

TRADEMARK LICENSE AGREEMENT

This Agreement (hereinafter the "Agreement") is made the 15th day of April, 2015 (the "Effective Date"), by and between Magic Castles, Inc., a corporation organized and existing under the laws of the State of California, with its principal place of business at 7001 Franklin Avenue, Hollywood, California 90028 (hereinafter referred to as "MCI"), and The Academy of Magical Arts, Inc., a non-profit corporation organized and existing under the laws of the State of California, with its principal place of business at 7001 Franklin Avenue Hollywood, CA 90028 (hereinafter referred to as "AMA"). For purposes of this Agreement, MCI and AMA will sometimes be referred to herein collectively as the "Parties" and individually as a "Party."

W I T N E S S E T H

(A) **WHEREAS**, MCI is the owner of the entire right, title, and interest in and to trademark, trade name, and service mark rights in the designations MAGIC CASTLE and IRMA, together with all of the goodwill of the business symbolized by these marks and the trademark registrations therefor identified in **Schedule A** (hereinafter referred to as the "Licensed Marks"), for use in connection with the goods and services described in United States Trademark Registration Nos. 2560806, 2554845, 4179762, 3757157, and 3419853 relating to the trademark MAGIC CASTLE and United States Trademark Registration No. 3065447 relating to the trademark IRMA;

(B) **WHEREAS**, the Parties entered into that certain Magic Castle Trademark License Agreement dated January 1, 2005 concerning the Licensed Marks (the "2005 Agreement") whereby MCI granted AMA the rights to use the Licensed Marks at the premises of 7001 Franklin Avenue, Hollywood, California 90028 (the "Premises");

(C) **WHEREAS**, pursuant to a mediation between the Parties held on April 15, 2015, the Parties entered into a "Settlement Term Sheet of Principal Terms" (hereinafter the "Term Sheet") whereby the Parties amended the terms of the 2005 Agreement and amicably resolved all of the disputes between them; and

(D) **WHEREAS**, pursuant to the Term Sheet, the Parties are to enter into this long-form Agreement that voids and supersedes the 2005 Agreement and sets forth new and additional terms and conditions by which AMA may to use the Licensed Marks.

NOW, THEREFORE, in consideration of the mutual promises, covenants and agreements herein set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto do hereby agree as follows:

1. Licensed Territory. The "Licensed Territory" shall be defined as the Premises and the territory within a fifty ("50") mile radius thereof.

2. Prior Agreement Voided. The 2005 Agreement is hereby voided and superseded by this Agreement in all respects, except that conduct occurring before the Effective Date shall continue to be governed by the 2005 Agreement.



3. License Grant.

3.1. MCI hereby grants to AMA, and AMA hereby acquires from MCI, an exclusive license to use the Licensed Marks in the Licensed Territory in connection with entertainment and social club services in the nature of live magic performances, shows, events, on-location filming rights, and food and beverage services (*e.g.*, namely, restaurant services) and the marketing, promotion, and advertising thereof. The afore-described services, together with the services described in Section 3.2, below, relating to the <magiccastle.com> domain name, are collectively referred to herein as the “Licensed Services.” In addition, AMA may market, advertise, and promote the Licensed Services – to be furnished within the Licensed Territory – to persons located outside of the Licensed Territory.

3.2. MCI also grants to AMA, and AMA hereby acquires from MCI, the exclusive license to use the domain name <magiccastle.com> (the “Domain”) in connection with AMA’s website relating to its operations, with registration and ownership of that domain name remaining with MCI. MCI will not adopt, use, or license a domain name that is confusingly similar with the Domain. Notwithstanding the foregoing, MCI may adopt, use, and license domain names substantially in the following form: “magiccastle_[name of geographic area other than a city or location located within the Licensed Territory].com” and “magiccastle_[name of other descriptor or noun].com, provided that such domain names do not expressly or impliedly suggest an association or endorsement by AMA of the website located at such domain(s). Subject to the quality control provisions of this Agreement, AMA shall have exclusive control over the content and day-to-day operation of the website located at the Domain. MCI will periodically renew registration of the Domain, at its own cost, and not let it lapse, during the entire term of this Agreement, except that, if AMA acquires ownership of the Domain as part of the exercise of the matching right granted in Section 16, AMA shall thereafter have sole responsibility for all costs and fees associated with the transfer, ownership, and maintenance of the Domain. If MCI wishes to let the Domain registration lapse, then it shall provide AMA with at least 30 days’ advance notice of MCI’s intention to do so and AMA will then have the option to register and maintain the Domain in its own name, at AMA’s sole expense.

3.3. MCI also grants to AMA, and AMA hereby acquires from MCI, the exclusive right to use the Licensed Marks in the Licensed territory in connection with the development, sale, offer for sale, distribution, manufacture, and promotion of various consumer merchandise and souvenirs, presently contemplated to include, but are not limited to: paper goods and other goods falling within International Class 016; apparel and other goods falling within International Class 005; jewelry and other goods falling within International Class 014; eyewear and other goods falling within International Class 009; belt buckles and other goods falling within International Class 026; glassware and other goods falling within International Class 021; souvenirs and magic tricks and other goods falling within International Class 028; key chains falling into various International Classes; bags and other goods falling within International Class 018; matchboxes and other goods falling within International Class 034; with additional goods to be added to this list subject to the terms of this Agreement (collectively the “Licensed Products”). In addition, AMA may, among other things, promote, advertise, offer for sale, and sell Licensed Products through its website located at the Domain and may ship such merchandise purchased through said website to persons located outside of the Licensed Territory.



3.4. AMA will not sublicense the Licensed Marks, but shall be entitled to, without limitation, have third parties design, create, manufacture, distribute, disseminate, and supply advertising, marketing materials, and Licensed Products to or on behalf of AMA.

3.5. AMA may use the Licensed Marks in connection with the Licensed Services and/or Licensed Products either alone or in combination with the designation “Academy of Magical Arts” (*e.g.*, “The Academy of Magic Arts at the Magic Castle”) and with other third-party marks in connection with specific shows, productions, and merchandise (*e.g.*, if any such event is cosponsored by AMA with one or more third parties), provided that such use does not convey an endorsement by MCI of the products or services of any such third party. The use of one or more of the License Marks alone or in combination with another designation, in and of itself, shall not be deemed to convey an endorsement by MCI.

3.6. AMA may include, in its discretion, a statement in connection with its use of the Licensed Marks that AMA is not affiliated or associated with MCI or with any goods, services, and/or projects (*e.g.*, without limitation, the shows referenced in Section 3.8(a)) marketed, distributed, sold, produced, or provided by MCI or one of its affiliated entities and/or licensees.

3.7. The license granted to AMA hereunder is exclusive in the Licensed Territory as against and applicable to MCI, as well as to non-parties to this Agreement.

- a. During the Term, MCI will not use, or license, or otherwise authorize any third party to use or license, the Licensed Marks, or any designation(s) confusingly similar to the Licensed Marks, within the Licensed Territory.
- b. All licenses granted by MCI to third parties after the Effective Date relating to the Licensed Marks will expressly state the nature and scope of AMA’s exclusive rights under this Agreement. In lieu of including the foregoing statement, subject to the obligation of confidentiality, MCI shall have the right to attach a copy of this Agreement to such third party licenses provided that the entire Section 5 relating to “Royalty” is redacted. With regard to licensees granted licenses by MCI relating to the Licensed Marks before the Effective Date, MCI will inform such licensees of the nature and scope of AMA’s exclusive rights under this Agreement.
- c. Enforcement of the terms of this Section 3.7 by AMA against MCI shall be undertaken in accordance with the terms of Section 24. Enforcement of the terms of Section 3.7(a) against persons other than MCI, *i.e.*, MCI’s licensees, shall be subject to the following: (1) AMA shall notify MCI of a violation before initiating any enforcement actions against such persons, (2) AMA shall provide MCI with 30 days in which to have violator remedy and/or cease the complained of activity to AMA’s reasonable satisfaction, and (3) in the event the violator fails to remedy and/or cease the



complained of activity to AMA's reasonable satisfaction within the allotted time, AMA may take action to enforce the terms of Section 3.7(a) against such violator in accordance with the terms of Section 10.3.

3.8. Notwithstanding the foregoing subsections of Section 3 or anything else to the contrary in this Agreement:

- a. Within the Licensed Territory, MCI may use the Licensed Marks in conjunction with producing, performing, and/or exhibiting one or more shows, for a cumulative total of no more than four (4) days in a single calendar year, subject to MCI's compliance with the then-in effect Magician's Code of Conduct attached hereto as **Exhibit 1**.
- b. MCI may make, use, and license the Licensed Marks outside of the Licensed Territory, including opening new venues using the Licensed Marks outside of the Licensed Territory, provided that such uses by MCI, its designees, and its licensees comply with the then-in effect Magician's Code of Conduct attached hereto as **Exhibit 1**.

4. Term. The License granted under this Agreement shall be effective from the Effective Date and shall continue in perpetuity, unless terminated sooner pursuant to a provision of this Agreement.

5. Royalty.

5.1. In full consideration of all of the services, rights, and licenses granted by MCI to AMA under this Agreement, unless terminated sooner pursuant to a provision of this Agreement, AMA agrees to pay to MCI a royalty (the "Royalty" or "Royalties"), as follows:

- a. 2015: For the calendar year 2015, 4.5 percent of that year's F&B (as defined in Section 5.6), less payments already made by AMA to MCI for the 2015 calendar year;
- b. 2016: From January 1, 2016 through December 31, 2016, 4 percent of that year's F&B;
- c. 2017: From January 1, 2017 through December 31, 2017, 4 percent of that year's F&B;
- d. 2018: From January 1, 2018 through December 31, 2018, 4 percent of that year's F&B;
- e. 2019: From January 1, 2019 through December 31, 2019, 4 percent of that year's F&B;



- f. 2020: From January 1, 2020 through December 31, 2020, 3.5 percent of that year's F&B;
- g. 2021: From January 1, 2021 through December 31, 2021, 3.5 percent of that year's F&B;
- h. 2022: From January 1, 2022 through December 31, 2022, 3.5 percent of that year's F&B;
- i. 2023: From January 1, 2023 through December 31, 2023, 3.5 percent of that year's F&B;
- j. 2024: From January 1, 2024 through December 31, 2024, 3.5 percent of that year's F&B;
- k. 2025: From January 1, 2025 through December 31, 2025, 3 percent of that year's F&B, not to exceed \$250,000;
- l. 2026: From January 1, 2026 through December 31, 2026, 3 percent of that year's F&B, not to exceed \$250,000;
- m. 2027: From January 1, 2027 through December 31, 2027, 3 percent of that year's F&B, not to exceed \$250,000;
- n. 2028: From January 1, 2028 through December 31, 2028, 3 percent of that year's F&B, not to exceed \$250,000;
- o. 2029: From January 1, 2029 through December 31, 2029, 3 percent of that year's F&B, not to exceed \$250,000;
- p. 2030: From January 1, 2030 through December 31, 2030, 3 percent of that year's F&B, not to exceed \$250,000;
- q. 2031: From January 1, 2031 through December 31, 2031, 3 percent of that year's F&B, not to exceed \$250,000;
- r. 2032: From January 1, 2032 through December 31, 2032, 3 percent of that year's F&B, not to exceed \$250,000;
- s. 2033: From January 1, 2033 through December 31, 2033, 3 percent of that year's F&B, not to exceed \$250,000;
- t. 2034: From January 1, 2034 through December 31, 2034, 3 percent of that year's F&B, not to exceed \$250,000;
- u. 2035: From January 1, 2035 through December 31, 2035, 3 percent of that year's F&B, not to exceed \$250,000;



- v. 2036: From January 1, 2036 through December 31, 2036, 3 percent of that year's F&B, not to exceed \$250,000;
- w. 2037: From January 1, 2037 through December 31, 2037, 3 percent of that year's F&B, not to exceed \$250,000;
- x. 2038: From January 1, 2038 through December 31, 2038, 3 percent of that year's F&B, not to exceed \$250,000;
- y. 2039: From January 1, 2039 through December 31, 2039, 3 percent of that year's F&B, not to exceed \$250,000;
- z. 2040: From January 1, 2040 through December 31, 2040, 3 percent of that year's F&B, not to exceed \$250,000; and
- aa. For the duration Milt Larsen's lifetime, unless terminated sooner pursuant to a provision of this Agreement, AMA agrees to pay Milt Larsen Enterprises 0.5% of F&B for each calendar year, or portion thereof. Upon Milt Larsen's passing, AMA shall have no further obligations under this subsection aa to make any payments to Milt Larsen Enterprises, Milt Larsen, or otherwise. The Parties acknowledge that Milt Larsen Enterprises is a third-party beneficiary of this subsection aa with the right to enforce his rights under this subsection.

5.2. Beginning January 1, 2041, the licenses and rights granted by MCI to AMA under this Agreement, including, without limitation, to the Licensed Marks, shall be, perpetual and fully paid up, with AMA having no further payment obligations to MCI, or anyone else, under this Agreement or otherwise. As of that date, MCI's sole remedy under this Agreement shall be an action at law for damages and under no circumstances may the license/rights granted to AMA under this Agreement be revoked, withdrawn, or otherwise terminated, except for breach of Section 8.

5.3. If, for whatever reason, AMA is prevented from using the MAGIC CASTLE mark at the Premises (*e.g.*, without limitation, the landlord or any architectural or historical society mandating a change of the name of the building at that location), then AMA will be relieved of its duty to make any payments under this Agreement for the period of time in which AMA is prevented from using the MAGIC CASTLE mark at the Premises. If, in response to being prevented from making such use of the MAGIC CASTLE mark at the Premises, AMA rebrands and permanently ceases using the MAGIC CASTLE mark, AMA shall have no further payment obligations under this Agreement and the rights granted to AMA hereunder in connection with the Licensed Marks shall revert to MCI (except as permitted under Section 15.3).

5.4. If AMA ceases to occupy the Premises and moves to another location, it may, at its option, cease using the Licensed Marks and, in such event, it will have no obligation to pay the remaining Royalties due under this Agreement. If AMA continues to use either of the Licensed Marks at the other location, it will continue to pay the Royalties due under this



Agreement for so long as it continues to use either of the Licensed Marks. AMA shall have the right to open and operate additional facilities, inside or outside of the Licensed Territory, that do not use either of the Licensed Marks, without any obligation to pay any Royalties under this Agreement to MCI.

5.5. In addition to the compensation due MCI under Section 5.1, AMA shall pay to MCI 40% of the Gross Filming Revenues derived from all fees paid to AMA for filming rights and/or location fees for use of the Premises solely where one or more of the Licensed Marks are prominently used, displayed, or depicted in the resulting production. For purposes of this Section 5.5, "Gross Filming Revenues" means the amount actually received by AMA for filming and/or location use, regardless of the media involved, and shall include all residual payments (if any) received by AMA, less all revenues received by AMA as reimbursement from third parties for services performed by AMA employees (including, without limitation, the employee's hourly cost to the AMA, taking into account all taxes and benefits, etc., for such employees), vendors, or contractors, parking charges, reimbursement for utility expenses (including, without limitation, electrical, etc.), and reimbursement of other out-of-pocket costs.

5.6. As used herein, the term "F&B" means the Gross Revenues (actually and non-refundably collected), derived from all food and beverage operations conducted, either by AMA or any vendor or contractor on behalf of AMA, at the Premises. For purposes of this subsection, the term "Gross Revenues" shall mean the amount of sales generated by AMA from food and beverage operations at the Premises, or generated by such entity as AMA may contract to provide food and beverage operations at the Premises, exclusive of all sales taxes and gratuities. "Gross Revenues" shall exclude all other revenues received by AMA from all other sources, whether conducted on the Premises or otherwise, including, but not limited to, membership dues, door charges, donations, assessments of members, souvenir shop sales (including food and beverages sold thereat), rental charges, merchandise sales, parking revenues, and complimentary or promotional food and beverages.

5.7. Until the termination or expiration of this Agreement, AMA agrees to grant MCI, upon request from MCI, on a calendar yearly basis, twenty (20) complimentary AMA memberships to persons whom MCI designates, subject to each such person's compliance with the then in effect AMA rules and regulations, including, without limitation, the Magician's Code of Conduct attached hereto as **Exhibit 1**. For those persons to whom MCI granted complimentary memberships during the calendar year immediately preceding the Effective Date, such memberships shall be on a "voting" basis for as long as their membership status is renewed without interruption. The memberships shall be on a "nonvoting" basis for all other persons to whom complimentary memberships are granted under this Section.

5.8. AMA grants to Milt Larsen and any guests then in attendance with him (not to exceed twenty (20) persons per week) complimentary food and beverage services at the Premises. This grant is personal to Milt Larsen, individually, and may not be licensed, transferred, granted, or assigned by Milt Larsen to another person.

5.9. Except as expressly provided in this Section 5 of this Agreement, no other compensation, royalties or monies shall be due or paid to MCI for the licenses, rights, or other terms granted to AMA under this Agreement.



6. Royalty Statements. AMA shall pay Royalties to MCI on a monthly basis within two weeks following the end of each month. Concurrent with each Royalty payment made by AMA under this Agreement, AMA shall deliver to MCI (at the address indicated above for notice purposes) a report detailing the Gross Revenues collected by AMA during such month and the amount of Royalties payable arising out of such collections (each, a "Royalty Statement").

7. Examination of Royalty Statements. At any time within three (3) years after a respective Royalty Statement is provided to MCI, MCI shall have the right to have its CPA examine AMA's books and records relating to such Royalty Statement, at MCI's sole cost and expense, as is reasonably necessary to verify the accuracy of the statement or statements specified in MCI's notice to AMA requesting such examination. Such examination shall be made upon reasonable request and written notice (of at least thirty (30) days) during AMA's usual business hours at AMA's location for notice as set forth in the first paragraph of this Agreement or other reasonable location designated by AMA. Each such examination shall last no longer than ten (10) business days. Any Royalty Statement not so audited within three (3) years of MCI's receipt thereof shall be deemed incontestable and an account stated. AMA shall have no obligation to produce such books and records more than once per year, and only once for each Royalty Statement made under this Agreement. MCI must contest a particular audited Royalty Statement, within 45 days of completion of the subject audit or the right to contest such Royalty Statement is waived by MCI. Legal action with respect to a specific Royalty Statement shall forever be barred unless MCI serves AMA with formal written notice of MCI's arbitration demand, in accordance with Section 24, within twenty four (24) months after the end of MCI's examination of a particular Royalty Statement. Any underpayment of Royalties shall be promptly paid by AMA to MCI and any overpayment of Royalties shall be promptly reimbursed by MCI to AMA. If such examination shall disclose an underpayment of 10% or more to MCI (amounting to at least \$10,000) during any calendar year, then all costs reasonably incurred by MCI for such examination shall be promptly reimbursed to MCI by AMA up to the amount of the discrepancy.

8. Trademarks, Advertising, and Quality Control.

8.1. The quality of services and related products bearing the Licensed Marks and all promotional material relating to the Licensed Marks made, used, or sold by AMA shall be in conformity with all applicable health and safety rules, laws, or regulations in the Licensed Territory.

8.2. MCI shall have the reasonable right to sample and evaluate the Licensed Services and Licensed Products that bear the Licensed Marks for the purpose of monitoring quality control. AMA will promptly provide such specimens as may be reasonably requested in writing by MCI to ensure consistency and quality under MCI's reasonable standards of quality. If MCI contends that a particular Licensed Service or Licensed Product does not comply with MCI's reasonable standards of quality, then MCI will provide a detailed written explanation as to its reasons therefor together with recommendations as to how said service or product can be modified to comply with MCI's reasonable standards of quality. Any disputes concerning this Section that cannot be resolved, informally, between the Parties shall be resolved through arbitration, in accordance with the terms of the arbitration provision set forth below, with the following modifications: (a) the Parties shall work together in good faith to have an arbitrator



appointed within ten (10) business days of a request made by the other Party; (b) within ten (10) business days of the appointment of an arbitrator, the Parties may each submit a letter brief, not to exceed four single-spaced pages, to the arbitrator setting forth their respective positions; (c) the matter shall be decided by the arbitrator on the papers, with no oral hearing, unless the arbitrator requests a hearing; and (d) the arbitrator shall render a decision within ten (10) business days of submission of the dispute to the arbitrator.

8.3. AMA agrees to provide Licensed Services and Licensed Products used in connection with the Licensed Marks in a manner consistent with the quality and standards of AMA's Licensed Services and Licensed Products for the five years prior to the date hereof. MCI shall not impose standards of quality on AMA that exceed the standards of quality that MCI adheres to or that MCI imposes upon its other licensees, if any. MCI acknowledges that the quality of AMA's services and the products heretofore sold, offered and/or provided by AMA (including, without limitation, those products heretofore provided by MCI to AMA for resale) in connection with the Licensed Marks comply with MCI's standards of quality.

8.4. MCI acknowledges that, subject to the terms of this Agreement, AMA, in its sole and absolute discretion, shall have the right to determine the following: (a) which Licensed Products are actually manufactured, marketed, sold, distributed and/or discontinued; (b) all aspects of distribution, marketing and sale of the Licensed Products; (c) the prices for which all Licensed Products are sold, including decisions to increase, decrease or otherwise modify prices from time-to-time; and (d) all decisions regarding manufacturing of the Licensed Products, all third party services relating to the manufacture of any component(s) or parts of the Licensed Products, and all decisions regarding third party or outside contractors, engineers and consultants which may be utilized in developing, manufacturing, distributing and/or marketing the Licensed Products.

8.5. AMA will use the symbol of federal trademark registration ("®") with the Licensed Marks in and on all Licensed Services and Licensed Products for which MCI has actually been granted and holds an active United States Trademark Registration and for which MCI provides AMA with written notice thereof. MCI shall be deemed to have given notice to AMA prior to the Effective Date in accordance with this Section 8.5 with respect to the Trademark Registrations and classes of goods and services listed on **Schedule A**. Nothing stated herein is intended or should be deemed to require AMA to recall, reprint, or modify any materials or goods already in inventory or production on which one or more of the Licensed Marks appears as of the latest date of execution of this Agreement, set forth on page 18.

9. Goodwill. AMA acknowledges that MCI is the sole and exclusive owner of the Licensed Marks and the goodwill associated therewith. AMA agrees that its use of the Licensed Marks under this Agreement inures to the sole benefit of MCI.

10. Infringements or Violations. AMA shall, within a reasonable time, notify MCI of any infringements of the Licensed Marks within the Licensed Territory that come to its attention.

10.1. MCI shall have the right, but not the obligation, to commence litigation or other enforcement activities ("Enforcement Proceedings") to enforce the Parties' rights in the Licensed Marks (and/or AMA's rights under this Agreement) and to join AMA as co-party to



such litigation, at MCI's sole expense. AMA shall cooperate with MCI, at MCI's sole expense, in connection with such Enforcement Proceedings, whether or not AMA is joined as a party to such Enforcement Proceedings. MCI shall retain any favorable judgment, settlement, compromise or other award with regard to the prosecution of any Enforcement Proceedings paid for solely by MCI. MCI will not settle or resolve any case relating to infringements of the Licensed Marks within the Licensed Territory without prior written consent of AMA, which will not be unreasonably withheld, delayed, or conditioned.

10.2. MCI will notify AMA within a reasonable time of learning of infringements whether or not it will commence Enforcement Proceedings to enforce the Parties' rights in the Licensed Marks in the Licensed Territory.

10.3. In the event that MCI notifies AMA that it does not intend to commence Enforcement Proceedings to enforce the Parties' rights in the Licensed Marks or MCI fails to remedy a violation of Section 3.7(a) to AMA's reasonable satisfaction within a reasonable period of time, AMA shall, upon reasonable notice to MCI, have the right, but not the obligation, to commence Enforcement Proceedings to enforce the Parties' rights (and/or AMA's rights under this Agreement) in the Licensed Marks, at AMA's sole expense, with counsel acceptable to MCI, whose consent to which will not be unreasonably withheld, delayed, or conditioned.. MCI shall cooperate with AMA, at AMA's sole expense, in connection with such Enforcement Proceedings. AMA will not settle or resolve any case without prior written consent of MCI, which will not be unreasonably withheld, delayed, or conditioned. AMA shall retain any favorable judgment, settlement, compromise or other award with regard to the prosecution of any Enforcement Proceedings paid for solely by AMA. If AMA and MCI jointly bring such Enforcement Proceedings and share in the costs and fees associated therewith, equally, then they shall share equally in any favorable judgment, settlement, compromise or other award obtained in connection therewith. In the event that both MCI and AMA pay towards the costs and fees associated with such Enforcement Proceedings, but they did not share equally in the costs and fees associated therewith, then they shall each share in any favorable judgment, settlement, compromise or other award obtained in connection therewith in proportion to their pro rata contribution towards the costs and fees incurred in connection with such Enforcement Proceedings.

11. Magician's Code of Conduct. As used herein, the term Magician's Code of Conduct refers to the Code attached hereto as **Exhibit 1**, which may be updated by AMA's Board of Directors from time to time in accordance with AMA's operations, so long as it is consistent with the nature, scope, and objectives of the existing Code of Conduct. AMA shall be responsible for promptly furnishing any updated Code of Conduct to MCI, and MCI shall be entitled to adhere to the then-most recently furnished Code of Conduct until AMA shall have provided to MCI such updated Code of Conduct.

12. During the Term, AMA will not register any trademarks that create a likelihood of confusion with the Licensed Marks as to source, association, or sponsorship of the Parties' respective goods or services. Nothing stated herein is intended or should be deemed to grant permission from MCI to AMA, after the Term, to register any trademark that creates a likelihood of confusion with the Licensed Marks.



13. During and after the Term, AMA will not challenge or attack, or assist any other person or entity in challenging or attacking, the validity of the marks comprising the Licensed Marks, except that AMA may challenge or attack the validity of the Licensed Marks in connection with any litigation/arbitration initiated by MCI against AMA.

14. Termination.

14.1. If for any reason AMA ceases to conduct business on the Premises, it may terminate this Agreement. If so terminated, AMA will have no further obligations or duties hereunder, nor any rights to the Licensed Marks, which rights shall revert to MCI, except that Sections 12, 13, and 15, and AMA's obligations and duties thereunder, shall survive termination, as shall any other provision of this Agreement expressly so stating.

14.2. A Party may terminate this Agreement in the event of a material breach by the other Party, provided that the aggrieved party first provides the alleged breaching party with at least sixty (60) days' advance detailed written notice and opportunity to cure the alleged material breach and the breach is not cured within that period. In the event that the alleged material breach is not cured within said notice-to-cure period, the Agreement may then be terminated by the aggrieved party within thirty (30) days of the expiration of the sixty (60) day cure period or any mutually agreed extension thereof; otherwise, the aggrieved party's right to terminate for that alleged material breach shall be waived. In the notice of material breach the aggrieved party shall detail each and every detail of the alleged material breach so that the alleged breaching party has an opportunity to cure any such breach. Additionally, in the event that the alleged material breach cannot be cured within sixty (60) days, the aggrieved party agrees that the alleged breaching party shall be permitted to cure the alleged material breach in a reasonable period of time provided that the alleged breaching party begins to take steps to remedy the alleged material breach within sixty (60) days after the detailed notice has been provided to the alleged breaching party and continues in good faith thereafter to cure the alleged material breach.

14.3. A material breach of this Agreement shall include, but shall not be limited to, the following:

- a. should AMA fail to timely make a Royalty payment, as required under this Agreement;
- b. should AMA materially violate the quality control standards set forth in Section 8;
- c. should MCI, directly or indirectly, including without limitation through one or more of its licensees, open and operate a competing facility under the name (whole or in part) "Magic Castle" within a 50 mile radius of the Premises or should MCI itself otherwise directly violate AMA's rights to the exclusive use of the Licensed Marks in the Licensed Territory;
- d. should MCI be determined not to have the right to grant the licenses to one of more of the Licensed Marks granted by this



Agreement with regard to one or more of the Licensed Services or Licensed Products; and/or

- e. should MCI fail to itself adhere to, or include a provision in any agreement with any third party requiring such third party to adhere to, the Magician's Code of Conduct set forth in **Exhibit 1**.

15. Rights upon Termination. Upon termination of this Agreement, AMA shall cease using the Licensed Marks, except as follows:

15.1. MCI agrees that AMA may continue to distribute Licensed Products bearing the Licensed Marks in order to sell its inventory of Licensed Products already manufactured or in the process of being manufactured as of the effective date of termination and for a period of six (6) months thereafter (the "Sell-Off Period"), provided that such License Products comply with MCI's reasonable quality standards in effect prior to termination.

15.2. AMA shall have the right to utilize the Licensed Marks with respect to AMA's continuing warranty and service obligations for any Licensed Products manufactured, sold or distributed pursuant to this Agreement including, without limitation, the right to manufacture and maintain on hand after termination of this Agreement sufficient quantities of warranty parts and spare parts.

15.3. At all times, including but not limited to, following the termination of this Agreement, provided that AMA is continuing to operate on the Premises, AMA may state in its brochures and similar written materials (e.g., but not on menus or invitations), and in the portion of its website explaining the historical significance of the building at the Premises, that the building located at the Premises is a Los Angeles Historic-Cultural Monument and that it is known as the "Magic Castle." By way of example only, this Section 15.3 permits AMA to state in the "About the Castle" tab on the magiccastle.com website "The Lane mansion has been designated by the City of Los Angeles as a Historic-Cultural Monument under the name 'Magic Castle.'"

16. Matching Right.

16.1. If MCI (a "**Transferor**") receives a bona fide written offer which MCI desires to accept (the "**Transferee Offer**") from any third party, including another licensee of MCI, (a "**Transferee**") to purchase all or any portion of or any interest or rights in any of MCI's assets or business relating directly or indirectly to the Licensed Marks (the "**Transferor Interest**") then, prior to any transfer of the Transferor's Interest, the Transferor shall give AMA written notice (the "**Transfer Notice**") containing each of the following:

- (i) the Transferee's identify;
- (ii) a true and complete copy of the Transferee Offer; and
- (iii) the Transferor's offer (the "**Offer**") to sell the Transferor Interest to AMA for consideration equal to that contained in the Transferee Offer or, if the consideration specified in the Transferee Offer is



not specified as cash, then for consideration in U.S. Dollars equal in value to the consideration specified in the Transferee Offer (the "**Transfer Purchase Price**").

16.2. The Offer shall be and remain irrevocable for a period (the "**Offer Period**") ending at 11:59 p.m. local time at the AMA's principal office, on the sixtieth (60th) day following the date the Transfer Notice is given to AMA. At any time during the Offer Period, AMA may accept the Offer by giving written notice to the Transferor of its acceptance (the "**Offeree Notice**"). If AMA accepts the Offer, the Offeree Notice shall fix a closing date (the "Transfer Closing Date") for the purchase, which shall not be earlier than sixty (60) or more than ninety (90) days after the expiration of the Offer Period.

16.3. If AMA accepts the Offer, the Transfer Purchase Price shall be paid on the Transfer Closing Date.

16.4. If AMA does not accept the Offer (within the time and in the manner specified in this Section), then the Transferor shall be free for a period (the "**Permitted Transfer Period**") of one hundred and twenty (120) days after the expiration of the Offer Period to Transfer the Transferor Interest to the Transferee, for the same or greater price and on the same terms and conditions as set forth in the Transfer Notice. After the close of the Permitted Transfer Period, the Transferee Offer procedure outlined above shall again apply.

16.5. Any transfer by the Transferor without strict compliance with the terms, provisions, and conditions of this Section and the other terms, provisions, and conditions of this Agreement, shall be null and void and of no force or effect.

16.6. This matching right, any Offer or acceptance or refusal of same shall not affect the effectiveness of this Agreement. Accordingly, should AMA reject an Offer, any Transfer shall be subject to the terms of this Agreement and Transferor and Transferee shall execute appropriate documents to affirm such assignment and assumption of the duties and obligations of this Agreement by Transferee. In the event that Transferor fails to promptly perform as required by this Section, Transferor hereby irrevocably designates and appoints Transferee and its duly-authorized agents and officers as Transferor's agent and attorneys-in-fact to execute such document or paper or to otherwise perform under this Section with the same legal force and effect as if performed by them, which power is coupled with an interest, is irrevocable, and shall survive any subsequent incapacity.

17. Representations and Warranties of AMA.

AMA represents, warrants and covenants to MCI that:

17.1. AMA has the full corporate power and authority to enter into and perform its obligations under this Agreement and has not entered into and, except as permitted herein, will not enter into any agreement that will prevent AMA from carrying out its obligations in this Agreement;

17.2. This Agreement is a valid and binding obligation of AMA, enforceable against AMA in accordance with its terms, except to the extent that enforceability may be limited



by bankruptcy, insolvency, or other similar laws affecting the enforcement of rights generally;
and

17.3. AMA's execution and performance under this Agreement is not and will not be prohibited by, and does not and will not cause a breach of, any agreement or understanding to which AMA is a party or judgment or judicial or administrative order to which AMA is subject.

18. Representations and Warranties of MCI.

MCI, represents, warrants and covenants to AMA that:

18.1. MCI has the full corporate power and authority to enter into and perform its obligations under this Agreement and has not entered into and will not enter into any agreement or activities that will or might interfere or conflict with the terms hereof;

18.2. This Agreement is a valid and binding obligation of MCI enforceable against it in accordance with its terms, except to the extent that enforceability may be limited by bankruptcy, insolvency, or other similar laws affecting the enforcement of rights generally;

18.3. As of the Effective Date of this Agreement, MCI has not licensed, assigned, sold, mortgaged, or otherwise encumbered in favor of any third party any of the rights licensed by MCI to AMA under this Agreement;

18.4. MCI's execution and performance under this Agreement is not and will not be prohibited by, and does not and will not cause a breach of, any agreement or understanding to which MCI is a party or to which either of the Licensed Marks is subject, or any judgment or judicial or administrative order to which either MCI or either of the Licensed Marks is subject; and

18.5. MCI owns all of the rights to the Licensed Marks being licensed hereunder and AMA's use thereof, as contemplated by this Agreement in the use, design, development, manufacturing, marketing, advertising, sale and distribution of Licensed Products and Licensed Services do not and will not infringe upon the trademark, service mark, or other intellectual property rights of any third party.

19. Indemnification.

19.1. MCI shall indemnify, defend, save, protect, and hold harmless AMA, its affiliates, officers, directors, shareholders, employees, members, agents, independent contractors, attorneys, accountants, legal representatives, successors, licensees and assigns, from, and against, any and all third-party liabilities, obligations, claims, demands, losses, expenses, actions, causes, suits, debts, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, controversies, agreements, promises, damages, judgments, executions, costs and expenses whatsoever, including court costs and reasonable outside attorneys' fees, at law or in equity, now existing or hereafter arising, liquidated or unliquidated, foreseeable or unforeseeable, insured or uninsured (collectively, "*Claims and Liabilities*"), directly or indirectly resulting from or arising



out of or in connection with MCI's breach of any of its representations and/or warranties, contained in Section 18 of this Agreement.

19.2. AMA shall indemnify, defend, save, protect, and hold harmless MCI, its affiliates, officers, directors, shareholders, employees, agents, independent contractor, attorneys, accountants, legal representatives, successors and assigns, from, and against, any and all Claims and Liabilities directly or indirectly resulting from or arising out of or in connection with AMA's breach of any of its representations and/or warranties, contained in Section 17 of this Agreement.

20. Notices. All notices required or desired to be given pursuant to this Agreement will be deemed duly given and received (a) upon personal delivery; (b) on the third (3rd) day after mailing if sent by certified mail, postage prepaid, return receipt requested, or (c) on the day after mailing if sent for overnight delivery by a nationally recognized overnight delivery service which maintains records of the time, place and receipt of delivery, and in each case if addressed to the other Party at the address indicated in the first paragraph of this Agreement. Concurrently with serving notice to AMA under this Agreement, MCI shall send a copy of said notice, via both email and U.S. mail, to Mark B. Mizrahi, Esq., Wolf, Rifkin, Shapiro, Schulman & Rabkin, LLP, 11400 W. Olympic Blvd., 9th Floor, Los Angeles, California 90064, mmizrahi@wrslawyers.com. Concurrently with serving notice to MCI under this Agreement, AMA shall send a copy of said notice, via both email and U.S. mail, to: (a) Robert M. Schwartz, Esq., Irell & Manella LLP, 1800 Avenue of the Stars, Ninth Floor, Los Angeles, California 90067, rschwartz@irell.com, and (b) Edward Blau, Esq., 10600 Wilshire Boulevard, #625, Los Angeles, California 90024, edblauenlw@aol.com.

21. Relationship of the Parties. The Parties agree that their relationship shall be that of licensor and licensee, licensor and/or manufacturer/distributor, as the case may be, and nothing contained in this Agreement shall be construed or interpreted as creating any other relationship between the Parties including, but not limited to, employer/employee, principal/agent, franchisor/franchisee, partner or joint venturer. Neither party shall have the right, or be permitted to represent itself as having the right, to bind or obligate the other party in any manner whatsoever. Each party shall be solely responsible for the manner and form in which it or its agents, employees, or subcontractors perform under this Agreement, and each party shall be solely responsible for the payment and withholding of all applicable taxes arising out of the performance by such party or its employees under this Agreement. No right or license in addition to the licenses specifically granted in this Agreement is to be implied or imputed.

22. Non-Disclosure. The Parties mutually agree that the Royalty and other financial terms and provisions set forth in this Agreement, are of a confidential nature and not generally known to the public. In order to preserve the confidentiality of all such information, the Parties agree not to divulge, communicate or disclose any such information, except (a) AMA may share the terms of the Royalty and other terms and provisions of this Agreement with its members, including, without limitation, the right to discuss the terms at membership meetings, to provide members with access to view the agreements, including, through AMA's membership only online Facebook Page and the AMA website; (b) as may be required by law, (c) to a third party who is bound to MCI or AMA pursuant to a confidentiality agreement restricting further disclosure of the confidential information, or (d) to their financial and legal advisors, in connection with the performance of their respective covenants and obligations set forth in this



Agreement. Notwithstanding the restrictions contained in this Section 22, any party to this Agreement may disclose the existence of the license, the names of the other parties to the Agreement, and the scope of the rights granted by this Agreement.

23. Governing Law. This Agreement is executed and intended to be performed in the State of California. This Agreement shall be governed by and construed in accordance with the laws of the State of California, without regard to its conflict of law principles, with venue of any action or other proceeding in Los Angeles, California.

24. Arbitration of Disputes.

(This Arbitration of Disputes section is applicable only if initialed by both Parties.)

24.1. Any dispute, claim or controversy arising out of or relating to this Agreement or the breach, termination, enforcement, interpretation or validity thereof, including the determination of the scope or applicability of this agreement to arbitrate, shall be determined by arbitration in Los Angeles before one arbitrator. The arbitration shall be administered by JAMS pursuant to its Streamlined Arbitration Rules and Procedures. Judgment on the Award may be entered in any court having jurisdiction. This clause shall not preclude parties from seeking provisional remedies in aid of arbitration from a court of appropriate jurisdiction. The award shall be executed by the arbitrator, be rendered within 30 days after the conclusion of the hearing, and may include attorneys' fees and costs to the prevailing party per Section 26.

24.2. Notice: By initialing in the space below you are agreeing to have any dispute arising out of the matters included in the "arbitration of disputes" provision decided by neutral arbitration as provided by California law and you are giving up any rights you might possess to have the dispute litigated in a court or jury trial. By initialing in the space below you are giving up your judicial rights to discovery and appeal, unless such rights are specifically included in the "arbitration of disputes" provision. If you refuse to submit to arbitration after agreeing to this provision, you may be compelled to arbitrate under the authority of the California code of civil procedure. Your agreement to this arbitration provision is voluntary. We have read and understand the foregoing and agree to submit disputes arising out of the matters included in the "arbitration of disputes" provision to neutral arbitration.



MCI Initials

AMA Initials

25. Waiver of Jury Trial. The parties hereby waive their respective rights to trial by jury in any action or proceeding involving the property or arising out of this Agreement.

26. Attorney's Fees. Should any action be brought to interpret or enforce any provision hereof, or for damages for breach hereof, the prevailing party shall be entitled to reasonable attorneys' fees and costs including attorneys' fees and costs on appeal, if any.

27. Successors and Assigns. This Agreement shall be binding on and inure to the benefit of the respective successors, assigns and personal representatives of the Parties, except to the extent of any contrary provision in this Agreement.



28. Severability. If any provision of this Agreement shall be determined by a court or arbitrator of competent jurisdiction to be void, invalid or unenforceable, such determination shall in no way affect any other provision hereof, the valid application of such provision in any other circumstance, or the validity or enforceability of this Agreement. Any such provision that is found to be void, invalid or unenforceable shall be curtailed and limited only to the extent necessary to reflect the intention of the Parties and to bring such provision within the requirements of applicable law.

29. Amendments. No amendment or modification of this Agreement, or any part hereof, shall be effective unless made in writing and signed by the Parties hereto.

30. Representation by Counsel. The Parties hereto affirmatively represent that they have had an opportunity to be represented throughout the negotiations and drafting of this Agreement by attorneys of their own choosing. The Parties further represent that they have read this Agreement, understand the terms used in this Agreement and the consequences of this Agreement. Each party and its counsel have participated fully in the review and revision of this Agreement. Any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not apply in the interpretation of this Agreement.

31. Waiver of Rights. No waiver of or failure by any party to enforce a provision, covenant, condition or right under this Agreement shall be construed as a subsequent waiver of the same right, or a waiver of any other right. No extension of time for performance of any obligations or acts shall be deemed an extension of the time for performance of any other obligations or acts.

32. Counterparts. This Agreement may be executed in separate counterparts and shall become effective only after all such separate counterparts have been executed and exchanged between the Parties hereto. A facsimile, pdf/email or other digital signature shall be regarded as an original signature for purposes of this Agreement and shall have the same force and effect as an original signature upon receipt by the other party.

33. Survival of Provisions. Notwithstanding anything to the contrary contained herein, such obligations which remain executory after the expiration or termination of the license or this Agreement shall remain in full force and effect until discharged by performance and such rights pertaining thereto shall remain in force until their expiration.

34. Miscellaneous. The Parties further agree that:

34.1. Any individual signing this Agreement on behalf of an entity hereby represents and warrants in his individual capacity that he has full authority to do so on behalf of that entity.

34.2. If the day for performance of any obligation under this Agreement is a Saturday, Sunday, or legal holiday (within the meaning of California Civil Code Section 7), then the time for performance of any obligation under this Agreement shall be extended to 5:00 p.m. on the first day following which is not a Saturday, Sunday or legal holiday.



34.3. The exhibits and schedules attached to this Agreement are incorporated into this Agreement by this reference.

34.4. The making, execution and delivery of this Agreement by the Parties has not been induced by any representations, statements, warranties or agreements other than those expressed in this Agreement. This Agreement and the exhibits and schedules referenced in this Agreement embodies the entire understanding of the Parties relating to AMA's license of the Licensed Marks from MCI, and supersedes, replaces and supplants any and all prior agreement(s) of the Parties, whether written or oral, including but not limited to the 2005 Agreement and the Term Sheet. Except for those agreements specifically stated in this Agreement and the exhibits and schedules hereto, there are no other agreements or understandings, written or oral, in effect between the Parties relating to the subject matter of this Agreement.

34.5. The various rights, options, elections, powers and remedies under this Agreement, or granted by law shall be construed as cumulative. No single right is exclusive of any of the other rights.

34.6. All of the recitals referred to in this Agreement are made a part hereof and incorporated in this Agreement by this reference.

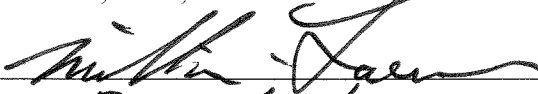
34.7. The descriptive headings of the several articles and sections of this Agreement are inserted for convenience only, do not constitute a part of this Agreement and shall not control or affect in any way the meaning or interpretation of this Agreement.

34.8. Whenever used in this Agreement, the terms "including," "include," "includes" and the like are not intended as terms of limitation, and, hence, shall be deemed to be followed by "without limitation."

34.9. Any approvals or consents required under this Agreement shall not be unreasonably withheld, delayed, or conditioned.

IN WITNESS WHEREOF, AMA and MCI have entered into this Agreement as of the date first written above.

MAGIC CASTLES, INC., A CALIFORNIA CORPORATION

By: 
Title: President
Date: 2/16/16

ACADEMY OF MAGICAL ARTS, INC., A NON-PROFIT CALIFORNIA CORPORATION

By: _____
Title: _____
Date: _____

SCHEDULE A

<u>MARK</u>	<u>U.S. Registration Number</u>	<u>Goods/services</u>	<u>Status</u>
MAGIC CASTLE	2560806	IC 028: Games and toys; namely card games	Live
MAGIC CASTLE	2554845	IC 025: Apparel; namely shirts, hats and jackets; IC 041: entertainment services in the nature of live magic performances; and IC 042: Food services-- namely restaurant service	Live
MAGIC CASTLE	2554845	IC 030: Seasoning mixes, namely, chili mix	Live
IRMA	3065447	IC: Musical entertainment services, namely providing music played by an instrument in response to a request	Live



EXHIBIT 1

MAGICIAN'S CODE OF CONDUCT

Activities and business dealings in connection with the Licensed Marks will be undertaken in a manner that will:

- reflect or enhance the prestige of Licensed Marks as heretofore maintained;
- not diminish, damage, or disparage the image of the AMA heretofore maintained;
- enhance the prestige and respect for magicians everywhere;
- respect fellow magicians, as performers and artists;
- not publicly expose the secrets of magic, or demean the secrets of magic;
- promote magic, emphasizing professional and original performers, demonstrating well-rehearsed and entertaining performances which reflect honorably on the art;
- be in good taste, promoting artistic, interesting, and respected forms of performing arts;
- endeavor to higher levels of entertainment, and avoid cheaper, tawdry, purely sensational aspects of magic which may be deemed merely childish or demeaning;
- honestly promote and advertise goods and services; and
- discourage manufacturers from producing unauthorized duplications of magical creations by others.

MAGICIAN'S CODE OF CONDUCT FOR MEMBERS OF PRIVATE CLUBS

Private clubs operated in connection with the Licensed Marks will require their members to take the following pledge to abide by the following rule, with which MCI shall enforce compliance:

I shall abide by this pledge:

- I shall always conduct myself in a manner that will enhance the image of magicians everywhere;
- I shall abide by the Magician's Code of Conduct;
- I shall respect my fellow magicians and help them whenever and however I can;
- I will not accept payment in the form of money for access to the club;



- I shall never impose the performance of magic on anyone, only performing when invited to do so and using a professional demeanor;
- I shall present only effects which are both well-rehearsed and entertaining;
- I shall not duplicate another magician's original patter or routines;
- I shall use only material in good taste, promoting artistic, interesting, and respected forms of performing arts;
- I shall never reveal magical secrets to non-magicians while engaged in club visits or activities;
- I pledge myself to the advancement of the art of magic;
- I shall never by word or attitude suggest to anyone that I expect any form of payment while performing impromptu at the club;
- I shall not solicit personal business at the club nor will I hand out business cards or any other form of advertising unless requested;
- I shall conduct myself in an appropriate, lawful, civil, and respectful manner toward other members, guests, employees and vendors';
- I shall not engage in verbally or physically abusive behavior, threats of any kind, assault, sexual harassment, lewd or lascivious behavior, or loud or defamatory language;
- I shall not use any illegal drugs on the premises of the club;
- I shall promote the humane treatment and care of livestock used in magic performances;
- I shall not disseminate any verbal, written or electronic communication that demeans magicians or their position in the world of entertainment; and
- I and my guests shall maintain a professional and well-groomed appearance while on the premises.

A handwritten signature in black ink, appearing to be 'M. J.', located in the bottom right corner of the page.