*[Not Redacted – Publicly Disclosed in Form 10-Q filed on 08/13/99. However, I have eliminated or condensed miscellaneous information in the exhibits and schedules.]*

 **ASSET PURCHASE AGREEMENT**

 **BY AND AMONG**

 **CEC ENTERTAINMENT, INC.,**

 **as Purchaser**

 **AND**

 **DISCOVERY ZONE, INC.,**

 **AND**

 **DZ PARTY, INC.,**

 **AND**

 **DISCOVERY ZONE (PUERTO RICO), INC.,**

**AND**

**DISCOVERY ZONE LICENSING, INC.**

**as Sellers**

**Dated as of \_\_\_\_\_\_\_\_\_\_\_\_\_, 1999**

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 **ASSET PURCHASE AGREEMENT**

THIS ASSET PURCHASE AGREEMENT is dated as of \_\_\_\_\_\_\_\_\_\_\_\_\_\_, 1999, by and among CEC Entertainment, Inc. (“Purchaser”) and Discovery Zone, Inc., DZ Party, Inc., Discovery Zone (Puerto Rico), Inc., and Discovery Zone Licensing, Inc., each a debtor and debtor-in-possession under Chapter 11 Case No. 99-941 (JJF), jointly administered (individually each a “Seller” and collectively “Sellers”). In consideration of the mutual covenants, agreements and warranties herein contained, the parties hereto agree as follows:

 **CERTAIN DEFINITIONS**

Unless otherwise defined herein, terms used herein shall have the meanings set forth below:

“Agreement” means this Asset Purchase Agreement, including all Exhibits and Schedules hereto, as the same may be amended from time to time in accordance with its terms.

“Acquired Assets” shall have the meaning set forth in Article I hereof.

“Bankruptcy Code” means title 11 of the United States Code, §§ 101-1330.

“Bankruptcy Court” means the United States Bankruptcy Court for the District of Delaware, having jurisdiction over Sellers and their assets in the Chapter 11 Cases.

“Business” means the business conducted utilizing those operating assets and operations of Sellers for the purpose of operating family entertainment centers in the United States and Puerto Rico.

“Chapter 11 Cases” means the pending cases commenced by Sellers on April 20, 1999 under chapter 11 of the Bankruptcy Code, pending in the Bankruptcy Court under docket no. 99-941 (JJF), jointly administered.

“Claim” means any claim, lawsuit, demand, suit, inquiry made, hearing, investigation, notice of violation, litigation, proceeding, arbitration, or other dispute, whether civil, criminal, administrative or otherwise.

“Closing” means the consummation of the transactions contemplated herein in accordance with Article IX hereof.

“Closing Date” means the date set forth in Section 9.1 below but in no event later than the date set forth in Section 7.12 below.

“Code” means the United States Internal Revenue Code of 1986, as amended.

“Contaminant” means any substance regulated under any Environmental Law, or any substance defined as or included in the statutory or regulatory definitions of pollutant, hazardous substances, hazardous or toxic wastes, hazardous materials, or “toxic substances” under any Environmental Law.

“Contract” means any agreement, contract, commitment, or other binding arrangement or understanding, whether written or oral, to which Sellers are a party.

“Dollars” or “$” means dollars of the United States of America.

“Environmental Law” means any Regulation that relates to or otherwise imposes liability or standards of conduct concerning discharges, releases or threatened releases of noxious odors or any Contaminants into ambient air, water or land, or otherwise relating to the manufacture, processing, generation, distribution, use, treatment, storage, disposal, cleanup, transport or handling of Contaminants.

“Environmental Liabilities and Costs” means all Losses from any claim, by a Person, whether based on contract, tort, implied or express warranty, strict liability, criminal or civil statute, including under any Remedial Action, any Environmental Law, any Permit required by or pursuant to any applicable Environmental Law, any Lien in favor of any authority for Environmental Liabilities and Costs, any Order or agreement with any authority, arising from environmental, health or safety conditions, or the Release of a Contaminant into the environment.

“Escrow Agreement” means that certain escrow agreement to be entered into by the Purchaser and Sellers, in substantially the form attached as Exhibit “A” to this Agreement.

“FunCenter” means the premises from which Sellers operate the Business.

“FunCenter Lease” means, individually, any lease of non-residential real property from which Sellers conduct the Business and, collectively, all of Sellers’ leases of non-residential real property from which Sellers conduct the Business, excluding Regional Headquarters Leases.

“HSR Act” means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations thereunder.

“Indebtedness” with respect to any Person means any obligation of such Person for borrowed money, and in any event shall include (a) any obligation incurred for all or any part of the purchase price of property or other assets or for the cost of property or other assets constructed or of improvements thereto, other than accounts payable included in current liabilities and incurred in respect of property purchased in the ordinary course of business, (b) the face amount of all letters of credit issued for the account of such Person, (c) obligations (whether or not such Person has assumed or become liable for the payment of such obligation) secured by Liens, (d) capitalized lease obligations, (e) all Guarantees of such Person, (f) all accrued interest, fees and charges in respect of any Indebtedness, and (g) all prepayment premiums and penalties, and any other fees, expenses, indemnities and other amounts payable as a result of the prepayment or discharge of any Indebtedness.

“Lien” means any security interest, lien, charge, mortgage, deed, assignment, pledge, hypothecation, encumbrance, easement, restriction or interest of another Person of any kind or nature.

“Material Adverse Effect” means, with respect Sellers any change or effect that is materially adverse to the business, operations, results of operation, properties, financial

condition or assets of Sellers, taken as a whole; other than, (a) general changes in the U.S. economy (except if there would otherwise be a Material Adverse Effect to Sellers taken as a whole, as a result thereof), (b) general changes in the U.S. children’s pay-for-play industry or in the children’s pay-for-play industry of any region in which Sellers do business (except if there would otherwise be a Material Adverse Effect to Sellers, taken as a whole, as a result thereof) or (c) any change or effect resulting directly or indirectly from (i) commencement of the Chapter 11 Cases or (ii) this Agreement or the transactions contemplated hereby or the announcement thereof.

“Order” means any decree, order, injunction, rule, judgment, consent of or by any court or governmental authority.

“Ordinary Course of Business” means the operation of the Business by Sellers in the usual and ordinary course in a manner substantially similar to the manner in which Sellers have operated since the commencement of the Chapter 11 Cases.

“Person” means any corporation, partnership, joint venture, limited liability company, organization, entity, authority or natural person.

“Purchaser” means, as applicable herein, CEC Entertainment, Inc.

“Regulation” means any law, statute, regulation, ruling, rule or order of, administered or enforced by or on behalf of any court or governmental authority.

“Release” means any release, spill, emission, leaking, pumping, disposal, discharge, dispersal or migration of any Contaminant into the indoor or outdoor environment or into or out of any property or assets (including the Acquired Assets) owned or leased by Sellers, including the movement of Contaminants through or in the air, soil, surface water, groundwater or property.

“Remedial Action” means all actions required under any applicable Environmental Law to (a) clean up, remove, treat or in any other way address Contaminants in the indoor or outdoor environment; (b) prevent the Release or threat of Release or minimize the further Release of Contaminants so they do not migrate or endanger or threaten to endanger public health or welfare or the indoor or outdoor environment; or (c) perform pre-remedial studies and investigations and post-remedial monitoring and care.

“Sale Order” means that certain order(s) to be entered by the Bankruptcy Court in the Chapter 11 Cases, in substantially the form attached as Exhibit “B” to this Agreement, *inter alia*, approving the transactions contemplated by this Agreement.

“Schedules” means the schedules hereto.

“Sellers” means Discovery Zone, Inc., DZ Party, Inc., Discovery Zone (Puerto Rico), Inc., and Discovery Zone Licensing, Inc.

“Taxes” means all taxes, charges, fees, duties, levies or other assessments, including, without limitation, income, gross receipts, net proceeds, ad valorem, turnover, real and personal property (tangible and intangible), sales, use, franchise, excise, value added, license, payroll, unemployment, environmental, customs duties, capital stock, disability, stamp, leasing, lease, user, transfer, fuel, excess profits, occupational and interest equalization, windfall profits, severance and employees’ income withholding and Social Security taxes imposed by the United States or any other country or by any state, municipality, subdivision or instrumentality of the United States or of any other country or by any other tax authority, including all applicable penalties and interest, and such term shall include any interest, penalties or additions to tax attributable to such Taxes.

“Tax Return” means any report, return or other information required to be supplied to a taxing authority in connection with Taxes.

“Third Party” means any Person other than Sellers, Purchaser or any of their respective affiliates.

 **ARTICLE I**

 **PURCHASE AND SALE; ASSUMPTION OF CERTAIN LIABILITIES**

1.1 Purchase and Sale of Assets . Subject to the terms and conditions set forth in this Agreement, at the Closing, Sellers shall sell, assign, transfer and deliver to Purchaser, and Purchaser shall purchase, acquire and take assignment and delivery of the following assets owned by Sellers (wherever located) related to, or used in conjunction with, the Business, and all of Sellers’ right, title and interest therein and thereto, but not including those assets specifically excluded in Section 1.3 (all of the assets to be sold, assigned, transferred and delivered to Purchaser hereunder shall be deemed included in the term “Acquired Assets” as used herein):

(a) cash in the amount necessary to assure that on the day immediately following the Closing each FunCenter location will have cash on hand equal to the sum of $1,500.00 per location.

(b) all supplies, materials and inventories wherever located relating in any manner to the Business, including, without limitation, any such assets that (x) are actually located at any FunCenter location of any Seller, (y) have been paid for by any Seller prior to the Closing, or (z) have been shipped to such Seller, but not received by such Seller as of the Closing (collectively, the “Inventory”);

(c) all machinery, equipment, tools, vehicles, furniture, furnishings, leasehold improvements, goods, and other tangible personal property owned by Sellers, except to the extent the same are located within either of the FunCenters located in the Commonwealth of Puerto Rico;

(d) all transferable licenses, permits, approvals, certificates of occupancy, authorizations, operating permits, registrations, plans and the like applicable to the Business (collectively, the “Permits”);

(e) the Owned Intellectual Property, as defined in Section 3.10 hereof;

(f) all information, files, records, data, plans, contracts, and recorded knowledge, including customer and supplier lists, related to or used in connection with the Business, except (x) to the extent that any of the foregoing are privileged or otherwise subject to third party privacy rights and (y) Sellers shall retain all tax and financial accounting records of Sellers (the items excluded from this Section 1.1(h) are collectively referred to herein as “Excluded Records”); and

(g) all real estate owned by any Seller, wherever located (“Owned Real Property”).

1.2 Assignment and Assumption of Leases and Contracts . Subject to the terms and conditions set forth in this Agreement, Sellers will assign and transfer to Purchaser, effective as of the Closing Date, all of Sellers’ right, title and interest in and to, and Purchaser will take assignment of and assume, the following rights and interests that are exclusively used in connection with, or relate exclusively to, the Business (and the right, title and interest of Sellers (or any of them) under all of the following shall be deemed included in the term “Acquired Assets” as used herein):

(a) Those leases for equipment or other personal property identified on Schedule 1.2(a) (collectively, the “Equipment Leases”);

(b) The FunCenter Leases identified on Schedule 1.2(b); and

(c) All Contracts or other arrangements entered into in the Ordinary Course of Business, including, but not limited to, Contracts where any Seller is the customer or purchaser and the goods, supplies or materials purchased thereunder are not included in Inventory, solely to the extent such Contracts are identified in Schedule 1.2(c) hereof (collectively, the “Assumed Contracts”).

1.3 Excluded Assets . Notwithstanding anything to the contrary in this Agreement, the following assets of Sellers, as well as any other assets not defined as Acquired Assets, shall be retained by Sellers and are not being sold or assigned to Purchaser hereunder (all of the following are referred to collectively as the “Excluded Assets”):

(a) any stock held by any Seller or any affiliates of Sellers;

(b) any and all avoidance claims or causes of action arising under the Bankruptcy Code or applicable state law, including, without limitation, all rights and avoidance claims of Sellers arising under Sections 544, 547, 548, 549 and 550 of the Bankruptcy Code (an “Avoidance Action” and collectively the “Avoidance Actions”);

(c) all instruments, prepaid assets and deposits, receivables, unbilled costs and fees, tax refunds, co-op advertising allowances, and accounts (individually an “Account” and collectively the “Accounts”)

(d) all Claims and rights of action and all choses in action arising out of occurrences before or after the consummation of the proposed transactions contemplated herein;

(e) any and all Excluded Records;

(f) all cash (other than that described in Section 1.1a above);

(g) any real property leases identified on Schedule 1.3(g) (“Regional Headquarters Leases”); and

(h) subject to the terms of Section 1.8 hereof, all machinery, equipment, tools, vehicles, furniture, furnishings, leasehold improvements, goods, and other tangible personal property owned by Sellers, located within either of the FunCenters located in the Commonwealth of Puerto Rico

1.4 Additional Assumed Obligations . At the Closing, Purchaser shall only assume, and agree to pay, perform, fulfill and discharge those obligations that are required to be performed after the Closing Date under (i) the Equipment Leases, (ii) FunCenter Leases identified on Schedule 1.2(b), and (iii) the Assumed Contracts. From and after the Closing Date, Sellers shall not be responsible for any Assumed Obligations.

1.5 No Other Liabilities Assumed . Sellers acknowledge and agree that pursuant to the terms and provisions of this Agreement and under any Contract, Purchaser will not assume any obligation of Sellers, other than the Assumed Obligations. In furtherance and not in limitation of the foregoing, neither Purchaser nor any of its affiliates shall assume, and shall not be deemed to have assumed, other than as specifically set forth in Section 1.4 above, any debt, claim, obligation or other liability of Sellers or any of its affiliates whatsoever, including, but not limited to (i) any Environmental Costs and Liabilities for any act, omission, condition, event or circumstance to the extent occurring or existing prior to the Closing Date, including without limitation all Environmental Costs and Liabilities relating in any manner to Sellers’ direct or indirect handling, transportation or disposal of any Contaminants, (ii) any of Sellers’ liabilities in respect of Taxes except as expressly provided in Section 1.4(d) and Section 12.11(b) hereof, (iii) any brokers’ or finders’ fees arising by reason of Sellers’ dealings with brokers or other third parties, or other liability of Sellers for costs and expenses (including legal fees and expenses) incurred in connection with this Agreement, (iv) any Indebtedness except for the Assumed Obligations, (v) except as otherwise provided in Section 1.4 or Section 6.2 hereof with respect to the accrued and unused vacation of Sellers’ Employees, any obligations or liabilities for Sellers’ Employees, including severance, pension, profit sharing or any other employee benefit plans, compensation or retiree medical and other benefits and obligations, except to the extent same constitutes an Employee Amount, (vi) any obligation or liability arising as a result of or whose existence is a breach of Sellers’ representations, warranties, agreements or covenants herein, (vii) any Affiliate Obligations, (viii) any liability subject to compromise, except to the extent the same constitutes an Assumed Obligation, and (ix) rebates, allowances, deductions and/or price discrepancies relating in any manner to products or services sold in pursuit of the Business prior to the Closing Date (collectively, “Unassumed Liabilities”). Disclosure of any obligation or liability on any schedule to this Agreement shall not create an Assumed Obligation or other liability of Purchaser, except where such disclosed obligation has been expressly assumed by Purchaser as an Assumed Obligation in accordance with the provisions of Section 1.4 hereof.

1.6 Certain Limitations on Purchaser’s Right to Acquire. Sellers and Purchaser acknowledge that Sellers are currently in possession of certain property under one or more Contracts, of which Sellers may actually be the owner, as distinguished from lessee, under certain principles of law, and which property Purchaser may wish to have Sellers treat as Acquired Assets (such property is hereinafter referred to as “Disputed Status Property”). Notwithstanding any contrary provision of this Agreement or any document executed pursuant hereto, Purchaser shall not have the right, to the extent the same are held by Sellers (or any of them) under any Contract not assumed by Purchaser pursuant to Section 1.4 above, to acquire (i) any furniture, fixture, machinery, equipment or other item of tangible personal property that constitutes Disputed Status Property, or (ii) any furniture, fixture, machinery, equipment or other item of tangible personal property that does not constitute Disputed Status Property, unless in each case (and only if) Purchaser arranges to acquire such property in a manner that results in the Sellers being released and discharged (in a manner reasonably satisfactory to Sellers) from any and all further cost, expense or liability relating to such item (whether such costs, expenses and liability relate to or arise during the period prior to the Closing or after the Closing).

 1.7 FunCenters to be Closed. Sellers and Purchaser acknowledge that (i) effective June 14, 1999 Sellers were operating one hundred thirty one (131) FunCenters (the “Operating FunCenters”), a complete list of which is attached hereto as Schedule 1.7; and (ii) Purchaser will not operate any FunCenters other than those listed on Schedules 1.2(b) and 3.4.

On or before the Closing Date, Sellers will (i) de-identify the FunCenters not listed on Schedules 1.2(b) or 3.4 by removing any Owned Intellectual Property and any other confusingly similar words or marks from the premises or any items located therein, and (ii) employ the services of Joe Presswood Auctioneers, located at 1629 West 34th Street, Houston, TX 77018, (the “Auctioneer”) to liquidate all of the owned furniture, fixtures and equipment located at the Operating FunCenters that are to be closed pursuant hereto, except for the two (2) FunCenters located within the Commonwealth of Puerto Rico. Purchaser shall receive a credit toward the Purchase Price in an amount equal to the proceeds from such liquidation. In the event the Auctioneer is unable to liquidate all of furniture, fixtures and equipment from an Operating FunCenter as a result of Sellers failure to either (a) maintain its right to occupy the premises or (b) secure the same from theft or vandalism, Purchaser shall receive a credit in the amount of $30,000.00 per location not so maintained or secured toward the Purchase Price.

1.8 Puerto Rico. Sellers and Purchaser hereby acknowledge that Sellers will sell the two (2) FunCenters located in the Commonwealth of Puerto Rico including, without limitation, the furniture, fixtures and equipment located therein to a Person unrelated to Purchaser; and will complete the de-identification, as described in Section 1.7 above, of such FunCenters on or before the later of (i) Closing Date, or (ii) the date such FunCenters are sold.

 **ARTICLE II**

 **PURCHASE PRICE AND PAYMENT**

2.1 Payment of Purchase Price . The aggregate purchase price for the Acquired Assets (the “Purchase Price”) shall be the sum of the following:

(a) The earnest money deposit equal to$100,000.00 paid by Purchaser pursuant to bidding procedures approved by the Bankruptcy Court in the Chapter 11 Cases; plus

(b) In accordance with Section 1.4 hereof, Purchaser’s assumption of the Assumed Obligations; plus

(c) Purchaser’s payment to Sellers of the sum of $17,900,000.00 in immediately available funds at Closing.

(d) Purchaser’s payment to Escrow Agent the sum of $1,000,000.00 to be held by Escrow Agent pursuant to the terms of the Escrow Agreement

2.2 Further Assurances. From time to time after the Closing and without further consideration, (i) Sellers, upon the request of Purchaser and at Sellers’ expense, shall execute and deliver such documents and instruments of conveyance and transfer as Purchaser may reasonably request in order to consummate more effectively the purchase and sale of the Acquired Assets as contemplated hereby and to vest in Purchaser title to the Acquired Assets transferred hereunder, provided that (x) Sellers shall not be required to execute or deliver any document or instrument pursuant to this Section 2.2 that includes any provision(s) that impose obligations upon Sellers that are greater than those imposed upon Sellers under the other provisions of this Agreement or the documents executed pursuant hereto, and (y) in no event shall Sellers be required to incur any material cost or expense in the performance of its obligations under this Section 2.2, Section 5.1, or Section 5.3 (it being understood that notwithstanding the foregoing, the Purchaser shall in any event be entitled to require Sellers to take such action as Sellers would otherwise be required to take pursuant to this Section 2.2, Section 5.1 or Section 5.3 but for the cost thereof by advancing to Sellers the amounts Sellers reasonably anticipate incurring in excess of immaterial costs and expenses in taking the action), and (ii) Purchaser, upon the request of Sellers and at Purchaser’s expense, shall execute and deliver such documents and instruments of assumption as Sellers may reasonably request in order to confirm Purchaser’s liability for the obligations under the Assumed Obligations or otherwise more fully consummate the transactions contemplated by this Agreement.

 **ARTICLE III**

 **REPRESENTATIONS AND WARRANTIES OF SELLERS**

Sellers jointly and severally represent and warrant to Purchaser as of the date of this Agreement and the Closing Date, as follows:

3.1 Due Incorporation; Valid Existence . Sellers are corporations incorporated under the laws of the state(s) of their respective incorporation, and are validly existing as of the date hereof and as of the Closing.

3.2 No Conflict; Required Filings and Consents . Assuming the satisfaction of the conditions set forth in Article VII and compliance with the applicable requirements for consents, approvals, authorizations, permits or filings referred to in this Section 3.2, the execution and delivery, of this Agreement by Sellers does not, and the performance of this Agreement by Sellers will not, require any consent, approval, authorization or permit of, or filing with or notification to, any governmental authority, domestic or foreign, or of any other Person except as set forth in Schedule 3.2 and except (i) approvals of the Bankruptcy Court, (ii) applicable requirements, if any, the HSR Act, and (iii) where the failure to obtain such consents, approvals, authorizations or permits, or to make such filings or notifications would neither (x) prevent or materially delay the consummation by Sellers of the transactions contemplated by this Agreement nor (y) individually or in the aggregate, have a Material Adverse Effect.

3.3 Title To and Condition of Properties . At and as of the Closing Date, Sellers will have good title to, and will have the right to sell, convey, transfer, assign and deliver to Purchaser the Acquired Assets, including, but not limited to, the Equipment Leases, FunCenter Leases, the Assumed Contracts and the Inventory on hand at Sellers’ FunCenter locations. Seller shall pay, on the Closing Date, the title insurance premium for the owner's policy (including all the costs of endorsements thereto and expanded coverage thereunder), one-half of any escrow fees, and all other charges of the title company customarily paid by the seller in transactions of the same or similar nature in the county in which the Owned Real Property is located. At and as of the Closing Date, the Bill of Sale and the Assignment and Assumption of Equipment Leases, FunCenter Leases, Contracts and Other Assumed Obligations (each as defined in Section 9.2 below) will be effective to vest in Purchaser good title to the Acquired Assets, including, but not limited to, the Equipment Leases, the FunCenter Leases, the Assumed Contracts and all of Sellers’ Inventory. To Sellers’ actual knowledge, at and as of the Closing Date, Sellers will have good title to, and will have the right to sell, convey, transfer, assign and deliver to Purchaser the Intellectual Property.

3.4 Owned Real Property . Schedule 3.4 lists all Owned Real Property to be conveyed to Purchaser at Closing free and clear of all encumbrances other than (a) encumbrances set forth in Schedule 3.4, (b) liens for Taxes not yet due and payable, and (c) matters of record and imperfections of title, easements and encumbrances, in each case, that would not individually or in the aggregate prevent the construction and operation of a prototypical Chuck E. Cheese’s restaurant.

 3.5 FunCenter Leases . Schedule 1.2(b) lists all FunCenter Leases to be assumed by Purchaser. True, correct and complete copies of the FunCenter Leases in effect as of the date hereof have heretofore been delivered by Sellers to Purchaser. Except for FunCenter Leases that have expired pursuant to their terms, upon the Closing and subject to any condemnation or casualty and such limitations arising under the Chapter 11 Cases, (a) all FunCenter Leases will be valid, binding leases therefor that are in full force and effect and enforceable by Sellers in accordance with their respective terms; (b) Sellers have the full right to occupy the real property leased under the FunCenter Leases; and (c) the FunCenter Leases have not been assumed or rejected (as such terms are used in Section 365 of the Bankruptcy Code).

3.6 Personal Property . Except for any Excluded Assets, Sellers own or have a valid leasehold interests in or have legal right to use all of the tangible personal property necessary to carry on the Business of Sellers consistent with past practice, free and clear of all encumbrances other than (i) encumbrances set forth in Schedule 3.6 that upon the Closing will be released or (ii) encumbrances that would not individually or in the aggregate as of the Closing Date have a Material Adverse Effect or in Schedule 3.6.

3.7 Contracts and Equipment Leases . To Sellers’ actual knowledge, Schedule 3.7 is a true and complete list of all material Contracts (i.e., contracts under which Sellers (or any of them) would be required to pay $1,000.00 or more to another party) and Equipment Leases as of the date hereof that Sellers are party to or to which any of the Acquired Assets or Assumed Obligations are subject. Each of the Contracts and Equipment Leases are (i) in full force and effect and (ii) have not been assumed or rejected (as such terms are used in Section 365 of the Bankruptcy Code).

3.8 Brokers . Sellers have incurred no liability to any broker, finder or agent with respect to the payment of any commission regarding the consummation of the transactions contemplated hereby, except for certain fees and commissions payable to Ladenburg Thalman in connection with the consummation of the transactions contemplated herein, the payment of which shall be the sole responsibility of Sellers. Sellers agree that if any claims for commissions, fees or other compensation, including, without limitation, brokerage fees, finder’s fees, or commissions are ever asserted against Purchaser or the Sellers in connection with this transaction, all such claims shall be handled and paid by the party whose actions form the basis of such claim and such party shall indemnify, defend (with counsel reasonably satisfactory to the party(ies) entitled to indemnification), protect and save and hold the other harmless from and against any and all such claims or demands asserted by any person, firm or corporation in connection with the transaction contemplated hereby.

3.9 Accounts . To Sellers’ actual knowledge, all of Sellers’ Accounts have been created in the Ordinary Course of Business.

3.10 Assets of Discovery Zone Licensing, Inc.; Intellectual Property Rights .

The sole assets of Discovery Zone Licensing, Inc. consist of the patents, patent applications, licenses, service names, service marks, trade names, trademarks, trade name and trademark registrations (and applications therefor), copyrights and copyright registrations (and applications therefor), inventions and designs set forth in Schedule 3.10 and any of their derivatives as used on products related to the Business and goodwill, trade secrets, processes and know-how which relate in any manner to the Business (collectively, the “Owned Intellectual Property”). Except as set forth in Schedule 3.10 or as would in the aggregate have a Material Adverse Effect, Discovery Zone Licensing, Inc. holds free and clear of all encumbrances (other than encumbrances set forth in Schedule 3.10 that upon the Closing will be released) and free from contractual restrictions and any other restrictions good title to, or valid and subsisting licenses in, all registrations and applications for registration, extensions or renewals of the Intellectual Property used by Sellers in the conduct of the Business. Sellers are not in material default, and no event has occurred that with notice or lapse of time would constitute a material default under any of the agreements, licenses or sublicenses of Sellers relating to the Intellectual Property.

3.11 Stock of Discovery Zone Licensing, Inc. Discovery Zone, Inc. is the beneficial and record owner of all of the issued and outstanding capital stock of Discovery Zone Licensing, Inc. (“Stock”). All of the Stock has been duly issued, is fully paid and nonassessable, and was not issued in violation of and is otherwise free of, preemptive or other rights of third parties. There are no agreements, arrangements, options, warrants, calls, rights or commitments of any character relating to the issuance, sale, purchase or redemption of any shares of the capital stock of Discovery Zone Licensing, Inc., except such as will be released as of the Closing Date.

3.12 Environmental Matters . Except as set forth in Schedule 3.12 or except as would not, individually or in the aggregate, have a Material Adverse Effect, to Sellers knowledge:

(a) All Owned Real Property and all real property leased under the FunCenter Leases are in compliance with all applicable Environmental Laws;

(b) Sellers have not received written notice of any pending or threatened claims, complaints, or other information with respect to any alleged violation of any Environmental Laws with respect to the Acquired Assets;

(c) Sellers have been issued and are in compliance with all permits, certificates, approvals, licenses and registrations required under Environmental Laws with respect to the Acquired Assets;

(d) Sellers have disclosed all material environmental reports in its possession or control pertaining to Owned Real Property and real property leased under the FunCenter Leases.

3.13 Insurance . All policies of fire and casualty, property, liability. workers’ compensation, extended coverage, business interruption, public and product liability, and other forms of insurance providing insurance to or for Sellers have been provided or made available to the Purchaser. All such policies of insurance are maintained for the benefit of Sellers and will be maintained by Sellers through the Closing Date.

3.14 Licenses and Permits: Compliance with Laws . Except as would not, individually or in the aggregate, have a Material Adverse Effect, Sellers have all licenses, permits and authorizations necessary in order to operate and conduct the Business as presently conducted and as proposed to be conducted.

3.15 Cure Amounts. On or before the Closing Date, Sellers, at their sole cost and expense, will (i) cure all defaults and arrearages under those FunCenter Leases, Equipment Leases, and Assumed Contracts as shall be identified in Schedule 1.2(a), Schedule 1.2(b), and Schedule 1.2(c), respectively, pursuant to § 365 of the Bankruptcy Code (hereinafter, individually a “Cure Amount,” and collectively the “Cure Amounts”); and (ii) pay (or Purchaser shall receive a credit for) pre-petition (i.e., pre-April 20, 1999) personal property taxes attributable to any Acquired Assets. All Cure Amounts shall be paid on or before the Closing Date.

3.16 Exclusivity of Representations . (a) The representations and warranties made by Sellers in this Agreement are in lieu of and are exclusive of all other representations and warranties, including, without limitation, any implied warranties. Sellers hereby disclaim any such other or implied representations or warranties. notwithstanding the delivery or disclosure to Purchaser or its officers, directors, employees, agents, or representatives of any documentation or other information (including any financial projections or other supplemental data).

(b) Notwithstanding any other provision to the contrary, Sellers make no representation or warranty with respect to the Excluded Assets.

As used herein, the term “Sellers’ knowledge” and similar terms shall mean and refer only to matters known to the President, Chief Financial Officer and General Counsel of Discovery Zone, Inc. holding such offices as of the execution date hereof, without any inquiry or investigation.

 **ARTICLE IV**

 **REPRESENTATIONS AND WARRANTIES OF PURCHASER**

Purchaser represents and warrants to Sellers as follows:

4.1 Authority . The execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby and thereby have been duly authorized and do not and will not violate any provisions of the certificate of organization, partnership agreement, limited liability company agreement, by‑laws, or similar instrument of Purchaser.

4.2 Consents . No notice to, filing with, authorization of, exemption by, or consent of any authority is required in order for Purchaser to consummate the transactions contemplated hereby.

4.3 Brokers . Purchaser has incurred no liability to any broker, finder or agent with respect to the payment of any commission regarding the consummation of the transactions contemplated hereby. Purchaser agrees that if any claims for commissions, fees or other compensation, including, without limitation, brokerage fees, finder’s fees, or commissions are ever asserted against Purchaser or the Sellers in connection with this transaction, all such claims shall be handled and paid by the party whose actions form the basis of such claim and such party shall indemnify, defend (with counsel reasonably satisfactory to the party(ies) entitled to indemnification), protect and save and hold the other harmless from and against any and all such claims or demands asserted by any person, firm or corporation in connection with the transaction contemplated hereby.

4.4 “AS IS” Purchase . Purchaser hereby acknowledges and agrees that, except as otherwise expressly provided in Article III above, (i) Sellers make no representations or warranties whatsoever, express or implied, with respect to any matter relating to the Acquired Assets, and (ii) Purchaser shall accept the Acquired Assets “AS IS,” “WHERE IS,” and “WITH ALL FAULTS” as of the Closing Date. Without in any way limiting the foregoing, Sellers hereby disclaim any warranty (express or implied) of merchantability or fitness for any particular purpose as to any Acquired Asset.

 **ARTICLE V**

 **COVENANTS OF SELLERS**

5.1 Consents and Approvals . Subject to the provisions of Section 2.3 above, Sellers shall use their reasonable efforts (i) to obtain all consents and approvals, as reasonably requested by Purchaser, to consummate the purchase and sale of the Acquired Assets and the assignment of the Assumed Obligations, together with any other necessary consents and approvals to consummate the transactions contemplated hereby, including, without limitation, obtaining the Sale Order, (ii) to make, as reasonably requested by Purchaser, all filings, applications, statements and reports to all authorities that are required to be made prior to the Closing Date by or on behalf of Sellers or any of their affiliates pursuant to any applicable Regulation in connection with this Agreement and the transactions contemplated hereby, including, without limitation, all required filings under the HSR Act, and (iii) to obtain, as reasonably requested by Purchaser, all required consents and approvals (if any) to assign and transfer the Permits to Purchaser at Closing and, to the extent that one or more of the Permits are not transferable, to assist Purchaser in obtaining replacements therefor; provided that Seller shall not be required to make any filing in connection with the transfer of a Permit or take any other action required by this sentence unless Purchaser advances any and all fees and other charges imposed by any applicable authority in connection with such filing, transfer or other requested action. Subject to the provisions of Section 2.3 above, in the event that certain Permits are not transferable or replacements therefor are not obtainable on or before the Closing, but such Permits are transferable or replacements therefor are obtainable after the Closing, Sellers shall continue to use such reasonable efforts in cooperation with Purchaser after the Closing as may be required to obtain all required consents and approvals to transfer, or obtain replacements for, such Permits after Closing and shall do all things reasonably necessary to give Purchaser the benefits that would be obtained under such Permits; provided, however, Seller shall in no event be required to make any filing in connection with the transfer of a Permit or take any other action required by this sentence unless Purchaser advances any and all fees and other charges imposed by any applicable authority in connection with such filing, transfer or other requested action.

5.2 Insurance. Provided that any claim by Purchaser in no way prejudices or otherwise affects Sellers’ right to look to such policies with respect to claims arising prior to the Closing Date, Purchaser shall be entitled to make claims against Sellers’ insurance policies and coverage that are occurrence policies from and after the Closing Date for all matters, injuries and claims arising prior to the Closing Date relating in any way to the Acquired Assets or Assumed Obligations in the same manner and subject to the same terms, conditions and limitations as Sellers prior to the Closing Date and provided that Seller shall not incur any cost by virtue of such claims by Purchaser. Purchaser will have no obligations or liabilities under such insurance policies for premiums, additional premiums or similar payments after the Closing Date, either due to retroactive adjustments, audits, roll-backs or otherwise. Subject to the provisions of Section 2.2 and to the same proviso as is set forth at the beginning of this Section 5.2, Sellers will cooperate after the Closing Date with Purchaser and its insurance carriers and agents in connection with the foregoing and with Purchaser in establishing new insurance policies and coverage for Purchaser from and after the Closing Date. Without in any way limiting the foregoing, Purchaser shall be entitled to make claims against Sellers’ insurance policies and coverage only to the extent permitted by the carriers of such insurance. Notwithstanding the foregoing, this Section 5.2 shall not entitle Purchaser to any portion of any self-insured retention of Sellers and Sellers shall have no duty or obligation to continue any self-insured retention after the Closing Date.

5.3 Sellers’ Employees . Except as provided in Section 6.2, Purchaser has not agreed to hire any of Sellers’ employees or independent contractors retained by Sellers. Effective immediately prior to the Closing, Sellers shall terminate any employees listed in Schedule 6.2.

Other than the covenants set forth in the last sentence of Section 5.1 and the covenants set forth in Sections 5.2 and 5.3 (that shall survive the Closing), all covenants of Sellers set forth in this Article V shall lapse at, and be of no further force or effect following, the Closing.

 **ARTICLE VI**

 **COVENANTS OF PURCHASER**

6.1 Assumed Obligations . Subsequent to the Closing, Purchaser agree to assume and perform the Assumed Obligations and shall indemnify and hold Sellers harmless with respect to the Assumed Obligations.

6.2 Employees . Effective as of the Closing, Purchaser shall offer employment to all active employees of Sellers listed on Schedule 6.2 hereto (“Employees”), at compensation and benefit levels substantially equivalent to their present levels, including, but not limited to, the right to use any unused vacation time accrued as of the Closing Date. Employees who accept offers of employment made by Purchaser pursuant to this Section 6.2 shall be referred to hereinafter as the “Transferred Employees.” Sellers shall assist Purchaser in effecting the change of employment of the Transferred Employees as of the Closing in an orderly fashion. Nothing herein expressed or implied shall confer upon any Employee of Sellers, any Transferred Employee, any other employee or any legal representative thereof any rights or remedies, including any right to employment or continued employment for any specified period, of any nature or kind whatsoever, under or by reason of this Agreement. Each Employee hired by Purchaser shall be a new-hired employee of Purchaser.

6.3 Reasonable Access to Records and Certain Personnel . Following consummation of the Closing, so long as the Chapter 11 Cases are pending and so long as such access does not unreasonably interfere with Purchaser’s business operations, Purchaser shall permit Sellers’ counsel and any other professionals employed in the Chapter 11 Cases reasonable access to any books and records constituting a portion of the Acquired Assets and that relate to all or any portion of the Acquired Assets, the Assumed Obligations, or the Sellers’ Business (whether in documentary or data form) for the purpose of (i) the continuing administration of the Chapter 11 Cases (including, without limitation, the Sellers’ pursuit of any Avoidance Action), (ii) the preparation of any Tax Returns required to be filed by Sellers, (iii) the defense of any audit, examination, administrative appeal, or litigation of any Tax Return in which Sellers included. Such access shall include the right of such professionals to copy, at Sellers’ expense, such documents and records as they may request in furtherance of the purposes described above. If Purchaser moves any such documents or records, Sellers have the right to require Purchaser to copy and deliver to Sellers or their professionals such documents and records as they may request, but only to the extent Sellers or any such professional (x) furnish Purchaser with reasonably detailed written descriptions of the materials to be so copied and (y) Sellers reimburse Purchaser for the costs and expenses thereof. The parties acknowledge that Sellers shall have the right to retain any documents and records provided pursuant to this Section 6.3.

Except for the covenant set forth in Section 6.2 above (to the extent that it is fully performed by Purchaser concurrently with or prior to the Closing), all of Purchaser’s covenants set forth in this Article VI shall survive the Closing.

 **ARTICLE VII**

 **CONDITIONS PRECEDENT TO OBLIGATIONS**

 **OF PURCHASER**

The obligations of Purchaser under this Agreement are, at the option of Purchaser, subject to satisfaction of the following conditions precedent on or before the Closing Date.

7.1 Warranties True as of Both Present Date and Closing Date . Each of the representations and warranties of Sellers contained herein shall be true and correct in all material respects on and as of the date of this Agreement, and shall also be true and correct in all material respects (except for such changes as are contemplated by the terms of this Agreement) on and as of the Closing Date with the same force and effect a though made on and as of the Closing Date.

7.2 Bankruptcy Condition . The Sale Order shall have been entered by the Bankruptcy Court and no stay with respect thereto shall be in effect as of the Closing Date.

7.3 Purchaser’s Investigation . Purchaser acknowledges that prior to executing this Agreement Purchaser has conducted due diligence regarding, Sellers’ FunCenter Leases. Immediately upon Sellers’ execution and delivery of this Agreement, Sellers shall continue to provide Purchaser (or its designated representatives) full and complete access to Sellers’ employees, books and records, corporate offices and other facilities for the purpose of conducting such additional investigation as Purchaser deems appropriate or necessary, in its discretion, in order to facilitate Purchaser’s efforts to consummate the transaction provided for herein. Sellers shall hereby covenant and agree to cooperate with Purchaser in this regard. Specifically, Purchaser (a) must have made a determination that it is willing to construct and operate a prototypical Chuck E. Cheese’s restaurant within the premises described in the FunCenter Leases identified on Schedule 1.2(b); (b) must have obtained on or before the date occurring thirty (30) days after the entry of the Sale Order all approvals, permits and licenses necessary for the construction and operation of a prototypical Chuck E. Cheese’s restaurant within the premises described in the FunCenter Leases identified on Schedule 1.2(b), including, without limitation, (i) the installation of Purchaser’s customary signage; (ii) the serving of beer and wine; (iii) the operation of mechanical and electrical rides, redemption games and other amusement devices and a merchandise center and (iv) for such other uses as are incidental to the operation thereof; and (c) hereby retains the right to negotiate additional lease terms with the respective landlords as it may deem necessary. In the event any of the FunCenter Leases identified on Schedule 1.2(b) fail to satisfy the foregoing conditions, in this Section 7.3, Schedule 1.2(b) is hereby amended to exclude such FunCenter Lease.

7.4 HSR Act and Other Approvals . Any waiting period (and any extension thereof) applicable to the consummation of the purchase of the Acquired Assets under the HSR Act shall have expired or been terminated. Seller and the purchaser shall have received all consents or approvals and made all applications, requests, notices and filing with any Person or Governmental Authority required to be obtained or made in connection with the consummation of the transactions contemplated by this Agreement.

7.5 Bankruptcy Court Approval . Entry of the Sale Order, *inter alia*, approving the sale of the Acquired Assets to Purchaser, pursuant to the terms of this Agreement. The Sale Order must be in a form and content that is satisfactory to Purchaser; and at a minimum contain (i) a finding that the Acquired Assets shall be sold to Purchaser free and clear of all liens, claims and encumbrances pursuant to section 363(f) of the Bankruptcy Code, and (ii) provide that Purchaser is a good faith purchaser entitled to the protection of section 363(m) of the Bankruptcy Code.

7.6 Lease Assumption and Assignment. The Sale Order shall approve and authorize the assumption and assignment of the, FunCenter Leases set forth in Schedule 1.2(b);

7.7 Sale Order Deadline . The Sale Order shall be entered by June 29, 1999.

7.8 Closing Deadline . The Closing must occur on or before 3:00p.m. on the date thirty (30) days after the entry of the Sale Order.

7.9 Equipment Lease. Purchaser shall be able to re-negotiate the terms of the Equipment Leases which are acceptable to Purchaser.

 **ARTICLE VIII**

 **CONDITIONS PRECEDENT TO OBLIGATIONS OF SELLERS**

The obligations of Sellers under this Agreement are, at the option of Sellers, subject to the satisfaction of the following conditions precedent on or before the Closing Date.

8.1 Warranties True as of Both Present Date and Closing Date . The representations and warranties of Purchaser contained herein shall be true and correct in all material respects on and as of the date of this Agreement, and shall also be true in all material respects (except for such changes as are contemplated by the terms of this Agreement) on and as of the Closing Date with the same fore and effect as though made by Purchaser on and as of the Closing Date.

8.2 HSR Act and Other Approvals . Any waiting period (and any extension thereof) applicable to the consummation of the purchase of the Acquired Assets under the HSR Act shall have expired or been terminated. Seller and the Purchaser shall have received all consents or approvals and made all applications, requests, notices and filings with any Person or Governmental Authority required to be obtained or made in connection with the consummation of the transactions contemplated by this Agreement.

8.3 Bankruptcy Condition . The Sale Order shall have been entered by the Bankruptcy Court and no stay with respect thereto shall be in effect as of the Closing Date.

 **ARTICLE IX**

 **CLOSING**

9.1 Closing . Provided that the Sale Order shall have been entered by the Bankruptcy Court on or before the date set forth in Section 7.7 and no stay with respect thereto shall be in effect, the Closing shall take place on a date and time to be mutually agreed upon by Sellers and Purchaser, but in no event later than thirty (30) business days after entry of the Sale Order.

9.2 Deliveries by Sellers . At the Closing, Sellers will deliver the following to Purchaser: (a) a Bill of Sale in form and content mutually satisfactory to Purchaser and Sellers; (b) an Assignment and Assumption of Equipment Leases, FunCenter Leases, Contracts and Other Assumed Obligations in form and content mutually satisfactory to Purchaser and Sellers (the “Assignment and Assumption”); (c) an Assignment of Intellectual Property in form and content mutually satisfactory to Purchaser and Sellers (the “Assignment and Assumption”); and (d) with respect to each vehicle comprising part of the Acquired Assets, if any, an original Certificate of Title, with the assignment portion completed and signed by Sellers.

9.3 Deliveries by Purchaser . At the Closing, Purchaser will deliver the following: (a) the Purchase Price payable pursuant to and in accordance with Section 2.2; and (b) the duly-executed Assignment and Assumption.

 **ARTICLE X**

 **TERMINATION**

10.1 Termination.

(a) In the event Closing shall not have occurred on or before the date thirty (30) days after the entry of the Sale Order at 3:00 p.m. CST, this Agreement and the transactions contemplated herein shall automatically terminate and be of no further force or effect. In the event of a termination in accordance with this Section 10.1(a), and provided that each of Sellers and Purchaser have used their best efforts to effectuate a closing of the transactions contemplated hereunder, neither Sellers nor Purchaser shall suffer any liability or other obligation to the other.

(b) In the event that the condition set forth in Section 7.5 is not satisfied on or before the date thirty (30) days after the entry of the Sale Order at 3:00 p.m. CST, Purchaser may terminate this Agreement. In the event of a termination in accordance with this Section 10.1(b), neither Sellers nor Purchaser shall suffer any liability or other obligation to the other.

(c) In the event that the condition set forth in Section 7.3 is not satisfied on or before the date thirty (30) days after the entry of the Sale Order at 3:00 p.m. CST, Purchaser may terminate this Agreement. In the event of a termination in accordance with this Section 10.1(c), neither Sellers nor Purchaser shall suffer any liability or other obligation to the other.

 **ARTICLE XI**

 **MISCELLANEOUS**

11.1 Expenses . Each party hereto shall bear its own costs and expenses, including attorneys’ fees, with respect to the transactions contemplated hereby. Notwithstanding the foregoing, in the event of any action or proceeding to interpret or enforce this Agreement, the prevailing party in such action or proceeding (i.e., the party who, in light of the issues contested or determined in the action or proceeding, was more successful) shall be entitled to have and recover from the non-prevailing party such costs and expenses (including, without limitation, all court costs and reasonable attorneys’ fees) as the prevailing party may incur in the pursuit or defense thereof.

11.2 Amendment . This Agreement may be amended, modified or supplemented but only in writing signed by all of the parties hereto.

11.3 Notices . Any notice, request, instruction or other document to be given hereunder by a party hereto shall be in writing and shall be deemed to have been given, (a) when received if given in person, (b) on the date of transmission if sent by telex, telecopy or other wire transmission (with answer back confirmation of such transmission), (c) upon delivery, if delivered by a nationally known commercial courier service providing next day delivery service (such as Federal Express), or (d) upon delivery, or refusal of delivery, if deposited in the U.S. mail, certified or registered mail, postage prepaid:

If to Sellers, addressed as follows:

Discovery Zone, Inc.

565 Taxter Road, Suite 570

Elmsford, New York 10523

Attn:

Telephone: (914) 345-4500

Facsimile: (914) 345-4527

with a copy to:

Young Conway Stargatt & Taylor LLP

11th Floor, Rodney Square North

P.O. Box 391

Wilmington, Delaware 19899-0391

Attn: Laura Davis Jones, Esq.

Telephone: (302) 571-6634

Facsimile: (302) 571-1253

If to Purchaser, addressed as follows:

CEC Entertainment, Inc.

4441 West Airport Freeway

Irving, TX 75062

Attn: General Counsel

Telephone: (972) 258-5461

Facsimile: (972) 258-5527

or to such other individual or address as a party hereto may designate for itself by notice given as herein provided.

11.4 Waivers . The failure of a party hereto at any time or times to require performance of any provision hereof shall in no manner affect its right at a later time to enforce the same. No waiver by a party of any condition or of any breach of any term, covenant, representation or warranty contained in this Agreement shall be effective unless in writing, and no waiver in any one or more instances shall be deemed to be a further or continuing waiver of any such condition or breach in other instances or a waiver of any other condition or breach of any other term, covenant, representation or warranty.

11.5 Counterparts and Execution . This Agreement may be executed simultaneously in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Any counterpart may be executed by facsimile signature and such facsimile signature shall be deemed an original.

11.6 Headings . The headings preceding the text of Articles and Sections of this Agreement and the Schedules thereto are for convenience only and shall not be deemed part of this Agreement.

11.7 APPLICABLE LAW AND JURISDICTION . THIS AGREEMENT (AND ALL DOCUMENTS, INSTRUMENTS, AND AGREEMENTS EXECUTED AND DELIVERED PURSUANT TO THE TERMS AND PROVISIONS HEREOF (COLLECTIVELY, “ANCILLARY DOCUMENTS”)) SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED WHOLLY WITHIN SUCH JURISDICTION. PURCHASER AND SELLER FURTHER AGREE THAT THE BANKRUPTCY COURT SHALL HAVE EXCLUSIVE JURISDICTION OVER ALL DISPUTES AND OTHER MATTERS RELATING TO (a) THE INTERPRETATION AND ENFORCEMENT OF THIS AGREEMENT OR ANY ANCILLARY DOCUMENT; AND/OR (b) THE ACQUIRED ASSETS AND/OR ASSUMED LIABILITIES (INCLUDING, WITHOUT LIMITATION ANY DISPUTES REGARDING ANY ADJUSTMENTS CONTEMPLATED BY SECTION 2.2 HEREOF THAT ARE NOT RESOLVED BY MUTUAL AGREEMENT WITHIN THIRTY (30) DAYS FOLLOWING THE CLOSING DATE) AND PURCHASER EXPRESSLY CONSENTS TO AND AGREES NOT TO CONTEST SUCH EXCLUSIVE JURISDICTION.

11.8 Binding Nature; Assignment . This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns, but neither this Agreement nor any of the rights, interest or obligations hereunder shall be assigned by any of the parties hereto without prior written consent of the other parties; except, that (i) Purchaser may assign any of its rights hereunder to any affiliate or wholly-owned subsidiary, (ii) Purchaser may grant a security interest in its rights and interests hereunder to its lenders, and (iii) as otherwise provided in this Agreement. Nothing contained herein, express or implied, is intended to confer on any Person other than the parties hereto or their successors and assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

11.9 No Third Party Beneficiaries . This Agreement is solely for the benefit of the parties hereto and their respective affiliates and no provision of this Agreement shall be deemed to confer upon third parties any remedy, claim, liability, reimbursement, claim of action or other right in excess of those existing without reference to this Agreement.

11.10 Tax Matters .

(a) Purchaser shall be responsible for the timely payment of all sales, use, transfer (including, without limitation, documentary transfer, stamp and like taxes) and similar taxes payable in connection with the consummation of the transactions contemplated by this Agreement.

(b) Notwithstanding anything herein to the contrary, following the Closing, Purchaser shall for federal income tax purposes allocate the Purchase Price (and other capitalized costs) among the Acquired Assets in accordance with the provisions of Section 1060 of the Code.

11.11 Construction . The language used in this Agreement will be deemed to be the language chosen by the parties to this Agreement to express their mutual intent, and no rule of strict construction shall be applied against any party. Any reference to any federal, state, local, or foreign statute or law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise.

11.12 Entire Understanding . This Agreement, the Exhibits and Schedules hereto set forth the entire agreement and understanding of the parties hereto in respect to the transactions contemplated hereby and the Agreement, the Exhibits and Schedules hereto supersede all prior agreements, arrangements and understandings relating to the subject matter hereof and is not intended to confer upon any other person any rights or remedies hereunder. There have been no representations or statements, oral or written, that have been relied on by any party hereto, except those expressly set forth in this Agreement, the Exhibits and Disclosure Schedules.

 *{Signature Page Follows}*

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered on the date first above written.

PURCHASER:

**CEC ENTERTAINMENT, INC.**

By:

Name:

Title:

SELLERS:

**DISCOVERY ZONE, INC.**

By:

Name: Chet Obieleski

Title: President & Chief Executive Officer

**DZ PARTY, INC.**

By:

Name: Chet Obieleski

Title: President

**DISCOVERY ZONE (PUERTO**

**RICO), INC.**

By:

Name: Chet Obieleski

Title: President

**DISCOVERY ZONE LICENSING, INC.**

By:

Name: Chet Obieleski

Title: President

**Exhibit “A”**

**Form of Escrow Agreement**

**Exhibit “B”**

**Form of Sale Order**

**Schedule 1.2(a)**

**Equipment Leases**

1. NONE

**Schedule 1.2(b)**

**FunCenter Leases**

1. #504 - 124 E. FM 1960 Bypass, Humble , TX

2. #563 - 2541-43 El Camino Real, Redwood City, CA

3. #566 - 930 N. San Fernando, Burbank, CA

4. #780 - 7601 W. Ridgewood Road, Cleveland, OH

5. #745 - 2030 S. Hurstbourne Parkway, Louisville, KY

6. #319 - 7730 Streamwalk Lane, Manassas, VA

**Schedule 1.2(c)**

**Assumed Contracts**

1. NONE

**Schedule 1.3(g)**

**Regional Headquarters Leases**

1. #71905 - 565 Taxter Road, Elmsford, NY

2. #71915 - 6600 NW 16th Street, Plantation, FL

**Schedule 1.7**

**Operating FunCenters**

|  |  |
| --- | --- |
| 1 | #201 Baltimore, MD |
| 2 | #215 Rockaway, NJ |
| 3 | #217 East Brunswick, NJ |
| 4 | #219 New Hartford, NY |
| 5 | #222 Catonsvilla, MD |
| 6 | #223 Rochester, NY |
| 7 | #225 Whitehall, PA |
| 8 | #226 Poughkeepsie, NY |
| 9 | #228 Cherry Hill, NJ |
| 10 | #229 Dewitt, NY |
| 11 | #233 Hanover, MA |
| 12 | #242 Frederick, MD |
| 13 | #245 Bronx, NY |
| 14 | #246 Middle Village, NY |
| 15 | #249 Brooklyn, NY |
| 16 | #260 Paramus, NJ |
| 17 | #263 Fairless Hills, PA |
| 18 | #264 Elmira, NY |
| 19 | #266 Middletown, NY |
| 20 | #267 Wilmington, DE |
| 21 | #270 E. Greenwich, RI |
| 22 | #273 York, PA |
| 23 | #303 Westmont, IL |
| 24 | #304 Greenvield, WI |
| 25 | #306 Cincinnati, OH |
| 26 | #307 Indianapolis, In |
| 27 | #308 Overland Park, KS |
| 28 | #309 Orland Park, IL |
| 29 | #311 Stone Mtn., GA |
| 30 | #315 Independence, MO |
| 31 | #317 West Mifflin, PA |
| 32 | #319 Manassas, VA |
| 33 | #320 Mesquite, TX |
| 34 | #321 Manchester, MO |
| 35 | #324 Exton, PA |
| 36 | #326 Amherst, NY |
| 37 | #334 Kennesaw, GA |
| 38 | #335 Schaumburg, IL |
| 39 | #338 Littleton, CO |
| 40 | #339 Columbus, OH |
| 41 | #340 Coon Rapids, MN |
| 42 | #342 Royal Palm Beach, FL |
| 43 | #343 Forest Park, OH |
| 44 | #344 Leon Valley, TX |
| 45 | #347 Arlington, TX |
| 46 | #348 San Antonio, TX |
| 47 | #349 Sterling Heights, MI |
| 48 | #353 Aurora, CO |
| 49 | #358 Roswell, GA |
| 50 | #362 Rancho Cucomonga, CA |
| 51 | #405 Knoxville, TN |
| 52 | #406 Winston Salem, NC |
| 53 | #407 Falls Church, VA |
| 54 | #408 Newport News, VA |
| 55 | #409 Greenville, SC |
| 56 | #410 Huntsville, AL |
| 57 | #413 Mobile, AL |
| 58 | #415 Memphis, TN |
| 59 | #416 Annapolis, MD |
| 60 | #428 West Hills, CA |
| 61 | #430 Richmond, VA |
| 62 | #431 Flint, MI |
| 63 | #433 Pensacola, FL |
| 64 | #442 Tallahassee, FL |
| 65 | #451 Marietta, GA |
| 66 | #452 Portage, MI |
| 67 | #455 W. Bloomfield, MI |
| 68 | #458 Lafayette, LA |
| 69 | #461 Corona, CA |
| 70 | #463 Fayetteville, NC |
| 71 | #474 Chula Vista, CA |
| 72 | #477 Roanoke, VA |
| 73 | #478 Fairfax, VA |
| 74 | #501 Houston, TX |
| 75 | #502 Houston, TX |
| 76 | #504 Humble, TX |
| 77 | #506 Plano, TX |
| 78 | #511 Ft. Worth, TX |
| 79 | #512 Dallas, TX |
| 80 | #514 Stockton, CA |
| 81 | #516 Oklahoma City, OK |
| 82 | #517 Tulsa, OK |
| 83 | #518 Colorado Springs, CO |
| 84 | #521 Sacramento, CA |
| 85 | #522 Tucson, AR |
| 86 | #526 Citrus Hts., CA |
| 87 | #527 Modesto, CA |
| 88 | #532 Albuquerque, NM |
| 89 | #541 Lubbock, TX |
| 90 | #542 Oklahoma City, OK |
| 91 | #546 Austin, TX |
| 92 | #547 Waipahu, HI |
| 93 | #549 Taylorsville, UT |
| 94 | #553 Beaumont, TX |
| 95 | #554 Wichita, KS |
| 96 | #556 Westminster, CO |
| 97 | #561 Milpitas, CA |
| 98 | #563 Redwood City, CA |
| 99 | #565 Springfield, OR |
| 100 | #566 Burbank, CA |
| 101 | #571 Vancouver, WA |
| 102 | #720 Merrillville, IN |
| 103 | #725 Akron, OH |
| 104 | #732 Canton, OH |
| 105 | #733 Winter Park, FL |
| 106 | #734 Jacksonville, FL |
| 107 | #736 Speedway, IN |
| 108 | #738 Louisville, KY |
| 109 | #740 Hallandale, FL |
| 110 | #745 Louisville, KY |
| 111 | #746 Ft. Wayne, IN |
| 112 | #750 Miami, FL |
| 113 | #753 St. Louis, MO |
| 114 | #755 Pembroke Pines, FL |
| 115 | #761 Columbus, OH |
| 116 | #763 Madison, WI |
| 117 | #769 Springfield, MO |
| 118 | #771 Toledo, OH |
| 119 | #779 Des Moines, IA |
| 120 | #780 Parma, OH |
| 121 | #785 Kokomo, IN |
| 122 | #787 Peoria, IL |
| 123 | #788 Monroeville, PA |
| 124 | #792 Ft. Myers, FL |
| 125 | #796 Greenwood, IN |
| 126 | #797 Birmingham, AL |
| 127 | #802 Morrow, GA |
| 128 | #804 Marrero, LA |
| 129 | #812 Indianapolis, IN |
| 130 | #901 Hatillo, Puerto Rico |
| 131 | #905 San Juan, Puerto Rico |

**Schedule 3.2**

**Required Consents**

1. None

**Schedule 3.4**

**Owned Real Property**

1. #307 - 3720 E. 82nd Street, Indianapolis, IN

2. #335 - 2570 West Schaumburg Road, Schaumburg, IL

3. #338 - 7510 Parkway Drive, Littleton, CO

4. #339 - 5705 Chantry Drive, Columbus, OH

5. #340 - 8601 Springbrook Drive, NE, Coon Rapids, MN

6. #343 - 1140 Smiley Road, Forest Park, OH

7. #344 - 5751 NW Loop 410, Leon Valley, TX

8. #347 - 1118 West Arbrook, Arlington, TX

9. #348 - 13722 Embassy Row, San Antonio, TX

10. #349 - 13745 Lakeside Circle, Sterling Heights, MI

11. #353 - 14281 E. Exposition Avenue, Aurora, CO

12. #512 - 15240 Dallas Parkway, Dallas, TX

13. #334 - 824 Earnest W. Barrett Parkway, Kennesaw, GA

14. Vacant land located in Vancouver, WA

15. Vacant land located in Franklin Mills, PA

**Schedule 3.6**

**Encumbrances**

**Schedule 3.7**

**Contracts and Equipment Leases**

**Schedule 3.10**

**Owned Intellectual Property**

**Schedule 3.12**

**Environmental Matters**

1. None

**Schedule 6.2**

**Sellers’ Employees to be Offered Employment**

1. None