726
Professional fees	155,043	133,319
Computer and software	58,155	64,686
Bad debt expense	12,746	72,090
Training	30,679	14,012
Occupancy	194,551	8,542
Travel	15,249	9,249
Supplies	27,328	5,683
Insurance	6,428	5,009
Depreciation	3,607	3,502
Meals and entertainment	4,678	933
Licensing fees	1,473	0
Other administrative expenses	8,225	4,787
Company store expenses	-	13,960
Total Operating expenses	<u>1,309,855</u>	<u>516,038</u>
 Net income before provision of income taxes	(\$7,025)	\$952
Income tax provision	<u>(10,757)</u>	<u>(11,991)</u>
	<u></u>	<u></u>

Net income including noncontrolling interest	<u>3,732</u>	<u>12,943</u>
Less income attributable to noncontrolling interest	<u>(53,341)</u>	<u>-</u>
Net income (loss)	<u>(\$49,609)</u>	<u>\$12,943</u>



**BAM FRANCHISING, INC. AND SUBIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND DECEMBER 31, 2020**

	Year Ended 12/31/2021	Year Ended 12/31/2020
Cash flows from operating activities:		
Net Income	(\$49,609)	\$12,943
Adjustments to reconcile net Income to		
Net cash provided by operating activities:		
Depreciation and amortization	3,607	3,502
Pass-through income	13,125	(13,125)
Net Income non controlling interest	53,341	-
Change in operating assets and liabilities		
(Increase) Decrease in accounts receivable (net)	13,020	52,734
(Increase) Decrease in inventory	(82,824)	10,102
(Increase) Decrease in prepaid expenses	-	(13,419)
(Increase) Decrease in due from related party	15,125	(15,125)
(Increase) Decrease in due from other assets	(3,159)	6,559
(Increase) Decrease in deferred income tax	(10,756)	-
Increase (Decrease) in accounts payable & accrued expenses	28,283	35,016
Increase (Decrease) in payroll taxes payable	1,798	26,006
Increase (Decrease) in income tax payable	848	(18,755)
Increase (Decrease) in Gift Card Payable	51,941	-
Increase (Decrease) in deferred revenue	130,000	25,000
Increase (Decrease) to related party	-	(62,497)
Increase (Decrease) in note interest payable	-	147
Net Cash Provided (Used) by Operating Activities	<u>164,740</u>	<u>49,088</u>
Cash Flows Used In Investing Activities:		
Cash Payments for the Purchase of Property	<u>(6,374)</u>	<u>0</u>
Cash Flows from Financing Activities		
Proceeds from notes payable	-	20,000
Repayment of notes payable	(10,091)	(10,586)
Repurchase of treasury stock	(30,011)	(40,015)
Net Cash Provided (Used) by Financing Activities	<u>(40,102)</u>	<u>(30,601)</u>
Net Increase (Decrease) in cash	118,264	18,487
Cash and Equivalents - Beginning of Year	68,573	50,086
Cash and Equivalents - End of Year	<u>\$186,837</u>	<u>\$68,573</u>

**Supplemental Disclosure**

Interest paid

\$ 550

\$ 609

Income tax paid

\$ -

\$ 20,184

**BAM FRANCHISING, INC. AND SUBIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND DECEMBER 31, 2020**

	Common Stock		Additional	Retained	Non Controlling	Treasury	Total
	Shares	Amount	Paid-In Capital	Earnings	Interest	Stock	
Balance December 31, 2019	675,000	\$ -	\$ 110,000	\$ 59,739	\$ -	\$ -	\$ 169,739
Shareholder Distributions	-	-	-	-	-	-	-
Repurchase of treasury stock	-	-	-	-	-	(40,015)	(40,015)
Net Income	-	-	-	12,943	-	-	12,943
Balance December 31, 2020	675,000	-	110,000	72,682	-	(40,015)	142,667
Repurchase of treasury stock	-	-	-	-	-	(30,011)	(30,011)
Non-controlling interest	-	-	-	-	66,466	-	66,466
Net Income	-	-	-	(49,609)	-	-	(49,609)
Balance December 31, 2020	<u>675,000</u>	<u>\$ -</u>	<u>\$ 110,000</u>	<u>\$ 23,073</u>	<u>\$ 66,466</u>	<u>\$ (70,026)</u>	<u>\$ 129,513</u>

*See accountant's report and notes to financial statements.*

**BAM FRANCHISING, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021, AND 2020**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization and Nature of Business

The consolidated financial statement includes the accounts of BAM Franchising Inc (the “**BAM**”), its wholly owned subsidiaries BAMF Southington CT LLC (“**Southington**”) and BAMF Wesley Chapel LLC (“**Wesley Chapel**”) (collectively, the “**Company**”), and BAMF Vancouver which is 50% by the BAM Franchising, Inc. BAM is an Oregon Corporation formed on April 29, 2011. In 2018, the Company had an ownership change and has elected to be treated as C- corporation instead of S-corporation. Southington is a Connecticut Limited Liability Company formed on November 19, 2020. Wesley Chapel is a Florida Limited Liability Company formed on December 17, 2020.

BAM is the franchisor that franchises the right to open, operate, promote, arrange, and manage a retail store that buys and sells new and used LEGO® building bricks, minifigures and accessories to the general public under the name “Bricks and Minifigs®”. Both Southington and Wesley Chapel are the outlet stores 100% owned by BAM. BAMF Vancouver is a Washington LLC, is an outlet store that is owned 50% by BAM Franchising.

The estimated initial investment to open a store range from \$99,120 to \$225,075. Actual investment costs experienced by a franchisee can vary significantly depending on a host of variables, many of which are in the franchisee’s control. The estimated initial investment above includes the initial franchise fees; leasehold improvements; furniture, fixtures, and equipment; starting inventory; and signage and marketing. All approved applicants pay \$25,000 initial franchise fee for a single area franchise. The initial term of the franchise is 5 years. If franchisee is in good standing, they may renew for period of 5 years under the terms of the then current franchise agreement forms. There is no initial franchise fee by purchasing the business of one of existing franchisees, but it is subject to \$5,000 transfer fee to be paid by existing franchisee. The payment of the transfer fee covers the legal, accounting, credit check, and investigation expenses.

Basis of Presentation

The Company has an accounting year end of December 31. The accompanying consolidated financial statements have been prepared using the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America.

Basis of Consolidation

All material intercompany transactions and balance have been eliminated in consolidation.

Non-Controlling Interest

The Corporation owns 50% of BAMF Vancouver, LLC. This entity is included in the consolidated financial statements, The amount of the net income and equity of the attributable to the non-controlling interest in reflected on the balance sheet and income statement respectively.

#### Use of Estimates

These consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. The Company regularly assesses these estimates and, while actual results could differ, management believes that the estimates are reasonable.

#### Cash

Cash and cash equivalents include all short-term highly liquid investments with original maturities of 3 months or less. The Company maintains its cash in bank deposit accounts which at times may exceed federally insured limits. those funds that exceed the FDIC insurance limits would be considered a concentration of credit risk. The carrying amount of cash and deposits with financial institutions is \$186,837 and the bank balance is \$173,258 all of which is covered by FDIC insurance.

#### Accounts Receivable

The Company records as a receivable all applicable fees, including franchise fees, monthly royalty fees, advertising fees and other related revenues. The allowance for doubtful accounts is the best estimate of the amount of probable credit losses in the Company's accounts receivable. Management determines the allowance based on historical write-off experience and reviews its allowance for doubtful accounts periodically. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company has recorded an allowance for doubtful accounts of \$32,527 and \$120,500 as of December 31, 2021 and 2020.

#### Inventory

The Company values inventories at the lower of cost or net realizable value. Cost is determined under the weighted average cost method

#### Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 5 to 39 years. Leasehold improvements are amortized over the shorter of the useful life of the related assets or the lease term. Expenditures for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any related gain or loss is reflected in income for the period.

#### Revenue Recognition

The Company recognizes revenue in accordance with ASU No. 2014-09, Revenue from Contract with Customers (Topic 606). The Company records its revenues based on the performance obligation under the contract with its franchisees and the determination of fee collectability. Franchise fees from the sales of franchises are recorded upon opening of the store. Royalty fees, which are based on the percentage of the franchisee's monthly gross sales, are recognized as earned upon recognition of sales by franchisees. The Company also collects a fixed monthly advertising fees from franchisees, which are recognized on monthly basis. Product sales are recognized when the delivery of the products has occurred, and the benefits are transferred to the customers.

#### Fair Value Measurements

GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Under the standard, fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date.

#### Income Taxes

The Company accounts for income taxes under ASC 740, Income Taxes. Under the asset and liability method of ASC 740, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period the enactment occurs. A valuation allowance is provided for certain deferred tax assets if it is more likely than not that the Company will not realize tax assets through future operations. The Company is a C-corporation and files the tax returns in the U.S federal jurisdiction and registered states. The management has determined that the Company has no uncertain tax positions that would require consolidated financial statement recognition as of December 31, 2021.

#### Advertising

Advertising costs are expenses either as incurred or the first time the advertising takes place. For the years ended December 31, 2021 and 2020, the Company incurred advertising expenses of \$134,317 and \$101,726, respectively.

#### Trademarks

The Company has adopted FASB Accounting Standards Codification 350, Intangibles – Goodwill and Other. That statement required the Company to evaluate certain intangible assets on an annual basis for potential impairment. After estimating the value of the trademarks at December 31, 2021

and 2020, the Company recognized no loss because of trademark impairment for the year ended December 31, 2021 and 2020.

## **NOTE 2 - CHANGE IN ACCOUNTING METHOD**

The Corporation has a 50% interest in BMF Vancouver LLC. Management has determined for the year 2021 to treat this under the consolidated method rather than the equity method. The Corporation will show all of the transactions for the consolidated financial statements and will reflect on the balance sheet and income statement the amount of equity and net income that is attributable to the non-controlling interest. This results in a change in accounting method. The 2020 financial statements and prior we presented on the equity method. This change in accounting method has not been retroactively applied to the prior year financial statements.

The Comparability of the financial statements will be affected as a result of this change.

## **NOTE 3 - FRANCHISE INFORMATION**

Years Ended December 31	<u>2021</u>	<u>2020</u>
Open at beginning of year	36	39
Opened during the year	5	1
Closed during the year	<u>-</u>	<u>(4)</u>
Open at end of year	41	36
Franchisees	36	31
Company owned franchises	5	5

## **NOTE 4 - PROPERTY AND EQUIPMENT**

Property and equipment as of December 31, 2021, and 2020 consists of the following:

December 31,	<u>2021</u>	<u>2020</u>
Equipment	\$ 22,474	\$ 22,474
Leasehold Improvements	6,374	-
Less: accumulated depreciation	(21,598)	(18,283)
Property and equipment (net)	<u>\$ 7,250</u>	<u>\$ 4,191</u>

Depreciation expense amounted to \$3,315 and \$3,211 for the years ended December 31, 2021 and 2020.

## NOTE 5 - INTANGIBLE ASSETS

Intangibles assets as of December 31, 2021, and 2020 consists of the following:

December 31,	<u>2021</u>	<u>2020</u>
Trademark	\$ 4,359	\$ 4,359
Less: accumulated depreciation	(1,163)	(873)
Property and equipment (net)	<u>\$ 3,196</u>	<u>\$ 3,486</u>

Amortization expense amounted to \$290 and \$291 for the years ended December 31, 2021 and 2020.

## NOTE 6 - RELATED PARTY TRANSACTIONS

On April 14, 2020, the Company issued a promissory note in the amount of \$20,000 with a related party. The loan carries an interest rate of 6% and monthly payments, including interest, are approximately \$886. As of December 31, 2021, the outstanding balance payable was \$3,510. Amounts will be paid according to the following schedule:

Year ending December 31,	Principal	Interest	Total
2022	\$3,510	\$44	\$3,554
	\$3,510	\$44	\$3,554



## NOTE 7 - PROVISION FOR INCOME TAX AND DEFERRED INCOME TAX

The provision for income tax for the year ended December 31, 2021 consists of the following:

<u>Components of Income Tax Provision</u>	<u>2021</u>
Current:	
Federal	\$ -
State	-
Total current income tax	<u>-</u>
Deferred:	
Federal	8,620
State	2,137
Total deferred income tax	<u>10,757</u>
Total tax expense	<u>\$ 10,757</u>
<u>Inventory of Deferrals</u>	
Deferred tax assets:	
Deferred revenue	\$ 41,385
Accrued liabilities	5,031
Accumulated depreciation	604
Tax NOL	3,488
Total deferred assets	<u>50,508</u>
Deferred tax liabilities	
Accounts receivable	19,148
Inventory	29,382
Allowance for bad debt	(8,779)
Total deferred tax liabilities	<u>39,751</u>
Net deferred tax assets/ (liabilities)	<u>\$ 10,757</u>

## NOTE 8 - OPERATING LEASES

The Company entered into a one-year lease agreement for office space with the landlord on July 1, 2020. The lease was terminated in 2021. The lease is now on a month-to-month basis. During the years ended December 31, 2021, and 2020, lease expenses were \$50,996 and \$0, respectively.

The Company also entered into a 60-month lease agreement for office space. The lease commenced on October 1, 2020. The Lease requires monthly payments from \$2,265 to \$3,150. The future lease payments are as follows:

<u>Year</u>	<u>total</u>
2022	\$33,469
2023	35,044
2024	49,850
Total	<u>\$118,363</u>

For the year ended December 31, 2021 and 2020 the lease expenses were \$43,312 and \$0 respectively.

The Company also entered into a 14-month lease agreement for office space. The lease commenced on Dec 1, 2020 and expires on March 1, 2022. The Lease requires monthly payments of \$3,195. future lease payments are as follows:

<u>Year</u>	<u>total</u>
2022	\$3,195
Total	<u>\$3,195</u>

During the year ended December 31, 2020, the Company experienced a rental holiday. For the years ended December 31, 2020 and 2019, the lease expenses were \$38,693 and \$0, respectively

## NOTE 9 - COVID 19

During the 2020 and 2021 calendar year, the World Health Organization has declared COVID-19 to constitute a “Public Health Emergency of International Concern”. This pandemic has disrupted economic markets and the economic impact, duration and spread of the COVID- 19 virus is uncertain at this time. The financial performance of the Company is subject to future developments related to the COVID-19 outbreak and possible government advisories and restrictions placed on the financial markets and business activities. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

## NOTE 10 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through auditor’s report date, the date the Consolidated financial statements were available to be issued and determined that no material events have occurred that require disclosure in the consolidated financial statements.

**BAM FRANCHISING, INC.**

**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

**WITH INDEPENDENT AUDITOR'S REPORT**

# **BAM FRANCHISING, INC.**

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# YSL & Associates LLC

Certified Public Accountants

| Member of Parker Randall International

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of  
BAM Franchising, Inc.

We have audited the accompanying financial statements of BAM Franchising, Inc. (the “**Company**”), which comprise the statements of financial condition as of December 31, 2019 and 2018, and the related statements of operations, changes in shareholders’ equity and cash flows for the years then ended, and the related notes to the financial statements.

### *Management’s Responsibility for the Financial Statements*

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

### *Auditor’s Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*YSL & Associates LLC*

New York, NY  
May 12, 2020

**BAM FRANCHISING, INC.**  
**STATEMENTS OF FINANCIAL CONDITION**  
**As of December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 50,086	\$ 34,240
Accounts receivable, net	104,172	40,173
Inventory	79,140	78,076
Property and equipment, net	7,402	10,613
Intangible assets, net	3,777	4,359
Other assets	<u>10,659</u>	<u>2,623</u>
<b>Total Assets</b>	<b><u>\$ 255,236</u></b>	<b><u>\$ 170,084</u></b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Liabilities		
Payroll tax payable	\$ -	\$ 82
Income tax payable	18,968	15,419
Note payable	4,032	11,741
Due to related party	<u>62,497</u>	<u>20,982</u>
<b>Total Liabilities</b>	<b><u>85,497</u></b>	<b><u>48,224</u></b>
Shareholders' Equity		
Common stock, no par value, 1,000,000 shares authorized, 675,000 shares issued and outstanding	-	-
Additional paid-in capital	110,000	110,000
Retained earnings	<u>59,739</u>	<u>11,860</u>
<b>Total Shareholders' equity</b>	<b><u>169,739</u></b>	<b><u>121,860</u></b>
<b>Total Liabilities and Shareholders' Equity</b>	<b><u>\$ 255,236</u></b>	<b><u>\$ 170,084</u></b>

**BAM FRANCHISING, INC.**  
**STATEMENTS OF OPERATIONS**  
**As of December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>Revenues</b>		
Franchise fee	\$ 30,000	\$ 7,000
Royalty fee	429,587	406,106
Advertising fee	21,700	21,200
Product sales	36,914	62,111
Other income	<u>7,79</u>	<u>2,367</u>
 Total Revenue	 <u>525,992</u>	 <u>498,784</u>
	34,744	61,944
	<u>23,566</u>	<u>-</u>
 Total cost of product sales	 <u>58,310</u>	 <u>61,944</u>
<b>Gross profits</b>	<u>467,682</u>	<u>436,840</u>
<b>Operating expenses</b>		
Shared employee cost	113,844	51,380
Officers' compensation	-	124,900
Advertising expenses	109,780	64,345
Professional fees	62,303	48,945
Occupancy expenses	45,189	44,903
Training expenses	22,328	1,576
Computer and software	14,311	4,643
Travel expenses	8,756	11,844
Depreciation and amortization	3,793	7,491
Insurance	2,766	1,561
Licensing fees	2,650	1,094
Supplies	1,535	4,558
Meals and entertainments	62	739
Other administrative expenses	<u>11,64</u>	<u>12,994</u>
 Total Operating expenses	 <u>398,959</u>	 <u>380,973</u>
<b>Net income before income taxes</b>	<u>68,723</u>	<u>55,867</u>
 Income tax expenses	 <u>20,944</u>	 <u>15,419</u>
<b>Net income</b>	<u>\$ 47,779</u>	<u>\$ 40,448</u>



**BAM FRANCHISING, INC.**  
**STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY**  
**As of December 31, 2019 and 2018**

			<u>Additional</u> <u>Paid-in Capital</u>	<u>Accumulated</u> <u>Income (Deficit)</u>	<u>Total</u>
	\$	-			\$ 156,412
Net income				40,448	40,448
Shareholders' distribution				(75,000)	(75,000)
<b>Balance at December 31, 2018</b>	<u>675,000</u>	<u>-</u>	<u>110,000</u>	<u>11,860</u>	<u>121,860</u>
Net income				47,779	47,779
Shareholders' contribution				100	100
<b>Balance at December 31, 2019</b>	<u>675,000</u>	<u>\$ -</u>	<u>\$ 110,000</u>	<u>\$ 59,739</u>	<u>\$ 169,739</u>

See accompanying notes to financial statements

**BAM FRANCHISING, INC.**  
**STATEMENTS OF CASH FLOWS**  
**As of December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>Cash flows from operating activities:</b>		
Net income/(loss)	\$ 47,779	\$ 40,448
Adjustments to reconcile net income /(loss) to net cash provided/(used) by operating activities:		
Depreciation and amortization	3,793	7,491
Change in operating assets and liabilities:		
Accounts receivable, net	(63,999)	27,664
Inventory	(1,064)	(16,788)
Other assets	(8,036)	-
Accounts payable	-	(5,060)
Payroll tax payable	(82)	(15,939)
Income tax payable	3,549	15,419
Due to related party	<u>41,515</u>	<u>20,982</u>
 <b>Net cash provided /(used) by operating     activities</b>	 <u>23,455</u>	 <u>74,217</u>
 <b>Cash flows from financing activities:</b>		
Note payable	(7,709)	(7,262)
Shareholder's contribution (distribution)	<u>100</u>	<u>(75,000)</u>
 <b>Net cash provided /(used) by financing     activities</b>	 <u>(7,609)</u>	 <u>(82,262)</u>
 Net increase/(decrease) in cash	15,846	(8,045)
 Cash and cash equivalents - beginning of the year	<u>34,240</u>	<u>42,285</u>
 Cash and cash equivalents - end of the year	<u><u>\$ 50,086</u></u>	<u><u>\$ 34,240</u></u>
	\$ 495	\$ 943
 Income tax paid	\$ 17,395	\$ -

See accompanying notes to financial statements

**BAM FRANCHISING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 1 - NATURE OF OPERATIONS**

BAM Franchising, Inc. (Company), an Oregon Corporation, was formed on April 29, 2011. The Company franchises the right to open, operate, promote, arrange, and manage a retail Bricks, Minifigs® store specializing in the resale of LEGO© brand products in an exclusive territory. In 2018, the Company had an ownership change and has elected to be treated as C- corporation instead of S-corporation.

The estimated initial investment to open a store ranges from \$108,500 to \$276,400. Actual investment costs experienced by a franchisee can vary significantly depending on a host of variables, many of which are in the franchisee's control. The estimated initial investment above includes the initial franchise fees; leasehold improvements; furniture, fixtures, and equipment; starting inventory; and signage and marketing. All approved applicants pay \$25,000 initial franchise fee. The initial term of the franchise is 5 years. If franchisee is in good standing, they may renew for period of 5 years under the terms of the then current franchise agreement forms.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Method of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. The Company regularly assesses these estimates and, while actual results could differ, management believes that the estimates are reasonable.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

The Company records as a receivable all applicable fees, including franchise fees, monthly royalty fees, advertising fees and other related revenues. The allowance for doubtful accounts is the best estimate of the amount of probable credit losses in the Company's accounts receivable. Management determines the allowance based on historical write-off experience and reviews its allowance for doubtful accounts periodically. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is

considered remote. The Company has recorded an allowance for doubtful accounts of \$37,682 and \$5,479 as of December 31, 2019 and 2018.

### Inventory

The Company values inventories at the lower of cost or net realizable value. Cost is determined under the weighted average cost method.

### Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 5 to 39 years. Leasehold improvements are amortized over the shorter of the useful life of the related assets or the lease term. Expenditures for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any related gain or loss is reflected in income for the period.

### Revenue Recognition

The Company records its revenues based on the performance obligation under the contract with its franchisees and the determination of fee collectability. Franchise fees from the sales of franchises are recorded upon finalization of franchise agreement and completion of services under the contract related to opening of the store. Royalty fees, which are based on the percentage of the franchisee's monthly gross sales, are recognized as earned upon recognition of sales by franchisees. The company also collects a fixed monthly advertising fees from franchisees, which are recognized on monthly basis. Product sales are recognized when the delivery of the products has occurred and the risk of loss is transferred to the franchisee.

### Income Taxes

The Company accounts for income taxes under ASC 740, Income Taxes. Under the asset and liability method of ASC 740, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period the enactment occurs. A valuation allowance is provided for certain deferred tax assets if it is more likely than not that the Company will not realize tax assets through future operations.

The Company is a C-corporation and files the tax returns in the U.S federal jurisdiction and State of Oregon. The management has determined that the Company has no uncertain tax positions that would require financial statement recognition as of December 31, 2019.

### Advertising Costs

The advertisement costs are expenses either as incurred or the first time the advertising takes place. For the years ended December 31, 2019 and 2018, the Company had incurred advertising expenses of \$109,780 and \$64,345, respectively.

### Trademarks

The Company has adopted FASB Accounting Standards Codification 350, Intangibles – Goodwill and Other. That statement required the Company to evaluate certain intangible assets on an annual basis for potential impairment. After estimating the value of the trademarks at December 31, 2019 and 2018, the Company recognized no loss on trademarks impairment for the year ended December 31, 2019 and 2018.

### NOTE 3 - FRANCHISE INFORMATION

Statistical information on franchises as of December 31, 2019, and 2018, is as follows:

Years Ended December 31	<u>2019</u>	<u>2018</u>
Open at beginning of year	41	35
Opened during the year	1	6
Closed during the year	<u>(3)</u>	<u>0</u>
Open at end of year	<u>39</u>	<u>41</u>
Franchised franchises	37	39
Company owned franchises	2	2

### NOTE 4 - RELATED PARTY TRANSACTIONS

Note Payable represents a loan due to related party totaling \$4,032 and \$11,741 as of December 31, 2019 and 2018. The loan carries an interest rate of 6% and monthly payments, including interest, are approximately \$684. Amounts will be paid according to the following schedule:

Year ending December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 4,031	\$ 71	\$ 4,102
	<u>\$ 4,031</u>	<u>\$ 71</u>	<u>\$ 4,102</u>

In 2018, the Company entered into an arrangement with a related party where the Company shares employees with the related party and reimburses the related party for the related payroll cost incurred by related party. As of December 31, 2019 and 2018, the amounts due to the related party under such arrangement were \$62,497 and \$20,982, respectively.

### NOTE 5 - OPERATING LEASE

The Company entered into a 36-month lease agreement for office space with the landlord on October 17, 2016. The lease was terminated in 2019 and there were no future obligations related to the lease. During the years ended December 31, 2019, and 2018, lease expenses were \$18,789 and \$31,064, respectively.

The Company also entered into a lease agreement for office space on June 1, 2018. The lease commenced on July 1, 2018. This lease is on month to month renewal term. For the years ended December 31, 2019 and 2018, the lease expenses were \$26,400 and 13,200, respectively.

#### **NOTE 6 - PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at December 31, 2019 and 2018:

December 31,	<u>2019</u>	<u>2018</u>
Machinery	<u>\$ 22,474</u>	<u>\$ 22,474</u>
	22,474	22,474
Less: accumulated depreciation	<u>(15,072)</u>	<u>(11,861)</u>
<b>Property and equipment, net</b>	<u><u>\$ 7,402</u></u>	<u><u>\$ 10,613</u></u>

Depreciation expense amounted to \$3,211 and \$7,491 for the years ended December 31, 2019 and 2018.

#### **NOTE 7 - INTANGIBLE ASSETS**

Intangible assets consisted of the following at December 31, 2019 and 2018:

December 31,	<u>2019</u>	<u>2018</u>
Trademark	<u>\$ 4,359</u>	<u>\$ 4,359</u>
	4,359	4,359
Less: accumulated amortization	<u>(582)</u>	-
<b>Intangible assets, net</b>	<u><u>\$ 3,777</u></u>	<u><u>\$ 4,359</u></u>

Amortization expense amounted to \$582 and \$0 for the years ended December 31, 2019 and 2018.

## **NOTE 8 - NEW ACCOUNTING GUIDANCE IMPLEMENTATION**

Effective January 1, 2019, the Company retroactively changed its accounting methods for revenue recognition as a result of implementing the requirements in the Financial Accounting Standard Board's ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). The new revenue recognition guidance requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. This determination follows a five-step model to (a) identify the contract(s) with customers, (b) identify the performance obligations in the contract(s), (c) determine the transaction price, (d) allocate the transaction price to the performance obligations in the contract, and (e) recognize revenue when (or as) the entity satisfies a performance obligation. In determining the transaction price, an entity may include variable consideration only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized would not occur when the uncertainty associated with the variable consideration is resolved. The Company adopted the requirements of the new revenue recognition guidance as of January 1, 2019, utilizing the modified retrospective transition method which resulted in no material adjustment to retained earnings.

## **NOTE 9 - COVID-19**

During the 2020 calendar year, the World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern". This pandemic has disrupted economic markets and the economic impact, duration and spread of the COVID- 19 virus is uncertain at this time. The financial performance of the Company is subject to future developments related to the COVID-19 outbreak and possible government advisories and restrictions placed on the financial markets and business activities. The impact on financial markets and the overall economy, all of which are highly uncertain, cannot be predicted. If the financial markets and/or the overall economy are impacted for an extended period, the Company's results may be materially affected. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

## **NOTE 10 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through auditor's report date, the date the financial statements were available to be issued and determined that no material events have occurred that require disclosure in the financial statements.

**EXHIBIT I**  
**FORM OF GENERAL RELEASE**

*The Franchise Agreement provides that the Franchisee must sign a General Release in a form satisfactory to the Franchisor in certain circumstances, such as upon transfer, renewal, or relocation of the Franchise, or upon adding a new business entity to the Franchise Agreement. Following is a form of General Release that is subject to change.*



## **EXHIBIT I**

### **FORM OF GENERAL RELEASE**

This General Release Agreement (“**Agreement**”) is made this \_\_\_ day of \_\_\_\_\_, 20\_\_.  
It is among BAM Franchising, Inc. (“**Franchisor**”), \_\_\_\_\_ and  
\_\_\_\_\_ (jointly and severally “**Franchisee**”) [and \_\_\_\_\_ and  
\_\_\_\_\_ (jointly and severally “**Transferee**”).] [jointly and severally “**New Entity**”).]

### **RECITALS**

On or about the \_\_\_ day of \_\_\_\_\_, 20\_\_, Franchisor and Franchisee entered into a Bricks and Minifigs Franchise Agreement and related attachments and exhibits (collectively the “**Franchise Agreement[s]**”) for the operation of a Bricks and Minifigs franchise at the following location: \_\_\_\_\_.

*[NOTE: Describe the circumstances relating to the release, such as circumstances related to transfer, renewal, or relocation of the franchise, or adding a new entity, and relevant agreement dates.]*

Now, therefore, in consideration of the mutual covenants set forth below, the parties agree as follows:

[1. **Renewal of Franchise Agreement.** The parties covenant and agree:

A. The Franchise Agreement, including all appurtenant addenda, certificates, exhibits, options, and obligations of the parties is terminated. The provisions of the Franchise Agreement concerning your obligations upon termination and renewal will continue in full force and effect. The parties agree that this Agreement fully and completely expresses the present understanding between the parties.

B. Contemporaneously with execution of this Agreement, you agree to execute our current franchise agreement forms. These forms may vary materially from the Franchise Agreement. Fees will be set at the currently prevailing rates and terms. The Accepted Location must remain at the location designated in the Franchise Agreement unless we otherwise approve in writing.

C. You will reimburse us for the following reasonable out-of-pocket costs we incur concerning the renewal: \_\_\_\_\_.

D. You will refurbish, remodel, and replace the Accepted Location, fixtures, and equipment to conform to the current Operations Manual and Method of Operation. This includes: \_\_\_\_\_.

E. You will attend and successfully complete the following retraining programs at your expense, including travel, meals, lodging, and our current training fee of \$ \_\_\_\_\_: \_\_\_\_\_.]

[1. **Franchise Transfer.** The Parties covenant and agree:

A. The Franchise Agreement between Franchisor and Franchisee, including all appurtenant addenda, certificates, exhibits, options, and obligations of the parties are terminated,

as between them. The provisions of the Franchise Agreement concerning the obligations of Franchisee upon termination and transfer will continue in full force and effect. The parties agree that this Agreement fully and completely expresses the present understanding between the parties.

B. Transferee agrees to fully assume and to be bound by the terms, covenants and conditions of the Franchise Agreements as if Transferee had been named as the original franchisee in the Franchise Agreement. Transferee will execute all documents Franchisor or Franchisee may reasonably require to complete the transfer and assumption of the Franchise Agreements, including but not limited to execution of a new franchise agreement and exhibits in the forms currently being used by Franchisor. While the Transferee will pay the Royalty Fee provided in the Franchisee's Franchise Agreement, the Transferee acknowledges that the new franchise agreement and exhibits may contain other economic and general terms which are materially different from those contained in the Franchise Agreement.

C. Franchisor enters into this Agreement, in part, in reliance upon the individual or collective character, skill, attitude, business ability and financial capacity of Transferee.

D. All obligations of Franchisee in connection with the Franchise Agreement and the franchise are assumed by the Transferee. Franchisee will remain bound by its covenants in the Franchise Agreements that neither it nor its owners, officers, partners, or other persons enumerated in the Franchise Agreement will disclose confidential information nor compete with Franchisor or Franchisor's franchisees.

E. [All now ascertained or liquidated debts in connection with the franchise have been paid by Franchisee.] [Franchisee owes \$--- in current obligations and will owe additional funds for franchise fees, advertising fees, and product purchases through the closing of this transfer transaction. Franchisee will pay all sums due to Franchisor and to product suppliers within 10 days of the relevant invoice or due date. All other now ascertained or liquidated debts in connection with the franchises have been paid by Franchisee.]

F. Franchisee is not in default in any way under the Franchise Agreement or any other agreement between it and Franchisor.

G. Transferee will pay for and complete to Franchisor's exclusive satisfaction the training programs now required of new franchisees. [Transferee has completed to Franchisor's satisfaction the training programs now required of new franchisees.] [Transferee has demonstrated to Franchisor's satisfaction sufficient ability to successfully operate the franchise]. Franchisee or Transferee have submitted to Franchisor, upon execution of this Agreement, a Transfer Fee in the amount of \$\_\_\_\_\_. Franchisor acknowledges receipt of this Fee in consideration for Franchisor's legal, accounting, credit check, training and investigation expenses incurred as a result of this transfer. [In addition, Franchisee has paid to Franchisor, contemporaneous with execution of this Agreement, a \_\_\_ percent commission on the gross transfer price (excluding the price of real property), in the amount of \$\_\_\_\_\_. Franchisor acknowledges receipt of this amount in consideration for having obtained Transferee for Franchisee.]

H. Transferee has met the standards established by Franchisor for quality of character, financial capacity and experience required of a new or renewing Bricks and Minifigs franchisee. Franchisee and Transferee have provided to Franchisor such information as Franchisor reasonably requested to evidence that Transferee meets these standards.

I. The lessor or sublessor of the Accepted Location has consented to the assignment or sublease of the Accepted Location to Transferee.

J. Franchisee and Transferee agree to subordinate to Transferee's obligations to Franchisor (including, without limitation, the payment of all franchise fees) any obligations of Transferee to Franchisee.

K. Transferee will assume possession and control of the equipment, furnishings, signs, supplies, inventory, advance paid deposits and other personal property and fixtures located on the Accepted Location, except as follows:

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L. Franchisee will properly operate the franchises and maintain the Accepted Location in clean and proper working order and will continue the employment of all current employees until Transferee assumes control of the businesses and [relocates] the Accepted Location.

M. Franchisee will maintain a sufficient inventory and sufficient supplies on hand to provide for normal business operations through the second day after Transferee assumes control of the businesses and the Accepted Location, except as follows:

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N. Transferee agrees to place orders with product suppliers to maintain the inventory and supply levels following the closing of this transaction.

O. Franchisee and Transferee have entered into this Agreement for the transfer of Franchisee's rights under the Franchise Agreements after their own independent investigation. The transfer of the franchise rights and the amount of consideration for them have been determined by them independently. Franchisee and Transferee acknowledge that they have not relied upon any representation, warranty, promise or other consideration from or by Franchisor in entering into this Agreement or in evaluating the advisability of the transfer or the value of the franchises, any of the franchise rights or the franchise locations.

P. Transferee will refurbish and remodel the Accepted Location, and will refurbish, remodel and/or replace the fixtures, equipment and signage to conform to the current Operations Manual and Method of Operation within 90 days of transfer. This includes:

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[1. **Continuation of Franchise Agreement.** The Franchise Agreement and all other or prior agreements between Franchisor and Franchisee, including all appurtenant addenda, certificates, exhibits, options, and obligations of the parties will continue in full force and effect and completely express the present understanding between the parties. New Entity will be a party to the Franchise Agreement as though New Entity had executed the Franchise Agreement along with Franchisee on the date it was created.]

*[NOTE: The following Section 2 is for franchise transfers but not for franchise renewals:]*

[2. **Franchisee to Cease Using Trade Names, Service Marks, and Logos.** Upon completion of the transfer, Franchisee will immediately cease using Franchisor's trade names, service marks, logos, and other marks, symbols or materials indicating that Franchisee is or was related to

Franchisor in any way, except as otherwise provided in writing. Franchisee acknowledges that all such names, service marks, logos, and symbols are the exclusive property of Franchisor and that Franchisee has been allowed to use them, only in conjunction with the franchise relationship as outlined in this Agreement. Franchisee will remain jointly and severally bound to comply with the covenants in the Franchise Agreement which expressly or by reasonable implication are intended to apply to Franchisee after termination of the Franchise Agreement, including any applicable non-disclosure requirements. Franchisee will:

- A. deliver to Transferee or Franchisor all copies of the Operations Manuals, training materials, and any other franchise-related materials in Franchisee's custody, control or possession (or destroy such materials if requested by Franchisor);
- B. take action as required to transfer to Transferee all registrations relating to the use of all assumed names;
- C. notify the telephone company and all listing agencies of the transfer of Franchisee's rights to use the franchise names and logos and classified and directory listings of the franchise;
- D. cease use of franchise-related websites, social media accounts, and email addresses;
- E. cease use of the franchise trademarks, service marks, trade names, copyrights, and other intellectual or intangible property; and
- F. refrain from doing business in any way that might tend to give the public the impression that Franchisee still is or was a franchisee in the franchise system;]

***[NOTE: The following Section 2 is for relocations or adding new entities:]***

**[2. Commitments and Obligations of Franchisee [and New Entity].** Franchisee [and New Entity] covenant and agree:

- A. Franchisee will remain fully bound by its covenants in the Franchise Agreement.
- B. Franchisor is not in default in any way under the Franchise Agreement or any other agreement between Franchisee and Franchisor.
- C. [New Entity agrees to fully assume and to be bound by the terms, covenants and conditions of the Franchise Agreement as if New Entity had been named an original franchisee party in the Franchise Agreement. New Entity will execute all documents Franchisor or Franchisee may reasonably require to complete the assumption of the Franchise Agreement.]
- D. [Franchisee and New Entity will provide to Franchisor, upon demand, a current list of all owners, shareholders, directors, officers, partners, and employees of New Entity, together with a summary of their respective interests in New Entity.]
- E. [Neither Franchisee nor New Entity will make any public or private offering of any securities without first receiving the written consent of Franchisor. Consent may not be unreasonably withheld.]

**3. Communication of Confidential Information.** Neither Franchisee nor its owners, officers, directors, or other persons enumerated in the Franchise Agreements will communicate or divulge to any person or entity the contents of this Agreement, the contents of the Franchise

Agreement, the substance of the Bricks and Minifigs franchise Operations Manual, or any other nonpublic information related to the operation of the Bricks and Minifigs franchise system. Franchisee represents and warrants that neither it nor any listed individual has communicated or divulged any such information to anyone prior to the date of this Agreement. Franchisee will continue to comply with all the confidentiality requirements of the Franchise Agreements.

[Nothing contained in this Agreement will preclude Franchisor or Franchisee from disclosing the fact of this Agreement or the amount paid by Transferee to Franchisor or to Franchisee.]

4. **Release.**

A. **General.** In consideration of the covenants and understandings set forth in this Agreement, Franchisee does release and discharge Franchisor and its current and former owners, partners, directors, officers, members, employees and agents (“**Released Parties**”) from any and all claims, demands, actions or causes of action of every name, nature, kind and description whatsoever, whether in tort, in contract or under statute, arising directly or indirectly out of the offer of, negotiation of, execution of, performance of, nonperformance, or breach of the Franchise Agreement and any related agreements between the parties and out of any other action or relationship between the parties, or any of the Released Parties, arising prior to the date of this Agreement (except provisions in the Franchise Agreement concerning Franchisee’s obligations upon termination).

It is expressly understood and agreed that this release is intended to cover and does cover not only all known losses and damages but any further losses and damages not now known or anticipated but which may later develop or be discovered, including all the effects and consequences thereof.

Franchisee represents that this release has been read and that it is fully understood and voluntarily accepted. The purpose of this release is to make a full, final and complete settlement of all claims against Franchisor, known or unknown, arising directly or indirectly out of the Franchise Agreement and the relationship between the parties through the date of this Agreement, including, but not limited to, economic loss.

[In consideration of the covenants and understandings set forth in this Agreement, Transferee does release and discharge Franchisor and its current and former owners, partners, directors, officers, members, employees and agents from any and all claims, demands, actions or causes of action of every name, nature, kind and description whatsoever, whether in tort, in contract or under statute, arising directly or indirectly out of the offer of, negotiation of, execution of, performance of, nonperformance, or breach of Transferee’s existing franchise or license

agreement(s) with us and any related agreements between the parties and out of any other action or relationship between the parties arising prior to the date of this Agreement.

Transferee represents that this release has been read and that it is fully understood and voluntarily accepted. The purpose of this release is to make a full, final and complete settlement of all claims against Franchisor, known or unknown, arising directly or indirectly out of Transferee’s existing franchise or license agreement(s) with us and the relationship between the parties through the date of this Agreement, including, but not limited to, economic loss.]

B. **Waiver of Statute.** With the advice of legal counsel, THE PARTIES expressly waive any statute, legal doctrine or other similar limitation upon the effect of general releases. The parties waive the benefit of any applicable statutory provision such as by illustration, California Civil Code Section 1542, which states: A GENERAL RELEASE DOES NOT EXTEND TO

CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

C. Certain Obligations Not Released. Notwithstanding any contrary provision in this Agreement, the provisions of the Franchise Agreement concerning Franchisee's obligations upon termination will continue in full force and effect.

D. Acknowledgments. EACH PARTY HEREBY ACKNOWLEDGES THAT IT: (1) HAS READ THIS RELEASE THOROUGHLY AND FULLY UNDERSTANDS IT; (2) IS VOLUNTARILY EXECUTING THIS RELEASE; (3) HAS BEEN GRANTED THE OPPORTUNITY TO SEEK INDEPENDENT LEGAL ADVICE BEFORE EXECUTING THIS RELEASE; AND (4) IS AWARE THAT BY SIGNING THIS RELEASE SUCH PARTY IS WAIVING CERTAIN LEGAL RIGHTS THAT IT MAY HAVE AGAINST THE RELEASED PARTIES.

E. Covenant Not to Sue. The parties covenant not to initiate, prosecute, encourage, assist, or (except as required by law) participate in any civil, criminal, or administrative proceeding or investigation in any court, agency, or other forum, either affirmatively or by way of cross-claim, defense, or counterclaim, against any of the Released Parties with respect to any Claim.

3. Indemnification. Franchisee, for themselves and their heirs, successors, representatives, assigns, subsidiaries, divisions, and agents and each of them, agree to indemnify and hold harmless Franchisor and its affiliates, subsidiaries, divisions, successors, assigns, officers, directors, employees and agents and each of them against any liabilities, losses, damages, deficiencies, claims, costs, expenses, actions, suits, proceedings, investigations, demands, assessments, judgments, and costs of any nature resulting, directly or indirectly, from the operation of the franchise by Franchisee or Franchisee's agents or employees.

4. Washington State. This General Release does not limit any claims arising under Washington's Franchise Investment Protection Act, Chapter 19.100 RCW.

7. Miscellaneous Provisions.

A. Entire Agreement. This writing is the entire agreement between the parties and may not be modified or amended except by written agreement signed by the parties.

B. Joint and Several Liability. If Franchisee consists of more than one individual or entity, then their liability under this Agreement will be joint and several.

C. Waiver. No waiver of any covenant or breach of this Agreement will be a waiver of any subsequent breach of the same or any other covenant or authorize the subsequent breach of any covenant or condition.

D. Time of Essence. Time is of the essence of this Agreement.

E. Injunctive Relief. In addition to other remedies available at law or in equity, any party may seek and obtain in any court of competent jurisdiction specific performance and injunctive relief to restrain a violation by the other party of any covenant contained in this Agreement.

F. Dispute Resolution. If a dispute arises, before taking any other legal action, the parties agree to participate in at least four hours of mediation in Utah County, Utah in accordance

with the mediation procedures of the American Arbitration Association or of any similar organization that specializes in the mediation of commercial business disputes. The party demanding mediation must provide written notice to the other party of the demand for mediation. If the other party does not respond to the mediation demand within 30 days of written notice, or indicates a refusal to participate in mediation, then the party providing notice may proceed with other forms of dispute resolution. The parties agree to equally share the costs of mediation. Injunctive relief and or claims of specific performance sought pursuant to or authorized by this Agreement, are not subject to, nor can be avoided by, the mediation terms of this Agreement, and may be brought in any court of competent jurisdiction.

G. Costs and Attorneys' Fees. The prevailing party in any suit or action to enforce this Agreement will be entitled to recover its arbitration and court costs and reasonable legal fees to be set by the court, including costs and legal fees on appeal.

H. Governing Law. This Agreement is accepted in the State of Utah and will be governed by the laws of Utah, which laws will prevail, except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051, et seq.) and except in those states whose franchise laws require exclusive application of those laws. This choice of laws will not include and does not extend the scope of application of the Utah franchise or business opportunity laws (if any). Any portion of this Agreement that requires enforcement in any other state and is enforceable under the laws of that state but not of Utah, will be construed and enforced according to the laws of that state. All issues or disagreements relating to this Agreement, will be tried, heard, and decided in Utah County, Utah.

I. Successors and Assigns. This Agreement will benefit and bind the respective heirs, executors, administrators, successors, and assigns of the parties.

J. Legal Representation. The parties acknowledge they have been represented by counsel and have been advised of the significance and ramifications of executing this Agreement.

K. Counterparts. This Agreement may be executed simultaneously in counterparts, each of which will be deemed an original, but all of which, together, will constitute one and the same instrument.

[7. Effective Date. The effective date of this Agreement shall be the date the last party signs.]

*(SIGNATURES APPEAR ON THE FOLLOWING PAGE.)*

IN WITNESS WHEREOF, the parties have executed this Agreement.

**“Franchisor”:** BAM Franchising, LLC

By (Signature): \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**“Franchisee”:**

By: \_\_\_\_\_  
\_\_\_\_\_, an individual  
By: \_\_\_\_\_  
\_\_\_\_\_, an individual

[ENTITY NAME]

By (Signature): \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**“Transferee”:**

By: \_\_\_\_\_  
\_\_\_\_\_, an individual  
By: \_\_\_\_\_  
\_\_\_\_\_, an individual

[ENTITY NAME]

By (Signature): \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_

*Instructions for signatures (above) for “Franchisee” and “Transferee”: If you are a corporation, limited liability company or other business entity, then this Agreement should be signed by a company officer or owner authorized to sign on behalf of the company. Additionally, this Agreement must be signed by all officers and owners of the company as individuals.*



**EXHIBIT J**  
**STATE LAW ADDENDA TO FRANCHISE DISCLOSURE DOCUMENT**

**CALIFORNIA**

Add to the Disclosure Document Item 3, litigation, ¶ (c), that neither FRANCHISOR nor any of the persons affiliated with FRANCHISOR set forth in Item 2 of the Disclosure Document are subject to any currently effective order of any National Securities Exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78, et seq. suspending or expelling such persons from membership in such association or exchange.

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

The Franchise Agreement contains a covenant not to compete, which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

Each owner of the franchise is required to execute a personal guarantee. Doing so could jeopardize the marital assets of non-owner spouses domiciled in a community property state such as California.

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

Section 31125 of the California Corporation Code requires the franchisor to give the franchisee a disclosure document, in a form and containing such information as the Commissioner may by rule or order require, prior to solicitation of a proposed material modification of an existing franchise.

You must sign a general release if you renew or transfer your franchise. California Corporations Code §31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§31 000 through 31516). Business and Professions Code §20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§20000 through 20043).

The Franchise Agreement requires litigation in certain instances, such as for injunctive relief. Such litigation would be conducted in Utah but could change. Requirements of litigation in jurisdiction other than where your franchise is located or where you reside may not be enforceable. Prospective franchisees are encouraged to consult legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of the Franchise Agreement restricting venue to a forum outside of the State of California.

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

Item 5 of the Disclosure Document is amended to include the following language:

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

31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 31000- 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 - 20043).

The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et. seq.)

The franchise agreement requires binding arbitration. The arbitration will occur in Utah County, Utah with the costs being borne by the non-prevailing party. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 128, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside of California.

No-poaching provisions in contracts are against California public policy. Therefore, we will not enforce the no-poaching provision in California.

OUR URL IS: [www.BricksandMinifigs.com](http://www.BricksandMinifigs.com) OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT [www.dfpi.ca.gov](http://www.dfpi.ca.gov)

Despite any provision in the Franchise Agreement to the contrary, the current maximum rate of interest in California is 10% per year.

State Cover Page Risk Factors: WE DO NOT HAVE A FEDERAL REGISTRATION FOR OUR “BRICKS & MINIFIGS” STANDARD CHARACTER MARK. THEREFORE, OUR TRADEMARK DOES NOT HAVE AS MANY LEGAL BENEFITS AND RIGHTS AS A FEDERALLY REGISTERED TRADEMARK. IF OUR RIGHT TO USE THE TRADEMARK IS CHALLENGED, YOU MAY HAVE TO CHANGE TO AN ALTERNATIVE TRADEMARK, WHICH MAY INCREASE YOUR EXPENSES.

## **GEORGIA**

### **DISCLOSURES REQUIRED BY GEORGIA LAW**

The State of Georgia has not reviewed and does not approve, recommend, endorse, or sponsor any business opportunity. The information contained in this disclosure has not been verified by the state. If you have any questions about this investment, see an attorney before you sign a contract or agreement.

If, for any reason, any provision set forth in the Franchise Agreement (including those related to in-term and post-term covenants against competition and non-disclosure and non-use of confidential information) exceeds any lawful scope or limit as to duration, geographic coverage, specificity, or otherwise, it is agreed that the provision will nevertheless be binding to the full scope or limit allowed by law or by a court of law. Indeed, the parties acknowledge their desire and intent that such provisions be modified by a court or arbitrator to comply with Georgia law if

needed. The duration, geographic coverage and scope allowable by law or court of law will apply to this Agreement.

## **IDAHO**

Any condition in a franchise agreement executed by a resident of Idaho or a business entity organized under the laws of Idaho is void to the extent it purports to waive venue or jurisdiction of the Idaho court system. Venue and jurisdiction will be in Idaho if the franchisee is an Idaho resident or a business entity organized under the laws of Idaho.

## **ILLINOIS**

Illinois law shall apply to and govern the Franchise Agreement.

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

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

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

## **MARYLAND**

The Disclosure Document (Item 17) and Franchise Agreement are amended to include that any provision which provides for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

Pursuant to COMAR 02.02.08.16L, the general release required as a condition of renewal, relocation, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law. Item 17 of the Disclosure Document and Sections 7.2, 22.1 and 22.2 to the Franchise Agreement are amended to the extent required by Maryland law.

Provisions in the Disclosure Document (Item 17) and Franchise Agreement requiring franchisee to file any lawsuit in a court in the State of Utah may not be enforceable under the Maryland Franchise Registration and Disclosure Law. Franchisees may sue in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. The Disclosure Document (Item 17) and Franchise Agreement are amended accordingly, to the extent required by Maryland law.

Any provisions in the Disclosure Document (including Items 5, 11, 17 and 22) and Franchise Agreement requiring Franchisee to assent to any release, estoppel or waiver of liability as a condition of purchasing a franchise shall not apply under the Maryland Franchise Registration and Disclosure Law and are amended to the extent required by Maryland law.

## **MINNESOTA**

Minn. Stat. Sec. 80C.21 and Minn. Rule Part 2860.4400J, may prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

In accordance with Minnesota Rule 2860.4400J, and to the extent required by law, the Disclosure Document and the Franchise Agreement are modified so that the franchisor cannot require a franchisee to waive his or her rights to a jury trial or to waive rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or to consent to liquidated damages, termination penalties, or judgment notes; provided that this part shall not bar an exclusive arbitration clause.

All statements in the Disclosure Document and Franchise Agreement that state that franchisor is entitled to injunctive relief are amended to read “franchisor may seek injunctive relief”; and a court will determine if a bond is required.

Minnesota Rule 2860.4400D prohibits the franchisor from requiring a franchisee to assent to a general release. The Disclosure Document and Franchise Agreement are modified accordingly, and to the extent required by law.

Pursuant to Minn. Stat. Sec. 80C.12, Subdivision 1(g), to the extent required by this Minnesota law, the Franchise Agreement and Item 13 of the Disclosure Document are amended to state that the franchisor will protect your right to use the primary trademark, service mark, trade name, logotype or other commercial symbol or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the Franchisor’s primary trade name.

We will comply with Minnesota Statute 80C.14 subdivisions 3, 4, and 5, which require except in certain specific cases, that a Franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice for non-renewal of the Franchise Agreement.

## **NEW YORK**

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

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

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

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

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud,

embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

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

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

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

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

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

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

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

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

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

## **NORTH CAROLINA**

### **FDD Cover Page**

## DISCLOSURES REQUIRED BY NORTH CAROLINA LAW.

The State of North Carolina has not reviewed and does not approve, recommend, endorse or sponsor any business opportunity (or franchise). The information contained in this disclosure has not been verified by the State. If you have any questions about this investment, see an attorney before you sign a contract or agreement.

## **NORTH DAKOTA**

The Disclosure Document and Franchise Agreement provide for arbitration and mediation of disputes to be held in Utah County, Utah. These provisions may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are amended accordingly to the extent required by law.

Sections of the Disclosure Document and Franchise Agreement relating to jurisdiction of courts in Utah County, Utah, may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Sections of the Disclosure Document and Franchise Agreement requiring franchisee to sign a general release upon renewal of the Franchise Agreement may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are amended accordingly to the extent required by law.

Sections of the Disclosure Document and agreement stipulating that the franchisee shall pay all costs and expenses incurred by Franchisor in enforcing the agreement may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are amended accordingly to the extent required by law.

Provisions of the Disclosure Document and Franchise Agreement that require the franchisee to consent to termination or liquidated damages (if applicable) have been determined by the North Dakota Securities Commissioner to be unfair, unjust and inequitable within the intent of Section 15-19-09 of the North Dakota Franchise Investment Law and therefor are not enforceable in North Dakota. They are by this reference deleted from the Disclosure Document and Franchise Agreement.

Covenants not to compete such as those contained in the Franchise Agreement may not be unenforceable in the State of North Dakota.

The governing law or choice of law clauses in Item 17w of the Disclosure Document and Section 25 of the Franchise Agreement granting authority to a state other than North Dakota may not be enforceable and are amended accordingly to the extent required by North Dakota franchise law.

Disclosure Document Item 5 and Franchise Agreement Section 9: All Initial Franchise Fees will be due and payable only after the Franchisor has fulfilled all initial obligations owed to the Franchisee under the Franchise Agreement or other documents and the Franchisee has commenced doing business pursuant to the Franchise Agreement.

## **RHODE ISLAND**

§ 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.” The Disclosure Document and Franchise Agreement are amended accordingly to the extent required by law.

## **SOUTH DAKOTA**

Termination provisions covering breach of the Franchise Agreement, failure to meet performance and quality standards and failure to make royalty payments contained in the Disclosure Document or Franchise Agreement must give a franchisee thirty (30) days’ written notice with an opportunity to cure the default prior to termination.

Post-termination covenants not to compete may be unenforceable under South Dakota law. Sections of the Disclosure Document and Franchise Agreement containing post-termination covenants not to compete are amended to the extent required by South Dakota law.

Sections of the Disclosure Document and Franchise Agreement requiring mediation or arbitration of disputes to be held in Utah County, Utah may not be enforceable and are amended accordingly to the extent required by South Dakota franchise law.

Sections of the Disclosure Document and Franchise Agreement requiring jurisdiction or venue in Utah County, Utah may not be enforceable and are amended accordingly to the extent required by South Dakota law.

Any provisions contained in the Disclosure Document and the Franchise Agreement that provide that the parties’ waive their right to claim punitive, exemplary, incidental, indirect, or consequential damages or any provisions that provide that the parties’ waive their right to a jury trial, may not be enforceable and are amended to the extent required by South Dakota franchise law.

The governing law or choice of law clauses described in the Disclosure Document and contained in the Franchise Agreement granting authority to a state other than South Dakota may not be enforceable and are amended accordingly to the extent required by South Dakota franchise law.

## **WASHINGTON**

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

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

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a

franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

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

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

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

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

The State of Washington has imposed a financial condition under which the initial franchise fees due will be deferred until the franchisor has fulfilled its initial pre-opening obligations under the Franchise Agreement and the franchise is open for business. Because the Franchisor has material pre-opening obligations with respect to each franchised business the Franchisee opens under the Area Development Agreement, the State of Washington will require that the franchise fees be released proportionally with respect to each franchised business.

## **WISCONSIN**

With respect to franchise agreements governed by Wisconsin law, the following shall supersede any inconsistent provision:

The Wisconsin Fair Dealership Law applies to most franchise agreements in the state and prohibits termination, cancellation, nonrenewal or substantial change in the competitive circumstances of a dealership agreement without good cause. The Law further provides that 90 days' prior written notice of the proposed termination, etc. must be given to the dealer. The dealer has 60 days to cure the deficiency and if the deficiency is so cured the notice is void. Item 17 of the Disclosure Document and the corresponding section of the Franchise Agreement are hereby modified to state that the Wisconsin Fair Dealership Law, to the extent applicable, supersedes any provisions in the Franchise Agreement that are



inconsistent with that Law. Wis. Stats. Ch. 135, the Wisconsin Fair Dealership Law. SEC 32.06(3), Wis. Adm. Code.

## **ACKNOWLEDGMENT**

### **The franchisee acknowledges receipt of this Addendum.**

It is agreed that the applicable foregoing state law addendum for the State of \_\_\_\_\_, if any, supersedes any inconsistent portion of the Franchise Disclosure Document (“**FDD**”) to which this Addendum is attached.

DATED this \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

**FRANCHISOR:** BAM Franchising, Inc.

Signed: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

### **FRANCHISEE**

Signed: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**EXHIBIT K**  
**STATE EFFECTIVE DATES & RECEIPTS**

### **State Effective Dates**

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

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

<b>State</b>	<b>Effective Date</b>
California	
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

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

## **RECEIPT**

### **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 B.

BAM FRANCHISING, INC.'s franchise sellers are Ammon McNeff, Matthew McNeff, Matthew Thomas, Reed Brimhall, Carson Bird, and David Ortiz, 225 West 520 North, Orem, UT 84057, (888) 534-6776.

Issuance Date: March 31, 2023 (and effective as of the individual state registration dates reflected on the cover page).

BAM FRANCHISING, INC., authorizes the respective state agencies identified on Exhibit B to receive service of process for it in the particular state.

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

- |   |   |
|---|---|
| A. Franchise Agreement with attached Schedules        | E. Operations Manual Table of Contents  |
| B. Area Development Agreement with attached schedules | F. List of Franchisees                  |
| C. List of State Agencies and Regulators              | G. Franchisees Who Have Left the System |
| D. Disclosure Acknowledgement and Agreement           | H. Financial Statements                 |
|   | I. Form of General Release              |
|   | J. State Addenda                        |
|   | K. State Effective Dates & Receipts     |

DATED this \_\_ day of \_\_\_\_\_, 20\_\_.

#### **Signatures of All Prospective Franchisees:**

Signature: \_\_\_\_\_ Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_ Print Name: \_\_\_\_\_

Name of Corporation/LLC/Partnership (if applicable): \_\_\_\_\_

By: \_\_\_\_\_ Title: \_\_\_\_\_

#### **RETURN THIS SIGNED FORM TO THE FRANCHISOR.**

Mail to BAM Franchising, Inc., 225 West 520 North, Orem, Utah 84057, or email scanned copy to [Franchise@BricksandMinifigs.com](mailto:Franchise@BricksandMinifigs.com), or fax to (888) 801-6454.

### **FRANCHISOR COPY**

## **RECEIPT**

### **BAM FRANCHISING, INC**

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### **FRANCHISEE COPY**