

COMMONWEALTH OF MASSACHUSETTS
SUPREME JUDICIAL COURT

No. SJC-13485

DHANANJAY PATEL, SAFDAR HUSSAIN, VATSAL CHOKSHI,
DHAVAL PATEL, NIRAL PATEL,
Plaintiffs-Appellants,

v.

7-ELEVEN, INC.,
Defendant/ Third Party Plaintiff-Appellee,
MARY CADIGAN; ANDREW BROTHERS,
Defendants,

DPNEWT01; DP TREMONT STREET INC.; DP MILK STREET INC.;
DP JERSEY INC.,
Third Party Defendants.

On a Certified Question from the United States Court of Appeals
for the First Circuit

**BRIEF OF *AMICUS CURIAE* INTERNATIONAL FRANCHISE
ASSOCIATION SUPPORTING AFFIRMANCE OF THE DISTRICT
COURT**

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DISCLOSURE STATEMENT PURSUANT TO RULE 1:21

Amicus curiae, the International Franchise Association (“IFA”), does not have any parent corporations, and there is no publicly held corporation that owns 10% or more of the IFA’s stock.

IDENTITY OF *AMICUS CURIAE*

Founded in 1960, the IFA is the oldest and largest trade association in the world devoted to representing the interests of franchising. The IFA’s membership includes franchisors, franchisees, and suppliers. The IFA is the only trade association that acts as a voice for both franchisors and franchisees throughout the United States and the world.

The IFA’s mission is to safeguard and enhance the business environment for franchising worldwide. In addition to serving as a resource for franchisors and franchisees, the IFA and its members advise public officials across the country about the laws that govern franchising. Through its public-policy programs, it protects, enhances, and promotes franchising on behalf of more than 1,400 brands in more than 300 different industries.

The IFA has a strong interest in correct application of laws affecting franchises. The IFA seeks to provide this Court with relevant industry-specific context and practical perspectives for why the certified question should be answered “no.” The answer to the certified question—whether Plaintiffs “perform[] any service” for 7-Eleven, within the meaning of Mass. Gen. Laws ch. 149, § 148B (the “ICL”), where, as here, they perform various contractual obligations under the Franchise Agreement and 7-Eleven receives a percentage of the franchise’s gross profits—will impact franchised businesses across a wide range of sectors beyond 7-

Eleven. Should the Court interpret the ICL to grant franchisees employee status, the impact will be felt beyond franchises—it will weaken economic opportunities in the Commonwealth and damage the economy nationwide. And the impact will be felt not just by franchisors; it will undoubtedly trickle down to the real employees that are the lifeblood of the economy.

**DECLARATION INDICATING INVOLVEMENT OF PARTY OR
PARTY’S COUNSEL**

The IFA hereby declares that (A) neither a party nor a party’s counsel has authored this amicus brief in whole or in part; (B) no party or party’s counsel, or any person or entity other than the IFA and its members, contributed money that was intended to fund the preparation or submission of this brief; and (C) neither the IFA nor its counsel has represented one of the parties to the present appeal in another proceeding involving similar issues, nor were they a party represented in a proceeding or legal transaction that is at issue in the present appeal.

SUMMARY OF ARGUMENT

The First Circuit has asked whether Plaintiffs “perform[] any services” for 7-Eleven because (a) “they perform various contractual obligations under the Franchise Agreement,” and (b) “7-Eleven receives a percentage of the franchise’s gross profits.” (p. 10). The answer to the certified question will have far-reaching implications because (a) virtually *all* franchisees perform contractual obligations under their franchise agreements; and (b) virtually *all* franchisors receive a percentage of the franchise’s gross revenues or profits. (p. 10). In fact, franchisors are required by law to impose operational standards in order to protect their trademarks, which is almost always done through franchise agreements. (pp. 11). And, the imposition of operational standards and royalty fees in franchise agreements is ubiquitous across industry sectors. (pp. 12-23).

Answering “yes” to the certified question will also depart from precedent interpreting independent contractor statutes, as no court has held that the payment of royalties to a franchisor or a franchisee’s compliance with contractual obligations is evidence that the franchisee performs “services” for the franchisor. (p. 14-15). As a result, answering “yes” would create unprecedented law that will send shock waves throughout the franchise business model as a whole. (p. 15).

Notwithstanding the breadth of impact, the certified question also has the potential to lead to an untenable situation for franchisors and franchisees alike. (pp.

24-28). Classifying franchisees as employees is likely to lead to an absurd result because most franchisees are business, not individual single-business owners. (pp. 26). Data shows that multi-unit franchises have eclipsed single-unit ownership, with multi-unit franchisees owning 53.9% of the total franchise units as of the end of 2022. (p. 26). Not only do most franchisees own more than one franchise, but the volume of business done through these businesses is colossal: in the restaurant sector alone, the 200 largest franchisees reported \$53.3 billion in revenue, with an average of \$266.6 million. (p. 26). As a result, in this new landscape, who would be the “employee”? The CEO of the franchisee company? Or is it the manager of each location? And from whom is the employee entitled to benefits under wage and hour statutes? The franchisee entity or the franchisor? (pp. 26-27). These unanswered questions will undoubtedly lead to confusion, uncertainty, and an increase in litigation in the Commonwealth. (pp. 27-28).

Accordingly, beyond the legal reasons for answering the certified question in the negative, the IFA urges this Court to consider the practical implications and the impact its answer will have on a substantial cross-section of business in Massachusetts. (pp. 10-28).

ARGUMENT

I. Treating Franchise Owners as Employees Will Impact Franchises Across All Industries

The First Circuit has asked this Court to consider whether Plaintiffs here “perform[] any services” for 7-Eleven because (a) “they perform various contractual obligations under the Franchise Agreement,” and (b) “7-Eleven receives a percentage of the franchise’s gross profits.” *Patel v. 7-Eleven, Inc.*, 81 F.4th 73, 76 (1st Cir. 2023). Although the question certified is tailored to 7-Eleven, Massachusetts law, and the facts of this case, the implications of this Court’s decision will reverberate through franchises across all industries. That is because it is commonplace in franchise agreements to impose obligations on franchisees and to have franchisees pay a percentage of their gross revenues or profits to the franchisor. As a result, to answer the certified question “yes” will mean that almost all franchisees across different industry sectors could arguably be deemed to “perform[] any services” under the ICL and, thus, will presumptively be employees unless the ABC Test is satisfied.

A. Background on Royalty and Operational Standard Provisions

Some background on this topic is instructive. In business format franchising, which is the type of franchise that 7-Eleven offers, “the franchisor provides the franchisee with a business format, or total package, for operating a business.” Robert W. Emerson, *Franchise Contract Clauses and the Franchisor’s Duty of Care*

Toward Its Franchisees, 72 N.C. L. Rev. 905, 920-21 (1994). This form of franchising is the most prevalent today, ordinarily involving “a franchisee who is responsible for operating the business, but is required to sell goods or services supplied by the franchisor or otherwise produced in accord with the franchisor’s specifications.” *Id.* at 921. A 1994 survey of 100 franchise agreements found that 100% of them required franchisees to pay fees as a percentage of gross profits or revenues. *Id.* at 955. That same survey found that 98% of franchise agreements included operational standards for the franchised location. *Id.* at 967.

The prevalence of operational standards in franchise agreements is not fortuitous but rather is required by law. “Under Federal law, a franchisor is required to maintain control and supervision over a franchisee’s use of its mark, or else the franchisor will be deemed to have abandoned its mark” *Depianti v. Jan-Pro Franchising Intern., Inc.*, 465 Mass. 607, 615 (2013); *see also* Joseph Schumacher et al., *Retaining and Improving Brand Equity by Enforcing System Standards*, 24 Franchise L.J. 10, 10 (Summer 2004) (a franchisor has “a legal duty to control the quality of goods and services under its mark or risk abandonment of its trademark”). A franchisor exercises control through “contractual quality and operational requirements necessary to the integrity of the franchisor’s trade or service mark.” *Kerl v. Dennis Rasmussen, Inc.*, 682 N.W.2d 328, 338 (Wis. 2004).

Ongoing royalty fees paid by franchisees to a franchisor as a percentage of profit or revenue derive from the principle that if the franchisees are doing well then the franchisor should benefit as well. Typically, a franchisee pays royalties as a percentage of revenues or profits in exchange for access to the business format, proprietary information, training, site location assistance, and accounting, cost-control and inventory-control guidance. *Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 464 (1985); *Mouanda v. Jani-King Int'l*, 653 S.W.3d 65, 72 (Ky. 2022) (“A franchisor typically provides the franchisee with a written license to use the franchisor’s proprietary marks, business format, and methods. Initial training and ongoing advice or field support may also be offered, in exchange for some form of initial and recurring fees.”); *Int’l Franchise Ass’n, Inc. v. City of Seattle*, 97 F. Supp. 3d 1256, 1264 (W.D. Wash.), *aff’d*, 803 F.3d 389 (9th Cir. 2015) (“The term “franchise business model” refers to a long-term business relationship in which one company (the franchisor) grants other companies (the franchisees) the right to sell products under its brand, using its business model and intellectual property, generally in exchange for ongoing royalty payments and other fees.”); *The Federal Trade Commission rule on franchising—“Package” and “product” franchising under the FTC rule*, Cal. Bus. Law Deskbook § 34:10 (“The franchisor provides training, site location, and promotion and management assistance—all this in exchange for a ‘franchise fee’ (including the continuing payment of royalties).”).

Payment of a royalty is “common in the franchising field.” *Marshall v. Shan-An-Dan, Inc.*, 747 F.2d 1084, 1087 (6th Cir. 1984).

Dunkin’ is instructive. Dunkin’ is a company founded and headquartered in Massachusetts, with over 8,000 franchised locations in the United States with revenues of over \$1.5 billion. A few pages into Dunkin’s Franchise Disclosure Document (“FDD”), Dunkin’ discloses to franchisees that they have a continuing responsibility to pay royalties and other fees to the franchisor, even if losing money. Add.¹ at 36.² The FDD also quickly informs franchisees that the franchise agreement will impose operating standards, such as controlling the location, access to customers, what is sold, how to market, and hours of operation. *Id.*

These provisions are then spelled out in the Franchise Agreement. The Dunkin’ Franchise Agreement imposes a “Continuing Franchise Fee”:

¹ References to “Add.” are to the Addendum attached to this brief.

² The Addendum includes excerpts of the FDDs referred to in this brief for the Court’s convenience. Every FDD included in the Addendum is publicly available. *See, e.g.*, Wisconsin Department of Financial Institutions, Franchise Search, <https://www.wdfi.org/apps/franchiseSearch/MainSearch.aspx>. The Court can take judicial notice of publicly accessible reports available for download. *See, e.g.*, *Foster v. Comm’r of Corr. (No. 1)*, 484 Mass. 698, 729 n.20 (2020); *see also* Mass. Guide Evid. § 201(b)(2) (“The Court may judicially notice a fact that is not subject to reasonable dispute because it . . . can be accurately and readily determined from sources whose accuracy cannot reasonably be questioned.”).

You agree to pay us a Continuing Franchise Fee on or before Thursday of each week, for the seven-day period ending at the close of business on Saturday, twelve days previous. The amount due should be calculated by multiplying (a) the Gross Sales of the Restaurant for that seven-day period by (b) the Continuing Franchise Fee percentage stated in the Contract Data Schedule. We will specify the means and manner of payment from time to time, in writing.

Add. at 40. Accordingly, franchisees owe Dunkin’ a weekly fee that is based off a percentage of revenue.

Furthermore, the Franchise Agreement contains a section titled “Operations,” which imposes a plethora of obligations on franchisees, from keeping operating hours prescribed by Dunkin’ to submitting copies of any customer complaints to Dunkin’. *Id.* at 41-42. Accordingly, answering the certified question “yes” could possibly lead to the conclusion that all 1,000+ Dunkin’ franchises – which unquestionably is an established franchise system – in Massachusetts are subject to the ICL, unless Dunkin’ can satisfy the ABC Test.

It is important to note as well that answering the certified question “yes” would be a departure from almost all precedent nationwide interpreting independent contractor statutes. No court has held that the payment of royalties to a franchisor or a franchisee’s compliance with contractual obligations is evidence that the franchisee performs “services” for the franchisor. *See Patel v. 7-Eleven, Inc.*, 489 Mass. 356, 370 (2022) (“This threshold is not satisfied merely because a relationship between the parties benefits their mutual economic interests.”); *AC&C Dogs, LLC*

v. New Jersey Dep't of Lab., 332 N.J. Super. 330, 335 (App. Div. 2000) (“The statute does not make responsibility for unemployment contributions contingent upon receipt of an economic benefit; if it did, it would be difficult to envision an economic relationship that could be exempted. Rather, it refers to remuneration for ‘services.’ ‘The implication of this section is that the remuneration flow from the putative employer to the alleged employee.’” (quoting *Koza v. New Jersey Dep't of Labor*, 307 N.J. Super. 439, 444 (App. Div. 1998))); *Kirby v. Indiana Emp. Sec. Bd.*, 158 Ind. App. 643, 644, 648 (1973) (finding that “no services were rendered” where putative workers paid putative employer “a straight percentage of their gross receipts”).

B. The Prevalence of Royalties and Operational Standards Prevails Across Industry Sectors

These types of provisions are not unique to Dunkin'. Rather the ubiquity of royalty and operational standard provisions prevails across industry sectors. We have included in the Addendum excerpts from 22 different franchise agreements across 6 different industry sectors that include royalty provisions and operational standards provisions. These 22 franchisors had 1,067 outlets in Massachusetts as of the end of 2022.

Industry	Number of Locations in Mass. (as of 2022)	Royalty Provision	Operational Standard Provisions
Fitness			
<ul style="list-style-type: none"> Crunch (Add. at 43) 	11	§ 8.2	§ 7.1.6 (“You must comply with all of our mandatory standards, methods, policies, products, procedures, techniques and specifications we prescribe from time to time . . . including hours of operation, the wearing of uniforms while performing services, and using only equipment, uniforms, computers, point of sale and membership management systems, transaction processing and accounting platforms, software, telephones and other items that meet or exceed our standards[.]”).
<ul style="list-style-type: none"> Orange Theory (Add. at 48) 	36	§ 5(b)	§ 6 (“Operation of the Studio and System Standards”) <i>See, e.g.</i> , § 6(c)(i) (You may offer in the Studio to customers only the products, services, and classes that we have approved in writing. In addition, you must offer the specific products, services, and classes that we require in the Manuals or otherwise in writing.”).

<ul style="list-style-type: none"> Planet Fitness (Add. at 55) 	78	§ 5.2	<p>§ 9.1 (“You acknowledge that each and every aspect of the interior and exterior appearance, layout, decor, services and operation of your BUSINESS is important to protect our reputation and goodwill and to maintain uniform operating standards under the Marks. . . . You agree to comply with all mandatory Methods of Operation (whether contained in the Operations Manual or any other communication)[.]”).</p>
Hospitality			
<ul style="list-style-type: none"> Hilton (Add. at 63) 	4	Addendum	<p>§ 5.1.2 (franchisee must “operate the Hotel using the System, in compliance with this Agreement and the Standards, and in such a manner to provide courteous, uniform, respectable and high quality lodging and other services and conveniences to the public.</p>
<ul style="list-style-type: none"> Marriott (Add. at 70) 	4	§ 3.2	<p>§ 10.1 (“Franchisee agrees that conformity with all aspects of the System and the Standards is essential to maintain the uniform quality and guest service of System Hotels. Franchisee will comply at all times with the Standards (including paying amounts owed pursuant to the Standards for violations thereof) and</p>

			operate the Hotel in compliance with the System and the Marriott Agreements.
<ul style="list-style-type: none"> Red Roof Inn (Add. at 75) 	2	§ 4.2	§ 5.1.3 (“...Franchisee shall maintain the Inn in good repair and in a condition consistent with the Standards and shall make such additions, alterations, repairs and replacements as may be required for that purpose (but no others without Franchisor’s written consent), including, without limitation, periodic repainting and replacement of signs, equipment, furnishings and furniture in accordance with the Standards.
Health and Beauty			
<ul style="list-style-type: none"> The Vitamin Shoppe (Add. at 81) 	16	§ 6(B)	§ 8(A) (You agree to maintain the condition and appearance of the Store, the site, and the Operating Assets in accordance with Brand Standards. Without limiting that obligation, you must take the following actions during the Term at your own expense: (i) thorough cleaning, repainting, and redecorating of the Store’s interior and exterior at intervals we periodically specify and at our direction; (ii) interior and exterior repair of the Store and the site as needed; and (iii) repair or replacement, at our direction, of damaged, worn-out,

			unsafe, non-functioning, or obsolete Operating Assets at intervals we periodically specify.”).
<ul style="list-style-type: none"> • Massage Envy (Add. at 87) 	23	§ 3(B)	§ 8(B)(“ You further agree to maintain the condition and appearance of your Business facility in accordance with our mandatory System Standards (as defined below) and consistent with the image of a Massage Envy Business as a professionally operated business offering high quality services and products and observing the highest standards of professionalism, cleanliness and courteous service.”).
<ul style="list-style-type: none"> • Hand & Stone (Add. at 92) 	5	§ 3.2	§ 13.1 (“Franchisee acknowledges that the reputation and goodwill of the System is based in large part on offering high quality products and services to its clients. Accordingly, Franchisee shall provide or offer for use at the Franchised Business only those products, supplies, signs, equipment and other items and services that Franchisor from time to time approves (and that are not thereafter disapproved) and that comply with Franchisor’s specifications and quality standards.”).

<ul style="list-style-type: none"> • Supercuts (Add. at 98) 	86	§ 4.04	§ 8.03 (“Franchisee shall operate the subject location in strict conformity with such reasonable standards, specifications, requirements and instructions as Franchisor may hereafter adopt.”).
<ul style="list-style-type: none"> • American Family Care (Add. at 105) 	12	§ 3.2	§ 8.7 (“You acknowledge and agree that operating and maintaining the Franchised Business according to System Standards is essential to preserve the goodwill of the Marks and all Franchised Businesses and Centers. Therefore, you agree at all times to operate and maintain the Franchised Business according to all of our System Standards.”).
Food			
<ul style="list-style-type: none"> • Applebee’s (Add. at 111) 	25	§ 9.1(b)	§ 2.1 (“A fundamental requirement of the System, this Franchise Agreement and franchises which Franchisor will grant to others is adherence by all franchisees to Franchisor’s standards and policies providing for the uniform operation of all restaurant units within the System[.]”).
<ul style="list-style-type: none"> • Burger King (Add. at 118) 	119	§ 9(A)	§ 5(A) (“Franchisee acknowledges and agrees that prompt adoption of and adherence to the BURGER KING System, including all of the provisions of the MOD Manual, as amended from time to time, are reasonable,

			necessary and essential to the image and success of all BURGER KING Restaurants.”)
<ul style="list-style-type: none"> • Pizza Hut (Add. at 122) 	10	§ 19.02	§ 6.03 (“Your franchised Pizza Hut Business and the Pizza Hut Restaurant(s) it operates must comply at all times with every provision of this Agreement, the System and the Brand Standards, unless we agree to a variance in writing.”)
<ul style="list-style-type: none"> • McDonald’s (Add. at 127) 	232	§ 8	§ 1(c) (“The foundation of the McDonald’s System and the essence of this Franchise is the adherence by Franchisee to standards and policies of McDonald’s providing for the uniform operation of all McDonald’s restaurants within the McDonald’s System including, but not limited to, serving only designated food and beverage products; the use of only prescribed equipment and building layout and designs; strict adherence to designated food and beverage specifications and to McDonald’s prescribed standards of Quality, Service, and Cleanliness in the Restaurant operation.”)

<ul style="list-style-type: none"> • Subway (Add. at 133) 	280	§ 13(B)	§ 10(H) (“you agree to fully comply with the System Standards in effect from time to time as set forth in the Confidential Operations Manual or otherwise communicated to you by us in writing (including by intranet or other electronic means)”)
<ul style="list-style-type: none"> • Wing Stop (Add. at 140) 	6	§ 10(a)	§ 7(c)(6) (“Franchisee will (i) comply with and adhere to the policies and procedures set forth in the Operations Manual, as revised and supplemented from time to time”)
Automotive			
<ul style="list-style-type: none"> • Jiffy Lube (Add. at 147) 	50	§ 4.2.1	§ 7.2 (“Franchisee agrees to operate the Franchised Center in strict conformance with the Policies and Procedures Manual developed by Franchisor for use in connection with the Products Program (the ‘Manual’) and any System Manuals.”)
<ul style="list-style-type: none"> • AAMCO (Add. at 152) 	5	§ 10(a)	§ 7.1(b) (“Franchisee agrees that Franchisee will comply with all of the policies and procedures which AAMCO establishes from time to time including those set forth in AAMCO’s Operator’s Manual, training manuals as modified and/or updated by AAMCO from time-to-time as determined by AAMCO in its sole discretion.”)

<ul style="list-style-type: none"> Valvoline (Add. at 158) 	47	§ 4.2	§ 8.1 (“Licensee understands and acknowledges that every detail of the Center and its operation is important to Licensee, Licensor, and other System licensees, in order to develop and maintain high operating standards, to increase the demand for the services and products sold by all System licensees, and to protect Licensor’s reputation.”)
Childcare/Education			
<ul style="list-style-type: none"> The Learning Experience (Add. at 164) 	15	§ 6.3	§ 3.22 (“You acknowledge the existence and the benefits of the System and its distinctive and unique nature. You also agree to follow the System without deviation.”)
<ul style="list-style-type: none"> Class 101 (Add. at 170) 	1	§ 6(B)	§ 11(B) (“You agree to comply with all System specifications, standards, and operating procedures (whether contained in the Manual or any other written communication, or communicated in training) relating to the appearance, operation, customer experience, function, safety and cleanliness of a Class 101 business”)

Departing from the nearly universal precedent to the contrary and answering the certified question “yes” would have a severe impact across almost all industry sectors.

II. It Is Illogical to Classify Franchisees as Employees Given That They Are Businesses Themselves

Plaintiffs here portray themselves as store operators working at the behest of 7-Eleven. This portrayal is contrary to the record, which shows that Plaintiffs are small business owners who own multiple businesses, garner millions of dollars of revenue annually, own or manage their businesses through corporations that split ownership between multiple individuals, and receive salaries or management fees from their entities. JA2807; JA2812-14; JA2816-17; JA2930; JA2935; JA2975; JA2980-81; JA2984-85; JA3027-28; JA3038; JA3143-61. Under these circumstances, it would be illogical to find that Plaintiffs are “employees” of and perform “services” for 7-Eleven because Plaintiffs are businesses themselves.

When viewed in the context of the rise of multi-unit franchisees that themselves are sophisticated business entities, some of which are publicly traded, the incongruity of finding that franchisees are presumptively employees under the ICL becomes even more pronounced.

The franchise concept has grown rapidly in the United States since the early 1900’s for many reasons, but one of the attractive characteristics of the franchise model is that it gives small entrepreneurs the ability to compete with larger competitors. Andrew Kosteka, U.S. Dep’t of Commerce, *Franchising in the Economy 1986-1988*, at 1 (1988). The ability of franchisees to use the trademarks

and business methods perfected by experienced franchisors gives them the ability to compete favorably with other businesses:

[F]ranchisees are enjoying a competitive edge over other small business entrepreneurs by the use of trade names, marketing expertise, acquisition of a distinctive business appearance, standardization of products and services, training, and advertising support from the parent organization.

Franchising represents the small entrepreneur's best chance to compete with giant companies that dominate the marketplace. Without franchising, thousands of businesspersons would never have had the opportunity of owning their own businesses and never have felt the immense satisfaction of being a part of the free enterprise system.

Id.

As with many industries, the popularity of the franchise concept for small business owners has resulted in an evolution of franchisees from primarily single unit operators to significant growth in multi-unit franchisee owners, with many sophisticated multi-unit, multi-brand franchised businesses. Now, these multi-unit franchisees are leading the space:

The steady expansion of multi-unit dominance began in the late 1980s, and has been accelerating ever since. For decades, a majority of U.S. franchised units were controlled by single-unit operators, based on the idea of buying yourself a job and perhaps expanding—but nothing like the scale we see today.

Darrell Johnson, *Multi-Unit Ownership Shows No Signs of Slowing Down, 2022 Buyer's Guide: Multi-Unit Franchisee Special Annual Edition (2022)* (https://www.franchising.com/magazines/multiunit_franchisee/2022/0). Multi-unit

franchises have eclipsed single-unit ownership, and multi-unit franchisees owned 53.9% of the total franchise units as of the end of 2022. *Id.*

There are nearly 44,000 multi-unit franchisees in the U.S., and nearly 11% of them (4,734) operate units across several brands. *Id.* “[T]he average multi-unit franchisee owns 5.2 franchised locations, up from about 4.8 in 2011. This rise in unit ownership among multi-unit operators has been a factor in the growing interest from private equity and other types of investment groups in investing in these franchisees.” *Id.* Accordingly, the majority of franchisees are not just wealthy individuals with an expanding portfolio, a local franchisee might actually be owned by a global private equity firm or an investment group.

The top 20 largest restaurant franchisees have annual revenues of over \$500 million (with the top five reporting over \$1 billion in revenue), and the top 150 restaurant franchisees reported annual revenues of over \$100 million. Franchise Times, *Restaurant 200* at 30-35 (August 2023). “Combined, the 200 largest restaurant franchisees reported \$53.3 billion in revenue, with an average of \$266.6 million.” *Id.* at 29.

These are not the types of “people” in the workforce that the ICL was designed to protect. But should the Court answer the certified question “yes,” the ICL would be interpreted to transform entities that own and operate multi-billion or multi-million dollar businesses into employees. Which begs many questions, including:

- Who is the “employee”? The CEO of the franchisee company? The manager of each location?
- From whom is the employee entitled to benefits under wage and hour statutes? The franchisee entity or the franchisor?

These questions cause confusion not only for large, publicly traded franchisees but also for the Plaintiffs here. For the Plaintiffs who are corporations or another form of legal entity, who is the purported “employee”? For the Plaintiffs who are owned by multiple people, is each of them considered an “employee”? Are the employees still entitled to salaries and other benefits from the ownership or management entities that they created?

It is elementary that courts will not interpret a statute in a way that would lead to an “absurd result.” *Desrosiers v. Governor*, 486 Mass. 369, 376 (2020); *Bellalta v. Zoning Bd. of Appeals of Brookline*, 481 Mass. 372, 378 (2019). Here, answering the certified question in the affirmative would lead to individuals, small businesses and large businesses alike being presumptively classified as “employees” under the ICL and would entitle someone – whether it’s the CEO of the company, the largest shareholder, the store manager – to wage and hour benefits unless the franchisor can satisfy the three-pronged ABC Test.

Such a result not only would create a shock wave among franchise businesses in Massachusetts, but also will burden the courts with an untold number of lawsuits

litigating the propriety of these classifications. This result is not one that the Legislature intended when passing the ICL, which was designed to prevent employers from inappropriately classifying their employees as independent contractors to avoid being subject to wage and hour laws. Certainly, franchisors with sophisticated businesses and entrepreneurs as franchisees did not intend to circumvent the strictures of the wage and hour laws when developing their business models. Thus, presumptively classifying franchisees as employees creates an absurd result contrary to the legislative intent of the ICL.

CONCLUSION

For the foregoing reasons, the certified question should be answered “no.”

RESPECTFULLY SUBMITTED THIS 11th DAY OF MARCH 2024,

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International Franchise Association

CERTIFICATE OF COMPLIANCE

Pursuant to Mass. R. App. P. 16(k), I hereby certify that to the best of my knowledge and belief this brief was prepared using size 14 Times New Roman font in Microsoft Word for Microsoft 365 MSO (Version 2302) and the sections of the brief required by Mass R. App. P. 16(a)(5) – (11) contain 4,176 words and that this brief complies with the rules of court that pertain to the filing of briefs, including, but not limited to: Mass. R. App. P. 16; Mass. R. App. P. 17; Mass. R. App. P. 18; Mass. R. App. P: 20; and Mass. R. App. P. 21.

Signed under the penalty of perjury this 11th day of March, 2024.

/s/ Jeffrey Greene _____
Jeffrey Greene, Esq.

CERTIFICATION OF SERVICE

Pursuant to Mass. R. App. Pro. 13(d), *Amicus Curiae* International Franchise Association, through their counsel, hereby certify under the penalties of perjury that on March 11, 2024, a copy of this document was served on counsel of record by electronic service through the eFileMA system:

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ADDENDUM

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FRANCHISE DISCLOSURE DOCUMENT



DUNKIN' DONUTS FRANCHISING LLC
a Delaware limited liability company

Three Glenlake Parkway
Atlanta, Georgia 30328
(678) 514-4100

dunkinfranchising@dunkinbrands.com
www.DunkinFranchising.com

The Franchisor is Dunkin' Donuts Franchising LLC ("we" or "us"). We develop, operate and franchise retail restaurants utilizing the Dunkin' system. Our franchised restaurants sell doughnuts, coffee, espresso, bagels, muffins, croissants, breakfast sandwiches, and related bakery items, as well as other food and beverage products.

The total investment necessary to begin operation of a Dunkin' franchise ranges from \$121,400 to \$1,809,500. This includes a range of \$10,340 to \$115,340 that must be paid to the franchisor or affiliate.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with or make any payment to the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no government agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Dunkin' Franchise Development Department, Three Glenlake Parkway, Atlanta, Georgia 30328 and (678) 514-4100.

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "[A Consumer's Guide to Buying a Franchise](#)," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

Issued: March 24, 2023

What You Need To Know About Franchising Generally

Continuing responsibility to pay fees. You may have to pay royalties and other fees even if you are losing money.

Business model can change. The franchise agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

Supplier restrictions. You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

Operating restrictions. The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

Competition from franchisor. Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

Renewal. Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

When your franchise ends. The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit A.

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

**Table 3:
Status of Dunkin' Franchised Outlets for Years 2020 to 2022**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
	2022	754	20	0	0	0	8	766
Georgia	2020	162	13	0	0	0	3	172
	2021	172	7	0	0	0	0	188
	2022	188	16	0	0	0	1	203
Hawaii	2020	12	0	0	0	0	0	12
	2021	12	1	0	0	0	0	13
	2022	13	0	7	0	0	0	6
Illinois	2020	440	12	0	0	0	10	442
	2021	442	13	0	1	0	5	449
	2022	449	24	1	0	0	17	455
Indiana	2020	63	5	0	0	0	0	68
	2021	68	5	0	0	0	0	73
	2022	73	7	1	0	0	0	79
Iowa	2020	30	2	0	0	0	0	32
	2021	32	1	0	0	0	0	34
	2022	34	1	1	0	0	0	34
Kansas	2020	29	1	0	0	0	1	29
	2021	29	4	0	0	0	2	31
	2022	31	2	0	1	0	6	26
Kentucky	2020	30	3	0	0	0	0	33
	2021	33	3	0	0	0	3	33
	2022	33	2	1	0	0	0	34
Louisiana	2020	10	1	0	0	0	1	10
	2021	10	0	0	0	0	1	9
	2022	9	1	0	0	0	0	10
Maine	2020	162	3	0	0	0	4	161
	2021	161	6	0	0	0	6	161
	2022	161	0	0	0	0	2	159
Maryland	2020	192	12	0	0	0	1	203
	2021	203	9	0	0	0	0	223
	2022	223	15	0	0	0	7	231
Massachusetts	2020	1,157	12	0	0	0	57	1,112
	2021	1,112	6	0	1	0	30	1,087
	2022	1,087	9	0	4	0	18	1,074
Michigan	2020	46	3	0	0	0	0	48
	2021	48	10	0	0	0	1	57
	2022	57	10	0	0	0	1	66
Minnesota	2020	17	3	0	0	0	0	20
	2021	20	3	0	0	0	0	23
	2022	23	3	0	0	0	0	26
Mississippi	2020	8	0	0	0	0	0	8
	2021	8	0	0	0	0	0	8
	2022	8	3	0	0	0	1	10
Missouri	2020	38	1	0	0	0	0	39
	2021	39	3	0	0	0	0	42
	2022	42	2	1	0	0	7	36
Nebraska	2020	18	1	0	0	0	0	19
	2021	19	3	0	0	0	0	22

FRANCHISE AGREEMENT

This Franchise Agreement ("Agreement"), dated _____, 20____, is made by and between **DUNKIN' DONUTS FRANCHISING LLC**, a Delaware Limited Liability Company and an indirect, wholly-owned subsidiary of Dunkin' Brands, Inc., with principal offices at Three Glenlake Pkwy NE, Atlanta, GA ("Dunkin'", "we", "us" or "our"), and the following individual(s) and/or entity:

(individually or collectively referred to as "Franchisee," "you" or "your").

CONTRACT DATA SCHEDULE

A. Location of the Restaurant:

(number) (street) (city or town) (state) (zip code)

B. Term: _____ () years from the first date the Restaurant opens to serve the general public, or, in the case of an existing Restaurant, until _____.

C. Initial Franchise Fee: _____ dollars (\$) ()

D. Marketing Start-Up Fee: _____ dollars (\$) ()
for current event; per Brand Standards for all subsequent branding or re-branding events

E.1. Continuing Franchise Fee Rate: _____ percent (___%) of Gross Sales

E.2. Continuing Training Fee: _____ dollars (\$) ()
due upon execution, and annually thereafter at the then-current rate

F. Continuing Advertising Fee Rate: ~~-----FIVE--~~ percent (5.0%) of Gross Sales

G. Remodel Date: In the case of a new Restaurant, the date **ten (10) years** after the first date the Restaurant opens to serve the general public, or, in the case of an existing Restaurant, on _____.

Refurbishment Date: In the case of a new Restaurant, the date **five (5) years** and **fifteen (15) years** after the first date the Restaurant opens to serve the general public; or, in the case of an existing Restaurant, on _____.

H. Address for notice to FRANCHISEE shall be at the Restaurant, unless another address is inserted here: _____

I. Permitted Financing: no more than **90%** of (i) the initial investment in the building, site and additional development, equipment, fixtures and signs for new restaurants or (ii) the purchase price for existing restaurants. (Initial) _____

J. Addenda: [] _____

K. The approved source of bakery supply for this Restaurant is: _____
(If this is a non-producing Restaurant insert PC# of producing restaurant; otherwise insert PC# for this Restaurant)
You cannot change your source of bakery supply without our prior written approval.

SECTION 5. FEES, PAYMENTS AND REPORTING OF SALES

5.0 Initial Franchise Fee. The amount and timing of payment of the Initial Franchise Fee is specified in the Store Development Agreement (“SDA”) relating to the location. If there is no SDA, the amount is specified in the Contract Data Schedule, and payment is due upon the signing of this Agreement, which must occur prior to commencing construction of the Restaurant.

5.1 Marketing Start-Up Fee. In connection with a material branding or re-branding event such as the opening, re-opening or remodel of the Restaurant or any other event set forth in our Standards, you agree to undertake promotional activities in the manner and to the extent that we prescribe in accordance with our Standards. We will advise you in writing of the manner and timing of payment of such activities. If we have established a minimum dollar expenditure for your Restaurant opening promotional activities, that amount will be set forth on the Contract Data Schedule.

5.2 Continuing Franchise Fees. You agree to pay us a Continuing Franchise Fee on or before Thursday of each week, for the seven-day period ending at the close of business on Saturday, twelve days previous. The amount due should be calculated by *multiplying* (a) the Gross Sales of the Restaurant for that seven-day period *by* (b) the Continuing Franchise Fee percentage stated in the Contract Data Schedule. We will specify the means and manner of payment from time to time, in writing.

5.3 Continuing Advertising Fee. You agree to pay us a Continuing Advertising Fee on or before Thursday of each week, for the seven-day period ending at the close of business on Saturday, twelve days previous. The amount due should be calculated by *multiplying* (a) the Gross Sales of the Restaurant for that seven-day period *by* (b) the Continuing Advertising Fee percentage stated in the attached Contract Data Schedule. The Continuing Advertising Fee should be paid at the same time and in the same manner as the Continuing Franchise Fee, unless we specify otherwise, in writing.

5.4 Additional Advertising Fee. If two-thirds of the Restaurants in the Designated Market Area (“DMA”) in which the Restaurant is located, or two-thirds of the restaurants in the continental United States, vote to support payment of Additional Advertising Fees for, respectively, a market-based or nationally-based program, you agree to pay such fees and your Restaurant will participate in that program. Any Additional Advertising Fees will be used only for the related program voted on by the restaurants. We will specify the means and manner of payment from time to time, in writing.

5.5 “Gross Sales” means all revenue related to the sale of approved products and services through the operation of the Restaurant, but does not include money received for the sale of stored value cards and deposited into a central account maintained for the benefit of the System; taxes collected from customers on behalf of a governmental body; or the sale of approved products to another entity franchised or licensed by us for subsequent resale. All sales are considered to have been made at the time the product is delivered to the purchaser, regardless of timing or form of payment. Revenues lost due to employee theft are not deductible from Gross Sales. Sales made to approved wholesale accounts are included in Gross Sales for purposes of calculating the Continuing Franchise Fee but not the Continuing Advertising Fee. You must submit any wholesale account for our prior approval using the procedure we specify from time to time. We may withdraw our approval at any time.

5.6 **Taxes on Fees.** If any tax or fee other than federal or state income tax is imposed on us by any governmental agency due to our receipt of fees that you pay to us under this Agreement, then you agree to pay us the amount of such tax as an additional Continuing Franchise Fee.

5.7 **Late Fees, Interest and Costs.** If you are late in paying all or part of a fee due to us, then you must also pay us our then-current late fee and interest on the unpaid amount calculated from the date due until paid at the rate of one and one-half percent (1.5%) per month, or the highest rate allowed by law, whichever is less. You must also pay all collection charges, including reasonable attorneys' fees, incurred by us to collect fees that are due.

5.8 **Sales Reporting and Electronic Fund Transfer (“EFT”).** You agree to participate in our specified program or procedure for sales reporting and payment of fees that are due, whether it is electronic fund transfer or some successor program, in accordance with our Standards. You agree to assume the costs associated with maintaining your capability to report sales and transfer funds to us. In no event will you be required to pay any sums before the date they are due, as described above.

SECTION 6. ADVERTISING

6.0 We have established and administer The Dunkin' Advertising and Sales Promotion Fund (the “Fund”), and direct the development of all advertising, marketing and promotional programs for the System. We may use up to twenty percent (20%) of Continuing Advertising Fees but none of Additional Advertising Fees for the administrative expenses of the Fund and for programs designed to increase sales and further develop the reputation and image of the brand. The balance, including any interest earned by the Fund, will be used for advertising and related expenses. The content of all activities of the Fund, including the media selected and employed, as well as the area and restaurants targeted for such activities, will be determined by us.

6.1 We are not obligated to make expenditures for you that are equivalent or proportionate to your contributions to the Fund, or to ensure that you benefit directly or on a pro rata basis from the Fund's activities. Upon your request, we will provide you with an audited statement of receipts and disbursements for the Fund that is audited by an independent, certified public accountant, for each fiscal year of the Fund.

6.2 If you wish to use any advertising or promotional material that you have prepared or caused to be prepared, then you must submit the material and the proposed use for our prior written approval in advance of any use, and discontinue such use when we require. Our prior written approval may take the form of guidelines.

SECTION 7. OPERATIONS

7.0 **Operating in Accordance with Our Standards.** You agree to operate the Restaurant in accordance with all of our Standards, some of which are set forth in this section. Among other things, you agree to:

7.0.1 Keep the Restaurant open and in continuous operation for hours we prescribe, and use the Restaurant and Premises only as a Dunkin' business, unless we give written approval to do otherwise;

7.0.2 Install and use only equipment, furnishings, fixtures, and signage that we approve, replace them as we may require, and source them from approved suppliers, of which we may be one;

7.0.3 Install and use a retail information system that we approve and whose information is continuously accessible to us, for our access and use, through polling or other direct or remote means that we may specify;

7.0.4 Use only supplies, materials, and other items that we approve, and source them from approved suppliers, of which we may be one;

7.0.5 Sell all required products, sell only approved products, and source them from suppliers that we approve, of which we may be one, and maintain a sufficient supply of all approved products to meet customer demands at all times, unless you receive our written approval to do otherwise;

7.0.6 Use best efforts to hire employees of good character. Maintain a sufficient number of properly trained managers and employees to render quick, competent and courteous service to Restaurant customers in accordance with our Standards.

7.0.7 Use only employees that have literacy and fluency in the English language sufficient, in our reasonable opinion, to adequately communicate with customers if their duties include customer service;

7.0.8 Comply with all of our requirements relating to health, safety and sanitation;

7.0.9 Sell any products to a third party for subsequent resale only with our prior written approval;

7.0.10 Keep our confidential Manuals up-to-date and accessible in the Restaurant, and make them available only to those of your employees who need access to them in order to operate the franchised business; and

7.0.11 Timely execute marketing windows.

7.1 **Obey All Laws.** You agree to comply with all civil and criminal laws, ordinances, rules, regulations and orders of public authorities pertaining to the occupancy, operation and maintenance of the Restaurant and Premises.

7.2 **Right of Inspection.** You agree that our employees and agents have the right to enter the Restaurant and Premises without notice during business hours to determine your compliance with Standards and this Agreement. During the course of any such inspection, we may photograph or video any part of the Restaurant. We may select ingredients, products, supplies, equipment and other items from the Restaurant to evaluate whether they comply with our Standards. We may require you to immediately remove non-conforming items at your expense, and we may remove them at your expense if you do not remove them upon request.

7.3 **Determination of Prices.** Except as we may be permitted by law to require a particular price, you are free to determine the prices you charge for the products you sell.

FRANCHISE DISCLOSURE DOCUMENT



Crunch Franchising, LLC
a Delaware limited liability company
1 Harbour Place
Suite 230
Portsmouth, NH 03801
800-669-7162

The franchise offered is for the operation of a Crunch health club in one of 3 formats: Crunch Fitness, Crunch Select, and Crunch Signature. We also offer multi-unit developments rights and area development rights to develop and operate multiple Crunch health clubs within a specific development area under individual franchise agreements.

The total investment necessary to begin operation of a Crunch Fitness health club franchise is \$668,000 to \$3,513,000. This includes \$175,000 to \$1,025,000 that must be paid to the franchisor or affiliate. The total investment necessary to begin operation of a Crunch Select health club franchise is \$794,000 to \$5,418,000. This includes \$205,000 to \$1,275,000 that must be paid to the franchisor or affiliate. The total investment necessary to begin operation of a Crunch Signature health club franchise is \$1,277,000 to \$6,671,000. This includes \$275,000 to \$1,275,000 that must be paid to the franchisor or affiliate. There are no incremental initial investment costs if you become a multi-unit developer or area developer, but you will pay us a multi-unit development fee of \$25,000 for each of the Crunch health club franchises you are required to develop if you sign a Multi-Unit Development Agreement, or a development fee equal to \$25,000 for each Crunch health club (no matter which kind) required to be developed under your development schedule if you sign an Area Development Agreement.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar-days before you sign a binding agreement with, or make any payment to, the franchisor in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact John Merrion, 1 Harbour Place, Suite 230, Portsmouth, New Hampshire 03801, phone: 800.669.7162.

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "*A Consumer's Guide to Buying a Franchise*," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, N.W., Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
Maryland	2020	1	1	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	1	0	0	0	0	3
Massachusetts	2020	11	2	0	0	0	2	11
	2021	11	1	0	0	0	1	11
	2022	11	2	0	0	0	2	11
Michigan	2020	9	1	0	0	0	0	10
	2021	10	1	0	0	0	0	11
	2022	11	0	0	0	0	0	11
Minnesota	2020	0	1	0	0	0	0	1
	2021	1	1	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Mississippi	2020	5	0	0	0	0	0	5
	2021	5	0	0	0	0	0	5
	2022	5	0	0	0	0	0	5
Missouri	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Nebraska	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Nevada	2020	1	0	0	0	0	0	1
	2021	1	2	0	0	0	0	3
	2022	3	0	0	0	0	1	2
New Jersey	2020	18	3	0	0	0	0	21
	2021	21	1	0	0	0	1	21
	2022	21	1	0	0	0	0	21
New Mexico	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
New York	2020	14	3	0	0	0	0	17
	2021	17	1	0	0	0	0	18
	2022	18	0	0	0	0	0	18
North Carolina	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
Ohio	2020	6	1	0	0	0	0	7
	2021	7	0	0	0	0	0	7
	2022	7	0	0	0	0	0	7

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT, dated _____, 20____ (“Effective Date”), is made by and between CRUNCH FRANCHISING, LLC, a Delaware limited liability company (“we”, “us” or “our”), located at 1 Harbour Place, Suite 230, Portsmouth, NH 03801, and _____, a _____ (“you” or “your”), located at _____, who in consideration of the mutual promises set forth below, agree as follows:

1. Nature and Scope of Agreement

1.1 **The Franchisor.** We have developed and own a distinctive System designed to operate health clubs under the service mark CRUNCH® and associated marks, logos and designs (the “Licensed Marks”) which offer members basic health club services, including cardiovascular equipment, selectorized weight machines, free weights, group fitness classes, personal training, tanning and online nutritional programs. We offer franchises to operate a Crunch health club using the Licensed Marks and the System under three different formats: Crunch Fitness, Crunch Select, and Crunch Signature. The Licensed Marks may vary depending on the format of Franchised Business this Agreement is for, and there are other variations to the System (as defined below) depending on the format of your Franchised Business.

1.2 **The System.** The “System” is used by health clubs that offer members basic health club services and operate under the Licensed Marks under the Crunch Fitness, Crunch Select, and Crunch Signature formats, with some variations depending on the format. The System presently includes, but is not limited to: the Licensed Marks and associated marks, logos and designs; advertising, publicity and other marketing programs; training programs and training materials; the methods, designs, know how, business standards; and other requirements as stated or referred to in this Agreement and from time to time in our Operations Manual, or otherwise in writing by us and designated as part of standards for the System. The System will be applied to all Franchised Businesses, although we in our business judgment may vary the System and its application between the Crunch Fitness, Crunch Select, and Crunch Signature formats, and may make exceptions based on local conditions, special circumstances or different contractual provisions applicable to one or more Franchised Businesses. We may change or modify the System, including temporarily, from time to time, in our sole discretion, and you agree to comply with the System standards as they may exist from time to time and as they apply to the format of your Franchised Business (including all operational policies, procedures, programs and plans set forth in the Operations Manual or otherwise in writing), all of which shall constitute provisions of this Agreement as if fully set forth herein.

1.3 **The Franchisee.** You have independently investigated the business risks involved and such other matters as you deem important, including current and potential market conditions and competitive factors and risks, have read our Franchise Disclosure Document, and have not relied on any representations not set forth in this Agreement. Aware of the relevant facts, you desire to enter into this Agreement to obtain a license to use the System and the Licensed Marks to operate one Franchised Business in the format set forth on **Exhibit 1**, or identified in Section 3.1, within the Territory described in this Agreement.

2. Definitions, Representations and Owner’s Guaranty

2.1 The capitalized terms used in this Agreement shall have the following meanings:

7.1.3 You must conduct grand opening marketing and promotions in your Territory in accordance with our grand opening plan, and you cannot deviate from that plan without our prior written approval, which expenditures shall be in an amount of not less than \$15,000;

7.1.4 You must use your best efforts in the Territory to promote, develop and expand the market for Crunch health clubs;

7.1.5 You (if you are an individual) or one of your Owners (if you are an entity) must devote sufficient time and effort to your Franchised Business as required by Section 7.2 to ensure the proper, efficient and effective operation of the Franchised Business;

7.1.6 You must comply with all of our mandatory standards, methods, policies, products, procedures, techniques and specifications we prescribe from time to time, whether in the Operations Manual or in other written or electronic communications, including hours of operation, the wearing of uniforms while performing services, and using only equipment, uniforms, computers, point of sale and membership management systems, transaction processing and accounting platforms, software, telephones and other items that meet or exceed our standards;

7.1.7 You must operate the Franchised Business continuously throughout the Term and provide efficient, courteous, and high-quality service to all club members;

7.1.8 You must offer and sell all the services and products we specify from time to time, including without limitation our Personal Training System, Class-ic group fitness classes, dotFit services and supplements, and you may not sell services or products we prohibit;

7.1.9 You must manage and service all member accounts to our satisfaction and in accordance with the System;

7.1.10 You must allow access to your Franchised Business by members of other Crunch locations or Crunch members in accordance with reciprocity provisions included in their membership agreements in the manner and as detailed in the Operations Manual;

7.1.11 You must purchase an opening inventory of t-shirts, drinks, supplements and promotional items from approved Suppliers prior to opening your Franchised Business;

7.1.12 You (if an individual) or one of your Owners (if an entity) and your managers, if any, must attend and successfully complete our initial training program, and any ongoing training we designate. The training for owners and managers may be different. You are solely responsible for all the travel, living and meal expenses, and salaries, for yourself and your Owner or manager who attend the training classes;

7.1.13 The Franchised Business must always be under your direct on-site supervision (if you are an individual) or one of your Owners (if an entity) or a manager who has successfully completed the initial training program. If you have a manager and the manager is terminated or ceases employment, you must hire and have a new manager trained within thirty (30) days after the previous manager's employment ends;

7.1.14 You must hire such employees as are necessary or appropriate to staff the Franchised Business, and must ensure that all your employees have licenses required by law. You are solely responsible for the terms of their employment and compensation, and proper training;

or provide a replicated website to describe your Franchised Business or we will link our Website to your Website. Your use of social media, including but not limited to webpages such as Facebook, Twitter and Instagram, mobile applications and other mobile marketing (including text messaging for marketing and promotional purposes, which, as of the Effective Date is not permitted) for your Franchised Business is subject to our prior written approval, and your compliance with the requirements of Section 11.7. We may establish rules, guidelines or policies to determine the use and content of such Online Presence. These rules, guidelines or policies will be as determined by us from time to time in our sole discretion.

7.10 **Members.** You will primarily service members whose residence or place of work is located within your Territory.

7.11 **Reciprocity Rule.** We have a reciprocity rule with all franchisees that “Peak membership level” or above level memberships can use other Crunch franchise clubs on an unlimited basis, except that Crunch Fitness club members do not have access to Crunch Select or Crunch Signature Clubs. If any franchisee’s member’s usage at another club exceeds 75% for two (2) consecutive months, with an 8 visit minimum, that member may be asked by the visited club to transfer his or her membership over to that club. Under no circumstances may a membership be transferred without the member’s signed consent. We will provide a member transfer form, but it is the responsibility of the visiting club to manage club usage, request and manage the transfer and the reciprocity process. We reserve the right to modify the reciprocity rule at our sole discretion. For the avoidance of doubt, we and you acknowledge that you are not entitled to any revenue sharing for reciprocal membership usage from us or from other franchisees.

8. Fees and Payments

8.1 **Initial Franchise Fee.** You must pay to us upon your execution of this Agreement an initial franchise fee of \$25,000 (“**Initial Franchise Fee**”), which amount you acknowledge to be fully earned and nonrefundable. If we permit you to pay the Initial Franchise Fee in installments, you must sign a promissory note in form acceptable to us. Receipt by us of the Initial Franchise Fee, or the first installment thereof if we permit installment payment, is a condition to the effectiveness of this Agreement.

8.2 **Royalty.** You must pay us a monthly Royalty of five percent (5%) of Gross Sales (“**Royalty**”). The Royalty must be calculated and paid within five (5) days after the end of each calendar month. The Royalty will be automatically paid from your bank account as provided in Section 8.10.

8.3 **Brand Marketing Fund Payments.** You must pay us a monthly Brand Marketing Fund contribution in the amount we designate, but not to exceed two percent (2%) of Gross Sales (“**Brand Marketing Fund Contribution**”). The Brand Marketing Fund Contribution must be calculated and paid within five (5) days after the end of each calendar month. The Brand Marketing Fund Contribution will be automatically paid from your bank account as provided in Section 8.10. In lieu of charging a Brand Marketing Fund Contribution we may charge you on a pro rata basis for marketing and advertising projects that fall within the scope of the permissible use for the Brand Marketing Fund. In the event we charge you on a project basis your share of the project cost will be payable against invoice.

8.4 **Online Enrollment Processing Fee.** You must pay us our then current enrollment processing fee for each member of your health club (“**Online Enrollment Processing Fee**”). The Online Enrollment Processing Fee must be paid within five (5) days after the end of each calendar month. The Online Enrollment Processing Fee will be automatically paid from your bank account as provided in Section 8.10.

FRANCHISE DISCLOSURE DOCUMENT



OTF Franchisor, LLC
a Delaware limited liability company
6000 Broken Sound Parkway NW, Ste. 200
Boca Raton, FL 33487
(954) 530-6903
info@orangetheory.com
www.orangetheory.com

OTF Franchisor, LLC offers franchises for the operation of health and fitness studios that offer members access to exercise equipment, including cardio and strength equipment, in a simple, contemporary atmosphere characterized by our signature, energizing orange color scheme and trade dress under the ORANGETHEORY® trademarks (a “**Studio**”).

The total investment necessary to begin operation of an ORANGETHEORY® franchised business is \$613,129 to \$1,644,519. This includes \$232,174 to \$311,074 that must be paid to the franchisor or an affiliate.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar-days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in a different format, contact Franchise Sales at 6000 Broken Sound Parkway NW, Suite 200, Boca Raton, Florida 33487, sales@orangetheory.com, and (954) 530-6903.

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. Information on franchising, such as “A Consumer's Guide to Buying a Franchise,” which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

The issuance date of this disclosure document is June 7, 2023.

State	Year	Studios at Start of Year	Studios Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Studios at End of the Year
Idaho	2020	3	1	0	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
Illinois	2020	57	3	0	0	0	0	60
	2021	60	0	0	0	0	0	60
	2022	60	2	0	0	0	0	62
Indiana	2020	17	0	0	0	0	0	17
	2021	17	3	0	0	0	0	20
	2022	20	0	0	0	0	0	20
Iowa	2020	9	1	0	0	0	0	10
	2021	10	0	0	0	0	0	10
	2022	10	0	0	0	0	0	10
Kansas	2020	10	0	0	0	0	0	10
	2021	10	0	0	0	0	0	10
	2022	10	0	0	0	0	1	9
Kentucky	2020	9	0	0	0	0	0	9
	2021	9	1	0	0	0	0	10
	2022	10	1	0	0	0	0	11
Louisiana	2020	11	0	0	0	0	0	11
	2021	11	1	0	0	0	0	12
	2022	12	0	0	0	0	0	12
Maine	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Maryland	2020	13	1	0	0	0	0	14
	2021	14	1	0	0	0	0	15
	2022	15	2	0	0	0	0	17
Massachusetts	2020	32	2	0	0	0	0	34
	2021	34	1	0	0	0	0	35
	2022	35	1	0	0	0	0	36
Michigan	2020	21	2	1	0	0	0	22
	2021	22	0	0	0	0	0	22
	2022	22	1	0	0	0	0	23
Minnesota	2020	19	2	0	0	0	0	21
	2021	21	1	0	0	0	0	22
	2022	22	0	0	0	0	0	22
Mississippi	2020	6	0	0	0	0	0	6
	2021	6	0	0	0	0	0	6
	2022	6	0	0	0	0	0	6
Missouri	2020	18	1	0	0	0	0	19
	2021	19	0	0	0	0	0	19
	2022	19	0	0	0	0	0	19

ORANGETHEORY® FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (“**Agreement**”) is made and entered into as of the date set forth on Appendix A of this Agreement (the “**Effective Date**”) (Appendix A and all appendices and schedules attached to this Agreement are hereby incorporated by this reference) by and between **OTF FRANCHISOR, LLC**, a Delaware limited liability company whose principal business address is 6000 Broken Sound Parkway NW, Suite 200, Boca Raton, Florida 33487 (“**we**,” “**us**,” “**our**” or “**Franchisor**”), and the person or Entity identified on Appendix A as the franchisee (“**you**,” “**your**” or “**Franchisee**”).

A. We and our Affiliates have developed valuable and proprietary business formats and systems (collectively, the “**System**”) used in developing and operating health and fitness studios that operate under the ORANGETHEORY® mark (“**Studios**”).

B. The distinguishing characteristics of the System include, but are not limited to, our Studio designs, layouts, and identification schemes (collectively, the “**Trade Dress**”), our specifications for equipment, inventory, and accessories; our website or series of websites for the promotion of the brand and the Studios (the “**System Website**”); our relationships with vendors; our software and computer programs; our online booking system; our reservation procedures; any fitness programs and classes that we have developed or may develop; the accumulated experience reflected in our training program, operating procedures, customer service standards methods, and marketing techniques; and the mandatory and suggested policies, procedures, standards, specifications, rules, and requirements (“**System Standards**”) set out in our operations manuals (“**Manuals**”) and otherwise in writing. We may change, improve, add to, and further develop the elements of the System from time to time.

C. We identify the Studios operating under the System by means of the trade and service marks “ORANGETHEORY®”, “OT FIT®”, “OTF®” and certain other trademarks, service marks, trade names, signs, associated designs, artwork, and logos set forth on Appendix B (collectively, the “**Marks**”). We may designate for your use other trade names, service marks, and trademarks as Marks from time to time. These marks will also be included in the term the “Marks.”

D. We may have engaged an area representative to provide certain services to you under this Agreement pursuant to an Area Representative Agreement. If an area representative will be providing you with services as of the Effective Date, the area representative will be listed on Appendix A (the “**Area Representative**”). We may, without your consent, appoint an Area Representative or a substitute for the Area Representative at any time.

E. As used in this Agreement, “**Affiliate**” as used with respect to you or us, means any person directly or indirectly owned or controlled by, under common control with, or owning or controlling, you or us (as applicable). For purposes of this definition, “**control**” of a person means ownership or control of a majority of the voting ownership of the person or any combination of voting ownership and/or one or more agreements that together afford control of the management and policies of such person.

F. We franchise others the right to establish and operate one or more Studios within defined territories. You have applied for a franchise to own and operate a single Studio at a location that you select and we approve, and we wish to grant you such a franchise on the terms and conditions contained in this Agreement.

conference. If you own multiple Studios, we may permit, in our sole discretion, you (or your Managing Owner) and a designated manager and lead trainer from one of your Studios to attend such programs on behalf of all of your Studios, provided that you will be responsible for training all of your managers and other employees at all of your Studios on the subjects taught at the programs to ensure that all such Studios are operated in accordance with System Standards.

(f) Online Training. For any training programs that we conduct, we may supplement or replace portions of the in-person training with online training modules.

(g) Travel and Living Expenses. You will be responsible for the compensation, travel and living expenses of you, your Owners and your employees during any and all training, conferences, and programs.

5. **FEES**

(a) Franchise Fee. You must pay us an initial franchise fee in the amount specified in Appendix A (the "**Franchise Fee**") in a lump sum upon execution of this Agreement. This Franchise Fee is due, and fully earned by us, when you sign this Agreement. The Franchise Fee is not refundable.

(b) Royalty Fee.

(i) Amount of Royalty Fee. Beginning on the Effective Date, you must pay us a weekly royalty fee (the "**Royalty**") equal to 8% of your Studio's Gross Sales during each week.

(ii) Definition of Gross Sales. "**Gross Sales**" means the total gross revenue from the provision of all products and services sold or performed by or for you or the Studio in, at, from or away from the Studio, or through or by means of the Studio's business, whether from cash, check, credit card, debit card, barter or exchange, or other credit transactions, and irrespective of the collection thereof, and including the following: (a) membership fees, including initiation fees, enrollment fees, processing fees, paid-in-full dues, renewal fees, corporate/third party payor fees, monthly dues and any fees or revenue generated and derived during any presales; (b) fees and charges for optional services; (c) fees charged to non-members using the Studio's services; (d) revenue derived from merchandise and product sales and other Core Business Operations (as defined in Section 6(c)(ii) (Core Business Operations)) and any Ancillary Business Operations (as defined in Section 6(c)(iii) (Ancillary Business Operations)) that you or your Affiliate performs; (e) payments (for example, rent and license fees) that Contractors (as defined in Section 6(c)(ii)) make to you relating directly or indirectly to their performance of Ancillary Business Operations; and (f) payments you receive from an insurer to replace or compensate you for revenue lost as a result of an insured risk that interrupted the operation of your Studio. Notwithstanding the foregoing, the following amounts will be deducted from "**Gross Sales**": (i) sales taxes, use taxes, and other similar taxes added to the sales price and collected from the customer and paid to the appropriate taxing authority; and (ii) any bona fide refunds and credits that are actually provided to customers. For the avoidance of doubt, Gross Sales does not include rent, license fees and other fees that you or your Affiliate receives in return for authorizing an unrelated Contractor to operate an unrelated business (which is not part of the Core Business Operations or the Ancillary Business Operations) from part of the property on which the Studio is located (but not from the Studio itself), as long as the unrelated business has a

separate street address and entrance that its customers must use and is not directly accessible from the Studio.

(c) Brand Fund Contribution. You agree to contribute to the Brand Fund such amounts that we prescribe from time to time (the "**Brand Fund Contributions**"), not to exceed 5% of your Gross Sales. The Brand Fund Contributions are payable monthly based on your Gross Sales during the previous month or as otherwise prescribed by us in the Manuals.

(d) Technology Fee. Beginning with the month that you set up your Management Account, you must pay us a monthly technology fee (the "**Technology Fee**") for certain products, services, licenses, and sublicenses related to the Technology System (as defined in Section 6(j) (Technology System)) that we specify and require you to acquire from us or our Affiliates for use in the operation of your Studio. We may change the Technology Fee, the payment due date, and the products, services, licenses, and sublicenses covered by the Technology Fee from time to time in the Manuals or otherwise in writing. In addition to the ongoing Technology Fee, you must pay us or a third-party vendor that we designate a \$575 initial set-up fee for your Management Account. The Technology Fee is in addition to the fees set forth in Section 5(e) (OTbeat Fee).

(e) OTbeat Fee. You must pay us or our Affiliate a one-time setup fee and a monthly fee (the "**OTbeat Fee**") for a license to use the proprietary heart rate monitoring system that we or our Affiliate provide or make available to you, or other heart rate monitoring system and/or other technology we prescribe for use in connection with the operation of the Studio (the "**OTbeat™ System**"). We may change the amount, the payment due date, and the products, services, and licenses covered by such fees from time to time in the Manuals or otherwise in writing. Currently, these fees are for the software that supports the OTbeat™ System only, and they do not include the cost of the equipment or related components (such as straps and pods that members will use to connect to the OTbeat™ System during their workout), which you must purchase from our Affiliate or a vendor that we designate based on its then-current pricing.

(f) Non-Compliance Fee. If we determine that you have violated any of your obligations under this Agreement, including any failure to comply with any standards set forth in the Manuals, we may send you a notice of violation and assess you up to \$1,000 (the "**Non-Compliance Fee**"), which must be paid within 10 days from your receipt of our notice. The Non-Compliance Fee applies for each notice of violation that we send to you, even if the violation is of the same provision of this Agreement for which you previously received a notice of violation from us. We reserve all other rights and remedies available to us.

(g) Payments of Fees. All fees are due to us at the times and in the manner that we specify from time to time in the Manuals or otherwise. Currently, (i) the Royalty for the immediately preceding week shall be paid to us on each Friday, (ii) the Brand Fund Contribution for the immediately preceding month shall be paid to us by the 15th day of each month, and (iii) the Technology Fee and OTbeat Fee shall be paid to us by the 20th day of each month. All other fees and payments due to us must be paid to us within ten days of your receipt of an invoice from us or as otherwise specified in the Manuals.

(h) Automatic Debit. You must sign and deliver to us the documents we periodically require to authorize us to debit your checking account automatically for the Royalty, Brand Fund Contributions, and other amounts due under this Agreement or any related agreement between us (or our Affiliates) and you at the dates specified in the Manuals or under such agreement. You agree to make the funds available for withdrawal by electronic transfer before each due date. If you fail to report the Studio's Gross Sales, we may debit your account for 150% of the last Royalty

(Q) types, amounts, terms and conditions of insurance coverage required to be carried for the Studio and standards for underwriters of policies providing required insurance coverage; and

(R) information and other forms and procedures which you must use to submit any proposed Transfer to us under Section 10 (Transfer) for our approval.

(iii) Employment Matters. To the extent System Standards, or other resources in the Manuals, address personnel or employment matters, those are not mandatory but are merely recommendations, suggestions or guidelines. System Standards do not include any mandatory requirements on your employee's wages, working conditions, hours, staffing levels, shift timing or other terms of employment, but may specify uniforms and appearance to meet brand standards. While we or your Area Representative may provide additional employment-related guidance, you are responsible for making all hiring and employment decisions as the owner of the Studio. This includes, but is not limited to, employee selection, hiring, training, promotion, termination, hours worked, rates of pay, benefits, work assigned, supervision, discipline, and working conditions.

(iv) Privacy Requirements. To the extent applicable, you must abide by: (i) the Payment Card Industry Data Security Standards enacted by the applicable card associations (as they may be modified from time to time or as successor standards are adopted); (ii) the Fair and Accurate Credit Transactions Act; (iii) all other standards, laws, rules, regulations or any equivalent thereof that related to electronic payments, data privacy, personally identifiable information, protected health information, and data protection; and (iv) any privacy policies or data protection and breach response policies we periodically may establish (collectively, "**Privacy Requirements**"). We may require you to (a) use vendors that we designate or approve to provide security services that are consistent with the Privacy Requirements; (b) maintain specific security measures; (c) provide evidence of compliance with Privacy Requirements upon our request; and/or (d) use vendors that we approve or designate to conduct periodic security audits to ensure that personally identifiable information, protected health information, and/or payment data is adequately protected and provide us with copies of any audits, scanning results, or related documentation relating to such compliance or audits. If you suspect or know of a security breach, you must immediately give us notice of such security breach and promptly identify and remediate the source of any compromise or security breach at your expense. You assume, at your expense, all responsibility for complying with applicable data breach notification laws, providing all notices of breach or compromise, and monitoring credit histories and transactions for all impacted individuals.

(b) Modification of System Standards. We may periodically modify the System Standards, provided that such modifications will not alter your fundamental rights under this Agreement. You must comply with all modifications to the System Standards within the reasonable time periods we specify. You acknowledge that any modifications to the System Standards may obligate you to invest additional capital in the Studio and/or to incur higher operating costs and that there is no limit on the cost or frequency of such modifications. Modifications may include (at our discretion) those needed to modernize the premises of the Studio, and other changes to the Operating Assets (including the Technology System), signs, interior and exterior décor items, fixtures, furnishings, supplies, and other products and materials required for new Studios.

(c) Product and Service Offerings.

(i) Products and Services You May Offer. You may offer in the Studio to customers only the products, services, and classes that we have approved in writing. In addition, you must offer the specific products, services, and classes that we require in the Manuals or otherwise in writing. We may change these specifications periodically, and we may designate specific products or services as optional or mandatory. You must offer all products, services, or classes that we designate as mandatory. You may sell products and services only in the varieties, forms, and packages that we have approved in accordance with our System Standards. You must maintain a sufficient supply of required products to meet the inventory standards we prescribe in the Manuals (or to meet reasonably anticipated customer demand, if we have not prescribed specific standards).

(ii) Core Business Operations. You must offer or perform (as applicable) in the Studio all Core Business Operations, as we periodically modify them. “**Core Business Operations**” means all mandatory business activities of or associated with the Studio, including the Studio's front desk and membership operations, all cardio and weight training functions, personal training services, group exercise classes, towel/locker services, and other services we designate from time to time. You and your employees must perform all Core Business Operations at the Studio, and you may not contract with or allow any third party, including any licensee, lessee, consultant or other independent contractor (a “**Contractor**”), to perform any Core Business Operations.

(iii) Ancillary Business Operations. You may offer or perform (as applicable) in the Studio any Ancillary Business Operations (if any) that we specify or approve in our sole discretion. “**Ancillary Business Operations**” means business activities other than Core Business Operations, such as tanning services, massage services, chiropractic services and physical therapy services, which (i) we may periodically specify as being ancillary and optional to the main business of the Studio or (ii) which we, in our sole discretion, otherwise approve in writing. We may specify in the Manuals and periodically modify those business activities that will be approved as Ancillary Business Operations. If we withdraw our approval for any Ancillary Business Operations, you must promptly cease offering such Ancillary Business Operations. At your option, but subject to our prior written approval and your compliance with all terms and conditions of this Agreement, you may (i) allow one or more Contractors to perform any or all of the Ancillary Business Operations, provided that they may not use the Marks when doing so and that you enter into an arm's-length commercial relationship with each Contractor; or (ii) perform any or all Ancillary Business Operations yourself (through your employees), either under the Marks or under any trademark, service mark or trade name other than the Marks (an “**Other Mark**”) that you own or license from a third party (an “**Ancillary Trademark Licensor**”). You acknowledge that, as a condition to obtaining our approval:

(A) you must first submit to us all agreements and other documents evidencing the relationship between you and each Contractor or Ancillary Trademark Licensor with respect to any Ancillary Business Operations and promptly notify us of any changes in the terms of your relationship with any Contractor or Ancillary Trademark Licensor;

(B) you and each Contractor or Ancillary Trademark Licensor must sign any agreements and documents that we periodically specify to protect our rights in the System, Confidential Information and Marks;



FRANCHISE DISCLOSURE DOCUMENT

Planet Fitness Franchising LLC
(a Delaware Limited Liability Company)
4 Liberty Lane West, Floor 2
Hampton, NH 03842
(603) 750-0001
www.planetfitness.com

PLANET FITNESS® businesses are fitness training facilities offering exercise machines and free weights, fitness training services, related services, amenities, and ancillary goods. We offer for sale **PLANET FITNESS** franchises for new locations and for existing fitness facilities that want to convert to a **PLANET FITNESS**.

The total investment necessary to begin operation of a single **PLANET FITNESS®** facility ranges from \$1,495,000 to \$3,783,000 if you finance your equipment. This includes \$41,000 to \$342,000 that must be paid to the franchisor or its affiliate. If you choose to purchase your equipment, the total investment necessary to begin operation of a single **PLANET FITNESS®** facility ranges from \$2,311,000 to \$5,141,000. This includes \$414,000 to \$1,060,000 that must be paid to the franchisor or its affiliate. These estimated initial investment ranges also apply to each location that you develop under the Area Development Agreement (plus the Area Development Fee you pay at the time you sign the Area Development Agreement). If you sign an Area Development Agreement, you must develop one or more **PLANET FITNESS®** facilities, and you will pay an Area Development Fee of \$10,000 per planned location (paid in full when you sign the Area Development Agreement) in addition to the then-current initial franchise fee due for each location at the time the Franchise Agreement for that location is signed.

This Disclosure Document summarizes certain provisions of your franchise agreement and other information in plain English. Read this Disclosure Document and all accompanying agreements carefully. You must receive this Disclosure Document at least 14 calendar days before you sign a binding agreement with, or make any payment to, us or an affiliate in connection with the proposed franchise sale. **Note, however, that no government agency has verified the information contained in this document.**

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Sara Grotheer, Senior Manager of Business Development, at 4 Liberty Lane West, Hampton, NH 03842 and (603) 750-0001.

The terms of your contract will govern your franchise relationship. Don't rely on the Disclosure Document alone to understand your contract. Read all of your contract carefully. Show your contract and this Disclosure Document to an advisor, like a lawyer or accountant.

Buying a franchise is a complex investment. The information in this Disclosure Document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this Disclosure Document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue NW, Washington, DC 20580. You can also visit the FTC's home page at www.ftc.gov for additional information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

Issuance date: May 25, 2023, as amended December 18, 2023

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor**	Ceased Operations - Other Reasons	Outlets at End of the Year
	2022	46	1	0	0	0	0	47
Massachusetts	2020	70	2	0	0	0	0	72
	2021	72	2	0	0	1	1	72
	2022	72	6	0	0	0	0	78
Michigan	2020	79	2	0	0	0	0	81
	2021	81	4	0	0	0	0	85
	2022	85	2	0	0	0	0	87
Minnesota	2020	21	4	0	0	0	0	25
	2021	25	2	0	0	0	0	27
	2022	27	2	0	0	0	0	29
Mississippi	2020	18	2	0	0	0	0	20
	2021	20	0	0	0	0	0	20
	2022	20	1	0	0	0	0	21
Missouri	2020	30	4	0	0	1	0	33
	2021	33	3	0	0	0	1	35
	2022	35	1	0	0	0	0	36
Montana	2020	4	1	0	0	0	0	5
	2021	5	0	0	0	0	0	5
	2022	5	0	0	0	0	0	5
Nebraska	2020	12	0	0	0	0	0	12
	2021	12	1	0	0	0	0	13
	2022	13	2	0	0	0	0	15
Nevada	2020	16	2	0	0	0	0	18
	2021	18	2	0	0	0	0	20
	2022	20	2	0	0	0	0	22
New Hampshire	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	1	0	2
	2022	2	0	0	0	0	0	2
New Jersey	2020	48	3	0	0	0	0	51
	2021	51	4	0	0	0	0	55
	2022	55	5	0	0	0	0	60
New Mexico	2020	19	0	0	0	0	0	19
	2021	19	0	0	0	0	0	19
	2022	19	0	0	0	0	0	19
New York	2020	90	4	0	0	0	0	94
	2021	94	3	0	0	0	0	97
	2022	97	4	0	0	0	0	101
North Carolina	2020	66	9	0	0	1	0	74
	2021	74	5	0	0	0	0	79

**PLANET FITNESS®
FRANCHISE AGREEMENT**

THIS FRANCHISE AGREEMENT (the “Agreement”) is made and entered into as of the Effective Date (as defined herein) by and between Planet Fitness Franchising LLC, a limited liability company formed under Delaware law, with its principal business address at 4 Liberty Lane West, Floor 2, Hampton, New Hampshire 03842 (referred to in this Agreement as “Franchisor”, “we,” “us” or “our”), and the Franchisee listed on the signature page hereto (referred to in this Agreement as “Franchisee”, “you” or “your”).

1. PREAMBLES, ACKNOWLEDGMENTS AND REPRESENTATION.

1.1 PREAMBLES. We and our Affiliates, as the result of the expenditure of time, skill, effort, and money, have developed, and continue to develop, a distinctive System relating to the development and operation of **PLANET FITNESS** fitness facilities (“**PLANET FITNESS** Businesses”) identified by the Marks. We own the Marks and license them to franchisees. We grant franchises to persons who meet our qualifications and are willing to undertake the investment and effort required to own and operate a **PLANET FITNESS** Business offering the products and services we authorize and approve and utilizing our System and the Marks. You have indicated to us by your actions and statements that you desire a franchise to own and operate a **PLANET FITNESS** Business. This Agreement governs your ownership and operation of one (1) **PLANET FITNESS** Business.

1.2 ACKNOWLEDGMENTS. You acknowledge that you have read this Agreement and our Franchise Disclosure Document (“FDD”) and understand and accept the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain our high standards of quality and service and the uniformity of those standards at each **PLANET FITNESS** Business and thereby to protect and preserve the goodwill of the Marks. You acknowledge that you have conducted an independent investigation of the business venture contemplated by this Agreement and recognize that, like any other business, the nature of the business conducted by a **PLANET FITNESS** Business may evolve and change over time, that an investment in a **PLANET FITNESS** Business involves business risks and that your business abilities and efforts are vital to the success of the venture. Any information you acquire from other **PLANET FITNESS** franchisees or third party vendors relating to the sales, profits or cash flows of other **PLANET FITNESS** Businesses does not constitute information obtained from us, nor do we make any representation as to the accuracy of any such information. You acknowledge that, in all of their dealings with you, our officers, directors, employees and agents act only in a representative, and not in an individual, capacity. All business dealings between you and such persons as a result of this Agreement are solely between you and us. You further acknowledge that we have advised you to seek franchise counsel to review and evaluate this Agreement.

1.3 REPRESENTATION. You represent to us, as an inducement to our entry into this Agreement, that all statements you have made and all materials you have submitted to us in connection with your purchase of the franchise are accurate and complete and that neither you nor any of your Owners have made any misrepresentations or material omissions in obtaining the Franchise. You represent to us that your entry into this Agreement does not breach any agreement or other legal obligation of you or any of your Owners including, if applicable, the active area development agreement pursuant to which the BUSINESS is being developed (the “ADA”). We have approved of your purchase of the Franchise in reliance upon all of your representations. We reserve the right to terminate this Agreement, as provided in Article 15, if you made any material representation to us that was false or there were any material omissions in information provided to us in inducing us to enter into this Agreement with you. You agree to indemnify and hold us harmless for a breach of any representation in this Article 1.3, as provided in Article 18.4.

1.4 CERTAIN DEFINITIONS. The terms listed below have the meanings which follow them and include the plural as well as the singular. Other terms are defined elsewhere in this Agreement in the context in which they arise.

- (6) you have conducted Pre-Sale for the minimum time period set forth in Article 4.6 hereof, unless we otherwise approve, and have complied in all material respects with your approved Pre-Sale Marketing Plan and the Pre-Sale requirements in our Operations Manual;
- (7) we have approved your Grand Opening Marketing Plan;
- (8) we have been furnished with copies of all insurance policies required by this Agreement, or such other evidence of insurance coverage and payment of premiums as we request or accept; and
- (9) you have obtained all required permits, licenses and certifications for operating the BUSINESS, and the Location is in compliance with all applicable laws, rules and regulations.

4.8 BUSINESS COMMENCEMENT DEADLINE. The Business Commencement Date must occur within three hundred and sixty (360) days after the execution of this Agreement, or, in the case of a ground-up build, four hundred and eighty (480) days after the execution of this Agreement, and, in either case, within five (5) days after we notify you that the conditions set forth in this Article regarding opening have been satisfied.

4.9 OPENING ASSISTANCE. If you (or any of your Affiliates) have not previously owned or operated a PLANET FITNESS Business, we may provide you with such opening operational assistance as we deem appropriate to assist you in starting your operations, including on-site opening assistance for not more than five (5) days, as scheduled by us. We also may offer additional opening assistance for a fee.

4.10 RELOCATIONS. You must comply with all requirements of this Article 4 with respect to the acquisition and development of an approved Relocation site, provided, however, that (a) the time periods for acquiring the site, commencing and completing construction and commencing BUSINESS operations will not apply, and (b) you will not be required to conduct a Pre-Sale or develop or execute a Pre-Sale Marketing Plan or a Grand Opening Marketing Plan. You may use the Marks and the System at an approved Relocation site in compliance with this Agreement to the extent necessary to develop the Relocation site and advertise the Relocation. You must advertise the Relocation as set forth in Article 10.2(3) hereof. You must comply with all applicable closure requirements set forth in Article 16.2 hereof with respect to the existing Location, including, but not limited to the de-branding of the existing Location and any furnishings, fixtures, equipment, signs, inventory or other items not being relocated to the Relocation site. You may not open the BUSINESS to members at the new Location without our written approval to do so, which we may withhold if you have not complied with all applicable requirements, and until this Agreement has been amended to reflect the new Location of the BUSINESS.

4.11 NOTICE OF DEFICIENCIES. If you believe we have failed to adequately provide any services required to be provided to you in regard to the training, support or any other matter affecting the establishment of the BUSINESS, you shall so notify us in writing within ninety (90) days following opening of the BUSINESS. Absent the timely provision of such notice to us, you shall be deemed to conclusively acknowledge that all pre-opening and opening services required to be performed by us were sufficient and satisfactory in your judgment.

5. FEES.

5.1 INITIAL FRANCHISE FEE. You agree to pay us a nonrecurring and nonrefundable initial franchise fee in the amount of Twenty Thousand U.S. Dollars (\$20,000), that shall be due when you execute the Agreement (“Initial Franchise Fee”). The Initial Franchise Fee shall be deemed fully

earned by us at the time it is due. If this Agreement is issued pursuant to an ADA, the Initial Franchise Fee is waived.

- 5.2 ROYALTY.** You agree to pay us a nonrefundable royalty (“Royalty”) per Monthly Membership Accounting Period and Annual Membership Accounting Period via EFT. The Royalty is equal to seven percent (7%) of the EFT Dues Draft. We will collect the Royalty on the Monthly Membership Billing Day and Annual Membership Billing Day, as applicable, pursuant to our Methods of Operation, via EFT initiated by us or by a third party authorized by us from the EFT Dues Draft, the Designated Account, or by such other means as we may authorize and approve. Notwithstanding the foregoing, we reserve the right, on sixty (60) days’ prior written notice to you, to calculate the Royalty with reference to the Total Net Membership Revenues of the BUSINESS.
- 5.3 DESIGNATED ACCOUNT AND AUTHORIZED EFT.** Prior to the opening of the BUSINESS, you shall establish a designated bank account (“Designated Account”) from which we or our authorized designee shall be authorized to withdraw in any manner which we prescribe, which may include wire transfer, any amounts due to us, our Affiliates or certain other parties as described herein, including, without limitation, Royalty, LAF fees, Ad Fees, training fees, consultation fees, or any other fees or monies payable by you and related to the BUSINESS, this Agreement or your ADA, if applicable. We have the right to review your sales numbers on a daily basis. On the days designated as your Monthly Membership Billing Day and Annual Membership Billing Day, we or our authorized designee shall calculate the Royalty due for that Monthly Membership Accounting Period and Annual Membership Accounting Period and withdraw such amount, along with any other amounts then due and owing under this Agreement including, without limitation, LAF fees, Ad Fees, training fees, consultation fees, or any other fees or monies, directly from the EFT Dues Draft or the Designated Account. All costs and expenses of establishing and maintaining such Designated Account, including transaction fees and wire transfer fees, shall be paid by you. You agree to maintain at all times sufficient funds in the Designated Account for such withdrawals. We reserve the right to designate another method of payment or time frame for payment upon written notice to you or in our Operations Manual.
- 5.4 INTEREST ON LATE PAYMENTS.** All amounts which you owe us and do not pay us when due will bear interest after their due date at the lesser of: (a) the highest contract rate of interest permitted by law; or (b) ten (10%) percent per annum, which shall be immediately due and payable. You acknowledge that this Article does not constitute our agreement to accept any payments after they are due or our commitment to extend credit to, or otherwise finance your operation of, the BUSINESS.
- 5.5 WITHHOLDING AND APPLICATION OF PAYMENTS.** Notwithstanding any designation you might make, we have the right to apply any of your payments to any of your past due indebtedness to us. You acknowledge and agree that we have the right to set off any amounts you or your Owners owe us against any amounts we might owe you or your Owners. You may not offset any amounts you owe us or otherwise withhold payment of any amounts owed to us on the grounds of our alleged nonperformance of any of our obligations hereunder.
- 5.6 COLLECTION OF PAST DUE AMOUNTS.** If you are more than sixty (60) days past due on any undisputed payment (except a payment you have failed to make due to a force majeure event) to us, any vendor or landlord, or another third party that we deem material to the operation of the BUSINESS, we may send you written notice of such failure to pay. If you do not either pay the overdue amount or send us and, if applicable, such third party written notice disputing the amount overdue, including the good faith basis for such dispute, within fourteen (14) days of your receipt of our written notice, then you hereby authorize us to collect such amount from you as described in Article 5.9 hereof, and make payment on your behalf of such amount to us or to the third party. Our optional collection rights set forth in this Article 5.6 create no affirmative obligations or third-party beneficiaries and are in addition to any other rights and remedies we may have hereunder and under applicable law for your failure to make payments when due.

will not acquire any interest in Confidential Information, other than the right to utilize Confidential Information disclosed to you in operating the BUSINESS during the Term of this Agreement, and that the use or duplication of any Confidential Information in any other business will constitute an unfair method of competition and a violation of this Agreement.

- (2) You and your Owners must also maintain the confidentiality of all proprietary information you develop or collect in connection with the BUSINESS (“Business Information”). You and your Owners may use Business Information in connection with your BUSINESS in a manner not prohibited by this Agreement and for such purposes as may be reasonably related to your status as a **PLANET FITNESS** franchisee. You and your Owners may not use Business Information in any other business or capacity, and must exercise best efforts, including the implementation of all reasonable procedures we prescribe from time to time, to prevent unauthorized use or disclosure of the Business Information.
- (3) You acknowledge you are aware that (i) the Confidential Information and Business Information may relate to publicly traded securities, and (ii) the restrictions imposed by applicable securities laws restrict trading in securities while in possession of material non-public information and on communication of such information when it is reasonably foreseeable that the recipient is likely to trade such securities, in reliance on such information. You and your Owners agree not to trade, either directly or through other persons, based on Confidential Information or Business Information in a manner that would violate the securities law of any applicable jurisdiction including, without limitation, the United States securities laws. Except for confidential communications in connection with a business purpose related to the development, operation or financing of your BUSINESS (including valuing, financing or marketing the BUSINESS for sale), you may not discuss any non-public information about the BUSINESS or the System with investment analysts or investment research firms. For the avoidance of doubt, your failure to comply with any of the requirements of this Article 8.2(3) is a material breach of this Agreement, and you agree, in addition to all of our other rights and remedies available hereunder and under applicable law, you will indemnify us for our costs in obtaining professional advice, making public filings, responding to regulators or otherwise responding to such breach.
- (4) If you become legally compelled by a judicial or legislative order of a governmental authority or court of competent jurisdiction to disclose any of the Confidential Information, you shall provide us with prompt written notice of such requirement before you disclose any Confidential Information so that we may seek a protective order or other appropriate remedy and/or waive compliance with the terms of this Article 8.2. Upon our request, you shall take all reasonable steps requested to assist us in contesting such request for disclosure. If a protective order or other remedy is not obtained, or we waive compliance with this Article 8.2, you agree to furnish only that portion of the Confidential Information you are advised by counsel is legally required to be disclosed and to exercise commercially reasonable efforts to obtain assurance that confidential treatment will be afforded to such Confidential Information.

9. OPERATIONS.

- 9.1 COMPLIANCE WITH METHODS OF OPERATION.** You acknowledge that each and every aspect of the interior and exterior appearance, layout, decor, services and operation of your BUSINESS is important to protect our reputation and goodwill and to maintain uniform operating standards under the Marks. Any required standards exist to protect our interest in the System and the Marks for other franchisees and to create a consistent positive member experience and not to

control the day-to-day operation of the BUSINESS, or reserve or establish any control, or the right or duty to take control, over those matters that are clearly reserved to you, which include employment matters. You agree to comply with all mandatory Methods of Operation (whether contained in the Operations Manual or any other communication), including, but not limited to:

- (1) design, layout, decor, appearance and lighting; periodic maintenance, cleaning, pest control and sanitation; periodic remodeling; replacement of obsolete or worn out leasehold improvements, fixtures, furnishings, equipment and signs; periodic painting; equipment repair; and use of interior and exterior signs, emblems, lettering and logos and the illumination thereof;
- (2) types, models and brands of required fixtures, furnishings, equipment, signs, materials and supplies;
- (3) required or authorized products, product categories and membership types;
- (4) requirements and guidelines for membership agreements, membership policies, member billing practices (to provide for a consistent member experience, reflect updates in the System and protect the reputation of the brand) and member rules;
- (5) designated suppliers or Approved Suppliers (which may be limited to or include us or our Affiliates) of fixtures, furnishings, equipment, signs, products, materials, supplies, and services (including, but not limited to, content licensing, technology and marketing services) and disapproved suppliers (including, but not limited to, disapproved suppliers of business brokerage and real estate brokerage services);
- (6) terms and conditions of the sale and delivery of, and terms and methods of payment for products, materials, supplies and services including direct labor, that you obtain from us, our Affiliates or others;
- (7) sales, marketing, advertising and promotional programs and materials and media used in such programs, including mandatory sales and promotions and in-club advertising;
- (8) use and display of the Marks;
- (9) compliance with **PLANET FITNESS** philosophy and mission including, without limitation, compliance with the Judgement Free Zone™ philosophy and unlimited free group and other fitness instruction, provided that if such other fitness instruction has a substantial negative impact on the operating results of the BUSINESS we will review and consider (in consultation with the recognized franchisee association) discontinuing or making optional such other fitness instruction;
- (10) minimum staffing levels for the BUSINESS and matters relating to managing the BUSINESS; operational training, dress and appearance for both management and hourly employees; and sale procedures and customer service;
- (11) days and hours of operation of the BUSINESS;
- (12) participation in market research and testing and product and service development programs;
- (13) acceptance of credit cards, other payment systems and check verification services;
- (14) bookkeeping, accounting, data processing and record keeping systems and forms; methods, formats, content and frequency of reports to us of sales, revenue, financial performance

and condition; and furnishing tax returns and other operating and financial information to us;

- (15) procedures, policies and required formats for submitting information to us and requesting documents from us;
- (16) types, amounts, terms and conditions of insurance coverage required to be carried for the BUSINESS and standards for underwriters of policies providing required insurance coverage;
- (17) adhering to good business practices; observing high standards of honesty, integrity, fair dealing and ethical business conduct in all dealings with customers, suppliers and us; and
- (18) regulation of such other aspects of the operation and maintenance of the BUSINESS including, but not limited to, subject to applicable law, maximum and minimum prices charged for products and services offered through the BUSINESS, that we determine from time to time to be useful to preserve or enhance the efficient operation, image or goodwill of the Marks and **PLANET FITNESS** Businesses.

For the avoidance of doubt, mandatory Methods of Operation do not include the scheduling or terms and conditions of employment for your employees. They also do not include personnel policies or procedures, which **PLANET FITNESS** may make available as examples for franchisees' reference. You alone will determine to what extent, if any, these example policies and procedures might be useful to your BUSINESS and comply with applicable law.

You agree that the mandatory Methods of Operation prescribed from time to time in the Operations Manual, or otherwise communicated to you in writing or other tangible form, constitute provisions of this Agreement as if fully set forth herein.

9.2 MODIFICATION OF METHODS OF OPERATION. We may modify the Methods of Operation, from time to time to reflect changes in the law, marketplace or the System or to accommodate regional or local variations. Any such modifications may obligate you to invest additional capital in the BUSINESS ("Capital Modifications") and/or incur higher operating costs; provided, however, that such modifications will not alter your fundamental status and rights under this Agreement. We will not obligate you to make any Capital Modifications when such investment cannot, in our reasonable judgment, be amortized during the remaining Term of this Agreement, unless we agree to extend the Term of this Agreement so that such additional investment, in our reasonable judgment, may be amortized, or unless such investment is necessary in order to comply with applicable laws. Because complete and detailed uniformity under many varying conditions may not be possible or practical, we specifically reserve the right and privilege, in our sole discretion and as we may deem in the best interests of all concerned in any specific instance, to vary standards for any franchisee based upon the peculiarities of a particular site or circumstance, density of population, business potential, population of trade area, existing business practices, or any other condition we deem to be of importance to the successful operation of such franchisee's business. You acknowledge that our practices and application of standards may vary and that you are not entitled to require us to grant to you a like or similar variation as granted to another franchisee.

9.3 CONDITION OF YOUR BUSINESS.

- (1) *General Condition.* You must maintain your BUSINESS's condition and appearance so that it is attractive, clean and efficiently operated in accordance with our mandatory Methods of Operation. You agree to make such modifications and additions to your BUSINESS's layout, decor, operations, and general theme as we require from time to time, including replacement of worn-out or obsolete fixtures, equipment, furniture, and signs, repair of the interior and exterior and appurtenant parking areas, and periodic cleaning and

FRANCHISE DISCLOSURE DOCUMENT

HILTON FRANCHISE HOLDING LLC
A Delaware Limited Liability Company
7930 Jones Branch Drive, Suite 1100
McLean, Virginia 22102
703-883-1000
www.hiltonworldwide.com



You will operate a Hilton hotel under a Franchise Agreement with us.

The total investment necessary to begin operation of a typical 300-room Hilton hotel, excluding real property, is \$38,914,325 to \$162,511,189, including up to \$477,865 that must be paid to us or our affiliates.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no government agency has verified the information contained in this document.**

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this disclosure document is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

Issuance Date: March 30, 2023

State	Year	Hotels at Start of Year	Hotels Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Hotels at End of Year
Kentucky	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
Louisiana	2020	4	0	0	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
Maryland	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
Massachusetts	2020	4	0	0	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
Minnesota	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
Mississippi	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Missouri	2020	8	0	0	0	0	0	8
	2021	8	0	0	0	0	0	8
	2022	8	1	0	0	0	0	9
Nevada	2020	1	0	0	0	0	0	1
	2021	1	1	0	0	0	0	2
	2022	2	0	0	0	0	0	2
New Jersey	2020	5	0	0	0	0	0	5
	2021	5	0	0	0	0	0	5
	2022	5	0	0	0	0	0	5
New Mexico	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
New York	2020	8	0	1	0	0	0	7
	2021	7	0	0	0	0	0	7
	2022	7	0	0	0	0	0	7
North Carolina	2020	7	0	0	0	0	0	7
	2021	7	0	0	0	0	0	7
	2022	7	0	0	0	0	0	7
Ohio	2020	4	0	0	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
Oklahoma	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	-1	0
Oregon	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Pennsylvania	2020	4	0	0	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
Rhode Island	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1

FRANCHISE AGREEMENT

This Franchise Agreement is entered between Hilton Franchise Holding LLC (“we,” “us,” “our” or “Franchisor”) and the Franchisee set forth in the Addendum (“you,” “your” or “Franchisee”), and is dated as of the Effective Date. We and you may collectively be referred to as the “Parties.”

INTRODUCTION

We are an Affiliate of Hilton Worldwide. Hilton Worldwide and its Affiliates own, license, lease, operate, manage and provide various services for the Network. We are authorized to grant licenses for selected, first-class, independently owned or leased hotel properties, to operate under the Brand. You have expressed a desire to enter into this Agreement with us to obtain a license to use the Brand in the operation of a hotel at the address or location described in the Addendum.

NOW, THEREFORE, in consideration of the premises and the undertakings and commitments of each Party to the other Party in this Agreement, the Parties agree as follows:

1.0 DEFINITIONS

The following capitalized terms will have the meanings set forth after each term:

“**Affiliate**” means any natural person or firm, corporation, partnership, limited liability company, association, trust or other entity which, directly or indirectly, Controls, is Controlled by, or is under common Control with, the subject entity.

“**Agreement**” means this Franchise Agreement, including any exhibits, attachments and addenda.

“**Anti-Corruption Laws**” means all applicable anti-corruption, anti-bribery, anti-money laundering, books and records, and internal controls laws.

“**Brand**” means the brand name set forth in the Addendum.

“**Chain Code**” means the code that we use to identify the Brand within our Reservation Service. We may modify, remove, or replace the Chain Code for the Brand at any time in our discretion.

“**Change of Ownership Application**” means the application that is submitted to us by you or the Transferee for a new franchise agreement in connection with a Change of Ownership Transfer.

“**Change of Ownership Transfer**” means any proposed Transfer that results in a change of Control of Franchisee, the Hotel, or the Hotel Site and is not otherwise permitted by this Agreement, all as set out in Subsection 12.2.2.

“**Competing Brand**” means a hotel brand or trade name that, in our sole business judgment, competes with the System, or any System Hotel or Network Hotel.

“**Competitor**” means any individual or entity that, at any time during the Term, whether directly or through an Affiliate, owns in whole or in part, or is the licensor or franchisor of a Competing Brand, irrespective of the number of hotels owned, licensed or franchised under such Competing Brand name. A Competitor does not include an individual or entity that: (i) is a franchisee of a Competing Brand; (ii) manages a Competing Brand hotel, so long as the individual or entity is not the exclusive manager of the Competing Brand; or (iii) owns a minority interest in a Competing Brand, so long as neither that individual or entity nor any of its Affiliates is an officer, director, or employee of the Competing Brand, provides services (including as a consultant) to the Competing Brand, or exercises, or has the right to exercise, Control over the business decisions of the Competing Brand.

Evaluation Fee as set forth in the Standards. You will provide complimentary accommodations for the quality assurance auditor each time we conduct a regular inspection or a special on-site quality assurance re-evaluation after the Hotel has failed a regular quality assurance evaluation or to verify that deficiencies noted in a quality assurance evaluation report or PIP have been corrected or completed by the required dates.

4.6 Manual. We will issue to you or make available in electronic form the Manual and any revisions and updates we may make to the Manual during the Term. You agree to ensure that your copy of the Manual is, at all times, current and up to date. If there is any dispute as to your compliance with the provisions of the Manual, the master copy of the Manual maintained at our principal office will control.

4.7 Equipment and Supplies. We will make available to you for use in the Hotel various purchase, lease, or other arrangements for exterior signs, operating equipment, operating supplies, [INSERT FOR PE, RU: Packages] and furnishings, which we make available to other System Hotels.

5.0 YOUR RESPONSIBILITIES

5.1 Operational and Other Requirements. You must:

5.1.1 operate the Hotel twenty-four (24) hours a day after the Opening Date;

5.1.2 operate the Hotel using the System, in compliance with this Agreement and the Standards, and in such a manner to provide courteous, uniform, respectable and high quality lodging and other services and conveniences to the public. You acknowledge and agree that: (a) you have exclusive day-to-day control of the business and operation of the Hotel (including hiring your employees and the terms and conditions of their employment); (b) although we provide the Standards, we do not in any way possess or exercise day-to-day control of the business and operation of the Hotel; (c) we do not dictate nor control labor or employment matters for you or your employees; and (d) we are not responsible for the safety and security of your employees or guests.

5.1.3 comply with the Standards, including our specifications for all supplies, products and services. We may require you to purchase a particular brand of product or service to maintain the common identity and reputation of the Brand, and you will comply with such requirements. Unless we specify otherwise, you may purchase products from any authorized source of distribution; however, we reserve the right, in our business judgment, to enter into exclusive purchasing arrangements for particular products or services and to require that you purchase products or services from approved suppliers or distributors;

5.1.4 install, display, and maintain signage displaying or containing the Brand name and other distinguishing characteristics in accordance with Standards we establish for System Hotels;

5.1.5 comply with Standards for the training of persons involved in the operation of the Hotel, including completion by key personnel of the Hotel of a training program for operation of the Hotel under the System, at a site we designate. You will pay us all fees and charges, if any, we require for your personnel to attend these training programs. You are responsible for all travel, lodging and other expenses you or your personnel incur in attending these programs;

5.1.6 purchase and maintain property management, revenue management, in-room entertainment, telecommunications, high-speed internet access, and other computer and technology systems that we designate for the System or any portion of the System based on our assessment of the long-term best interests of System Hotels, considering the interest of the System as a whole;

5.1.7 advertise and promote the Hotel and related facilities and services on a local and regional basis in a first-class, dignified manner, using our identity and graphics Standards for all System Hotels, at your cost and expense. You must submit to us for our approval samples of all advertising and promotional materials that we have not previously approved (including any materials in digital, electronic or

Plans Submission Dates:

Preliminary Plans: **[Due four (4) months from the Effective Date]**

Design Development (50%) Plans and Specifications: **[Due eight (8) months from the Effective Date]**

Final (100%) Plans and Specifications: **[Due twelve (12) months from the Effective Date]**

Construction Commencement Date: **[HAM HGI H2 HWS PO RU UAB: Due fifteen (15) months from the Effective Date]**

[DT ES HFS OL PY QQ UP: Due Sixteen (16) months from the Effective Date]

**[If Adaptive Reuse, include:
For the Hotel to be considered under construction, you must have: (a) submitted final plans to us, (b) received our approval of your final plans, (c) submitted to us a building permit for Hotel construction, and (d) substantially completed, to our satisfaction: (i) exterior demolition, if applicable, and (ii) interior demolition and construction of new permanent interior walls.]**

Construction Work Completion Date: **[HAM H2 RU UAB: Due twenty-seven (27) months from the Effective Date]**

[HGI HWS PO: Due thirty (30) months from the Effective Date]

[DT ES HFS OL PY QQ UP: Due thirty-six (36) months from the Effective Date]

Renovation Commencement Date: **[**

Renovation Work Completion Date: **[**

[All due dates in the PIP that are a specified number of months or days shall mean the number of months or days from the Effective Date.]

Expiration Date: **[SELECT:**

New Construction – At midnight on the last day of the month [HAM HGI H2 HWS PO UAB RU: twenty-two (22) years from the [SELECT: Effective Date] [Opening Date]

[DT ES HFS OL PY QQ UP: twenty-three (23) years from the [SELECT: Effective Date] [Opening Date]

Conversion – At midnight on the last day of the month SELECT: ten (10) to twenty (20) years from the Opening Date

Change of Ownership – Remaining Term under the existing franchise agreement

Monthly Fees:

[DELETE UNLESS HFS: Monthly Food and Beverage Fee:

Three percent (3%) of the Hotel’s Gross Food and Beverage Revenue for the preceding calendar month.

Monthly Program Fee:

[SELECT FOR DT ES HAM HFS HGI OL PO PY QQ RU UP UAB: Four percent (4%) of the Hotel’s Gross Rooms Revenue (“GRR”) for the preceding calendar month.
[SELECT FOR HWS H2 PE: Three and one-half percent (3.5%) of the Hotel’s Gross Rooms Revenue (“GRR”) for the preceding calendar month.
[SELECT ONLY IF EARLY RL AND PREVIOUS MONTHLY PROGRAM FEE WAS LOWER: From the Effective Date through [Expiration Date of prior FA, you will pay [____] percent (____%) (“Discounted Fee”) of the Hotel’s Gross Rooms Revenue (“GRR”) for the preceding calendar month; then, from [Expiration Date of prior FA to the end of the Term, you will pay [____] percent (____%) of GRR. The Discounted Fee will not be used as a base for purposes of calculating any changes to the Monthly Program Fee during the Term.

ALWAYS INCLUDE: The Monthly Program Fee is subject to change by us. Any change may be established in the Standards, but the rate will not exceed the standard Monthly Program Fee as of the Effective Date plus one percent (1%) of the Hotel’s GRR during the Term.

Monthly Royalty Fee:

[SELECT FOR DT HFS H2 OL PO PY QQ RU UP UAB: Five percent (5%) of the Hotel’s GRR for the preceding calendar month.

BUT IF UAB, USE THE FOLLOWING FOR THE FIRST 10 APPROVED APPLICATIONS. DO NOT USE FOR ANY AFTER THE FIRST 10:

Three percent (3%) of the Hotel’s GRR for the preceding calendar month for the first twenty four (24) full calendar months after the Opening Date (Years 1 and 2); and

Four percent (4%) of the Hotel’s GRR for the preceding calendar month for the second twenty four (24) full calendar months after the Opening Date (Years 3 and 4); and

Five percent (5%) of the Hotel’s GRR for the preceding calendar month for the remainder of the Term.

Monthly Royalty Fee:

[SELECT FOR ES HGI HWS PE: Five and one-half percent (5.5%) of the Hotel’s GRR for the preceding calendar month

BUT IF ES HWS NEW DEVELOPMENT/CONVERSION, USE THE FOLLOWING:

Monthly Royalty Fee:

Three and one-half percent (3.5%) of the Hotel’s GRR for the preceding calendar month for first twelve (12) full calendar months after the Opening Date (Year 1).

Four and one-half percent (4.5%) of the Hotel's GRR for the preceding calendar month for second twelve (12) full calendar months after the Opening Date (Year 2).

Five and one-half percent (5.5%) of the Hotel's GRR for the preceding calendar month for the remainder of the Term.

Monthly Royalty Fee:

[SELECT FOR HAM:

Six percent (6%) of the Hotel's GRR for the preceding calendar month.

Additional Requirements/Special Provisions [Section #]:

[ADD ONLY IF APPLICABLE]

Restricted Area Provision

Notwithstanding the provisions of Section 2 of this Agreement, from the Effective Date until midnight on the day before the ____ anniversary of the **[SELECT: Effective Date] OR [Opening Date, but in no event later than _____]** ("Restrictive Period"), neither we nor any of our Affiliates will open, or allow to open, a hotel or motel under the Brand, as such Brand name may be periodically changed by us, within a **[SELECT ____ mile radius of the Hotel, the center point of which is the front door of the Hotel ("Restricted Area")**. **[SELECT Restricted Area described as follows, and as set forth on Exhibit [__]: [INSERT DESCRIPTION.]**

This restriction does not apply to any hotel or motel that is currently open or under construction or has been approved for development or opening as a Brand hotel as of the Effective Date ("**Existing Hotel**"). The term Existing Hotel also includes any hotel located or to be located within the Restricted Area that replaces such Existing Hotel under the Brand. The restrictions also do not apply to any: (1) hotel(s) or motel(s) under brands other than the Brand; (2) hotel(s) or motel(s) that will not begin operating under the Brand until after the expiration of the Restrictive Period; (3) gaming-oriented hotels or facilities using the Brand; (4) shared ownership properties (commonly known as "vacation ownership" or "time share ownership" or similar real estate properties) under the Brand; and (5) hotel(s), motel(s), or inn(s) that are part of a chain or group of four (4) or more hotels, motels, or inns that we or our Affiliates, as a result of a single transaction or group of related transactions, own, operate, acquire, lease, manage, franchise, license, or join through a merger, acquisition or marketing agreement (or otherwise), whether under their existing name or the Brand name or any other name. **[INSERT FOR HFS: You acknowledge and agree that this restriction does not apply to any "Signia Hilton" or "Signia by Hilton" brand hotel.]**

[IF HAM/HIS USE THIS RAB LANGUAGE INSTEAD

Notwithstanding the provisions of Section 2 of this Agreement, from the Effective Date until midnight on the day before the ____ anniversary of the **[SELECT: Effective Date] OR [Opening Date, but in no event later than _____]** ("Restrictive Period"), neither we nor any of our Affiliates will open, or allow to open, a hotel or motel under the Hampton, Hampton Inn or Hampton Inn & Suites brands (collectively, "**Restricted Brands**"), as such Restricted Brands' names may be periodically changed by us, within a **[SELECT ____ mile radius of the Hotel, the center point of which is the front door of the Hotel ("Restricted Area")**. **[SELECT Restricted Area described as follows, and as set forth on Exhibit [__]: [INSERT DESCRIPTION.]**

This restriction does not apply to any hotel or motel that is currently open or under construction or has been approved for development or opening as a Restricted Brands hotel as of the Effective Date ("**Existing Hotel**"). The term Existing Hotel also includes any hotel located or to be located within the Restricted Area



FRANCHISE DISCLOSURE DOCUMENT

MARRIOTT INTERNATIONAL, INC.

a Delaware corporation

7750 Wisconsin Avenue
Bethesda, Maryland 20814
(301) 380-3000
nalolodgingdev@marriott.com
www.marriott.com

The franchisee will establish and operate a full-service hotel under the name “Marriott Hotel,” “Marriott Resort,” “Marriott Suites Hotel,” “JW Marriott Hotel,” “Marriott Marquis,” or “Marriott Hotel & Conference Center.”

The total investment necessary to begin operation of a newly-constructed 300-guestroom Marriott Hotel, excluding the cost of real estate and related costs (building permit, tap, and impact fees), insurance, and contingencies, ranges from \$95,892,590 to \$158,033,990 and from \$146,253,590 to \$239,254,490 for a newly-constructed 300 guestroom JW Marriott Hotel. This includes approximately \$418,000 to \$490,000 for a 300 guestroom Marriott Hotel and \$438,500 to \$530,500 for a 300-guestroom JW Marriott Hotel that must be paid to the franchisor or an affiliate.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Franchise Development at nalolodgingdev@marriott.com or (301) 380-3000.

The terms of your contract will govern your franchise relationship. Don’t rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as “*A Consumer’s Guide to Buying a Franchise*,” which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC’s home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

Issuance Date: March 31, 2023

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened ¹	Column 5 Terminations ²	Column 6 Non-Renewals	Column 7 Reacquired by Franchisor ³	Column 8 Ceased Operations – Other Reasons	Column 9 Outlets at End of the Year
Louisiana	2020	2						2
	2021	2						2
	2022	2						2
Maryland	2020	1	0					1
	2021	1	1					2
	2022	2	0					2
Massachusetts	2020	3	0					3
	2021	3	0					3
	2022	3	1					4
Michigan	2020	7						7
	2021	7						7
	2022	7						7
Minnesota	2020	5						5
	2021	5						5
	2022	5						5
Missouri	2020	5						5
	2021	5						5
	2022	5						5
Nebraska	2020	4						4
	2021	4						4
	2022	4						4
Nevada	2020	1						1
	2021	1						1
	2022	1						1
New Hampshire	2020	1						1
	2021	1						1
	2022	1						1
New Jersey	2020	4						4
	2021	4						4
	2022	4						4
New Mexico	2020	2						2
	2021	2						2
	2022	2						2
New York	2020	8	1					9
	2021	9	0					9
	2022	9	1					10
North Carolina	2020	7	0					7
	2021	7	2					9
	2022	9	0					9
Ohio	2020	7	0					7
	2021	7	1					8
	2022	8	0					8
Oklahoma	2020	1						1
	2021	1						1
	2022	1						1
Oregon	2020	1						1
	2021	1						1
	2022	1						1

FRANCHISE AGREEMENT

This Agreement between Franchisor and Franchisee is executed and becomes effective on the Effective Date.

RECITALS

- A. Franchisor owns the System and Franchisee has requested a license to use the System to operate the Hotel as a System Hotel at the Approved Location.
- B. Franchisor has agreed to grant a license to Franchisee subject to the terms of this Agreement.
- C. Guarantor will provide the Guaranty.

NOW, THEREFORE, in consideration of the promises in this Agreement and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, Franchisor and Franchisee agree as follows:

1. LICENSE

1.1 Limited Grant. Franchisor grants to Franchisee a limited, non-exclusive license to use the Proprietary Marks and the System to operate the Hotel as a System Hotel at the Approved Location under the terms of this Agreement.

1.2 Franchisor's Reserved Rights.

A. *Development Activities.* Franchisee agrees that Franchisor and its Affiliates reserve the right to conduct Development Activities at any location, other than the Approved Location, without notice to Franchisee, subject to Item 9 of Exhibit A. Franchisee will not do anything that may interfere with Franchisor's and its Affiliates' Development Activities.

B. *Territorial Rights.* Franchisee agrees that it is not entitled to any territorial rights or exclusivity, except as stated in Item 9 of Exhibit A.

C. *Use of the System.* Franchisee acknowledges that Franchisor and its Affiliates may allow other Franchisor Products to use various parts of the System, including under affiliation or marketing agreements.

2. TERM

2.1 Term. The term of this Agreement is stated in Item 4 of Exhibit A (the "Term").

2.2 Not Renewable. This Agreement expires on the last day of the Term, and the rights granted under it are not renewable and Franchisee has no expectation of any right to extend the Term.

3. FEES, CHARGES AND COSTS

3.1 Application Fee; Expansion Fee. Franchisee has paid Franchisor the non-refundable application fee stated in Item 10 of Exhibit A (the "Application Fee"). If Franchisor approves an increase in the number of Guestrooms in the Hotel under Section 4.1, Franchisee will pay the then-current per-Guestroom expansion fee, multiplied by the number of additional Guestrooms.

3.2 Franchise Fees. Beginning on the Opening Date, Franchisee will pay Franchisor for each month an amount equal to the percentage of Gross Room Sales and Gross Food and Beverage Sales stated in Item 11 of Exhibit A for such month (the “Franchise Fees”). Franchisee will not offer complimentary or reduced-price Guestrooms or food and beverage to benefit any other business at or outside of the Hotel.

3.3 Franchisor Travel Costs. If Franchisor requests, Franchisee will reimburse Franchisor for all Travel Costs for individuals designated by Franchisor to conduct training, inspections, audits, or other services for the Hotel, including counseling and advisory services, which will not exceed the amounts permissible under Franchisor’s corporate travel policies. If the Hotel is not in a sold-out position, Franchisee will provide complimentary lodging at the Hotel to such individuals while they are providing such services.

3.4 Other Fees, Charges and Costs. Franchisee will pay the fees, charges and costs required under this Agreement and any other Marriott Agreement, and will pay for any optional programs in which it participates. Franchisee will also pay Franchisor for any goods or services purchased, leased or licensed by Franchisee from Franchisor, including any costs related to purchasing, installing and upgrading any Electronic Systems. The Franchise Fees and Application Fee are personal to Franchisee and are as stated in this Agreement; all other fees, charges and costs under this Agreement and any other Marriott Agreement (and any applicable changes) will be computed on a fair and consistent basis among similarly situated System Hotels. Franchisor may change such other fees, charges and costs to reflect any change in (i) the costs of providing, or the scope of, the relevant goods, programs or services; (ii) the method Franchisor uses to determine allocation of the applicable charges; or (iii) the competitive needs of the System.

3.5 Timing of Payments and Performance of Services.

A. *Timing of Payments.* Franchise Fees are due within 20 days after the end of each month. All other payments are due as invoiced. All payments will be made in immediately available funds, at the location and in the manner designated by Franchisor (which may include payment through electronic funds transfers or centralized payment processing programs as specified by Franchisor, in which case Franchisee will execute any documents, pay any fees and costs, and take any other action required by Franchisor to effect such payment).

B. *Affiliates and Designees.* Any service or obligation of Franchisor under this Agreement may be performed by an Affiliate or designee of Franchisor. Franchisor may designate that payment be made to the Person performing the service. Any reference in this Agreement to Franchisor concerning payments or performance of services includes such Affiliates and designees. Any designation for the performance of services will not relieve Franchisor or Franchisee of any of their obligations under this Agreement.

C. *Right of Set-Off.* Franchisor may set-off or deduct any amounts owed to Franchisor or any of its Affiliates by Franchisee or any of its Affiliates from amounts that would otherwise be payable to Franchisee under this Agreement.

3.6 Interest on Late Payments. Franchisee will pay interest on any amount that is not paid when due. Interest will accrue at a rate of 18% per annum (or, if less, the maximum interest rate permitted by Applicable Law) from the date such overdue amount was due until paid. Franchisor’s right to receive interest is in addition to any other remedies Franchisor may have.

10. SYSTEM AND STANDARDS; FRANCHISEE ASSOCIATION

10.1 Compliance with System and Standards. Franchisee agrees that conformity with all aspects of the System and the Standards is essential to maintain the uniform quality and guest service of System Hotels. Franchisee will comply at all times with the Standards (including paying amounts owed pursuant to the Standards for violations thereof) and operate the Hotel in compliance with the System and the Marriott Agreements. Franchisor will make the Standards available to Franchisee through the Electronic Systems or in such other manner Franchisor deems appropriate. The Standards will at all times remain the sole property of Franchisor and its Affiliates.

10.2 Modification of the System and Standards. Franchisor and its Affiliates may modify the System and Standards, and such modifications may include materially changing, adding or deleting elements of the System or the Standards. Franchisee agrees that modifications to the System may be made for all System Hotels or for any Category of System Hotels. Franchisor may allocate the costs of System modifications among System Hotels or any Category of System Hotels, and such allocation will be on a fair and consistent basis. Such costs may include development costs and the reimbursement of capital invested in the development of such System modifications, together with costs incurred by Franchisor to finance such capital.

10.3 Franchisee Association. Subject to compliance with certain membership requirements, Franchisee, Franchisor and other System Hotel franchisees and licensees are eligible to participate in an association organized to consider and make recommendations on matters related to the operation of System Hotels (the “Association”). Franchisee will pay any Association dues and assessments, which will be consistently applied to all System Hotel franchisees. The Association will vote on bylaws and election of officers. Franchisor will regard recommendations of the Association as expressing the consensus of members of the Association.

11. PROPRIETARY MARKS AND INTELLECTUAL PROPERTY

11.1 Franchisor’s Representations Concerning the Proprietary Marks.

A. *Representations.* Franchisor represents that:

1. Franchisor and its Affiliates have the right to grant Franchisee the right to use the Proprietary Marks in accordance with this Agreement; and
2. Franchisor and its Affiliates will take all steps reasonably necessary to preserve and protect the ownership and validity of the Proprietary Marks. Franchisor will not be required to maintain any registration for any Proprietary Marks that Franchisor determines, in its sole discretion, cannot or should not be maintained.

B. *Indemnification for Infringement Claims.* Franchisor will indemnify and hold Franchisee harmless against claims that Franchisee’s use of the Proprietary Marks in accordance with this Agreement infringes the rights of any third party unrelated to Franchisee, if Franchisee: (i) is in compliance with this Agreement, (ii) gives prompt notice of any such claim to Franchisor, (iii) permits Franchisor to have sole control over the defense and settlement of the claim and (iv) cooperates fully with Franchisor in defending or settling the claim.

11.2 Franchisee’s Use of Intellectual Property and the System.

A. *Use of the Intellectual Property and the System.* Franchisee agrees that:

FRANCHISE DISCLOSURE DOCUMENT



Red Roof Franchising, LLC
a Delaware Limited Liability Company
7815 Walton Parkway
New Albany, Ohio 43054
Telephone (614) 744-2600
ww.redrooffranchising.com

The franchisee will own and operate a guest lodging facility under the Red Roof Inn®, Red Roof Inn & Suites®, Red Roof PLUS+® or Red Roof PLUS+ & Suites® brand (a “Red Roof Inn hotel”). Red Roof Inn hotels offer high quality lodging to business and leisure guests at room rates associated with the economy lodging segment.

The total investment necessary to begin operation of a newly built and a conversion 65-room Red Roof Inn, Red Roof Inn & Suites, Red Roof PLUS+ or Red Roof PLUS+ & Suites lodging facility are set forth in the table below:

Type of Inn	Newly Built	Conversion
Red Roof Inn and Red Roof Inn & Suites	\$5,933,500 - \$7,288,723	\$259,000 - \$1,596,100
Red Roof PLUS+	\$6,007,500 - \$7,372,100	\$713,000 - \$1,659,100
Red Roof PLUS+ & Suites	\$6,035,500 - \$7,406,100	\$775,000 - \$1,695,600
Dual Brand Hotel (Red Roof Inn and HomeTowne Studios)	\$11,745,925 - \$14,619,155	\$693,268 - \$2,284,813
Dual Brand Hotel (Red Roof PLUS+ and HomeTowne Studios)	\$11,764,925 - \$14,643,155	Not applicable

These amounts do not include the cost of land or rent for the hotel location but do include the \$53,000 to \$61,800 that must be paid to the franchisor or its affiliates for Red Roof Inn, Red Roof Inn & Suites, Red Roof PLUS+, and Red Roof PLUS+ & Suites hotels and the \$113,500 to \$125,900 that must be paid to the franchisor and its affiliates for Dual Brand Hotels.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar-days before you sign a binding agreement with, or make any payment to the franchisor, or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Franchise Development, Red Roof Franchising, LLC, 7815 Walton Parkway, New Albany, Ohio 43054 or call 1-888-473-8861.

The terms of your contract will govern your franchise relationship. Don’t rely on the disclosure document alone to understand your contract. Read your entire contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as “*A Consumer’s Guide to Buying A Franchise*,” which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC’s home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources on information on franchising.

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of Year
Indiana	2020	19	0	0	0	0	0	19
	2021	19	2	0	0	0	0	21
	2022	21	1	1	0	0	0	21
Iowa	2020	4	0	1	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
Kansas	2020	4	0	0	0	0	0	4
	2021	4	0	1	0	0	0	3
	2022	3	0	0	0	0	0	3
Kentucky	2020	17	4	0	0	0	0	21
	2021	21	2	0	0	0	0	23
	2022	23	2	0	0	0	1	24
Louisiana	2020	15	2	1	0	0	3	13
	2021	13	1	3	0	0	0	11
	2022	11	3	1	0	0	0	13
Maryland	2020	10	0	2	0	0	0	8
	2021	8	4	0	0	0	0	12
	2022	12	2	1	0	0	0	13
Massachusetts	2020	0	2	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Michigan	2020	20	4	0	0	0	1	23
	2021	23	1	1	0	0	0	23
	2022	23	0	2	0	0	0	21
Minnesota	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Mississippi	2020	12	0	0	0	0	0	12
	2021	12	0	0	0	0	0	12
	2022	12	0	1	0	0	0	11
Missouri	2020	8	1	0	0	0	0	9
	2021	9	0	0	0	0	0	9
	2022	9	0	0	0	0	0	9

**RED ROOF INN
FRANCHISE AGREEMENT**

THIS RED ROOF INN FRANCHISE AGREEMENT (the “Franchise Agreement”) is entered into as of _____, by and between RED ROOF FRANCHISING, LLC, a Delaware limited liability company (“Franchisor”), and _____, a _____ (“Franchisee”).

RECITALS:

Franchisor has the right to grant licenses for the establishment and operation of inns which are designed to compete directly with other brands in the economy segment of the lodging market utilizing certain procedures, policies, standards, specifications, controls, identification schemes and proprietary marks and information including prototypical architectural plans, designs, layouts and distinctive color schemes, a computer system and reservation system and management and personnel training programs (the “System”), all of which may be changed, improved or further developed from time to time.

The distinguishing characteristics of the System include, without limitation, the name and mark “Red Roof Inn” and the Red Roof Inn logo, together with such other trade names, service marks, trademarks and trade symbols, emblems, signs, slogans, trade dress, logos, colors, insignia and copyrights as Franchisor has adopted and has designated for use in connection with the System and as Franchisor may hereafter acquire or develop and designate for use in connection with the System (the “Proprietary Marks”).

Franchisee desires to obtain a franchise and to obtain rights to the Proprietary Marks and to own and operate a Red Roof Inn (the “Inn”) at the location identified on Exhibit A (the “Approved Location”).

Franchisee understands and acknowledges the importance of operating in conformity with the System and of complying with such product, service and operational standards, specifications, policies and procedures for constructing or renovating the Inn, equipping the Inn, and operating the Inn (the “System Standards”), as may be published by Franchisor in hard copy and/or electronic form, as amended or supplemented by Franchisor in its sole discretion from time to time (the “Manuals”).

Franchisee has conducted an independent investigation into the feasibility and advisability of establishing the Inn at the Approved Location, and has had the opportunity to consult with legal, accounting and other advisors of Franchisee’s own choosing in making a decision to enter into this Franchise Agreement and establish the Inn at the Approved Location.

As used in this Franchise Agreement, “Affiliate” or “Affiliates” means an entity or entities controlled by, controlling or under common control with, another entity.

NOW, THEREFORE, in consideration of the mutual undertakings and commitments set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. GRANT

1.1 Grant of Franchise: As of the Opening Date (as defined below), Franchisor grants Franchisee the right, and Franchisee undertakes the obligation, to operate the Inn as a Red Roof Inn at the Approved Location and to use the System and the Proprietary Marks in compliance with the Standards and the terms of this Franchise Agreement in connection with the ownership and operation of the Inn. Franchisee shall not operate the Inn from or at any other address or location. The “Opening Date” means

3.1.1 Make training programs available to Franchisee on the terms and conditions set forth in Section 5.6. Franchisor may provide continuing training, consultation and advisory assistance to Franchisee in the management, operation and marketing of the Inn in the manner, at such times, and upon such other terms and conditions (including, but not limited to, fees payable for such assistance) as Franchisor deems advisable.

3.1.2 Provide Franchisee, on loan, one (1) hard copy set of the Manuals, or make such Manuals available in electronic form, accessible by Franchisee.

3.1.3 Provide for a system for receiving and transmitting guest reservations for stays at Red Roof Inn locations, including without limitation all software, equipment, communications facilities, personnel and services for the operation of the system (the "Reservation System"). The Reservation System may be operated by Franchisor, an Affiliate of Franchisor or a third party supplier of Franchisor's choosing, as provided in the Manuals or otherwise in writing.

3.1.4 Publish a directory of Red Roof Inn locations and information concerning Red Roof Inn services for guests (the "Directory") periodically.

3.1.5 Designate for Franchisee the computer and data communication hardware, software, and communications facilities and services ("Computer System") to be used in connection with operating a Red Roof Inn.

3.2 Delegation by Franchisor: Franchisee acknowledges and agrees that any duty or obligation imposed on Franchisor by this Franchise Agreement (including any duty or obligation under Section 3.1) and any right or power conferred on Franchisor may be performed or exercised, at Franchisor's discretion, by any designee, employee, supplier, contractor or agent of Franchisor, which may include Affiliates, as Franchisor may approve or designate. Such persons may be referred to as "approved or designated suppliers."

4. FEES

4.1 Initial Franchise Fee: As part of the consideration for the franchise granted herein, Franchisee shall pay to Franchisor an initial franchise fee in the amount of Twenty-Seven Thousand Dollars (\$27,000) for hotels with up to one hundred (100) guest rooms. You must pay an additional Three Hundred Dollars (\$300) for each additional guest room (the "Initial Franchise Fee") on or before the Effective Date of this Franchise Agreement. The Initial Franchise Fee is in addition to any application fee paid to Franchisor as part of the application process. The Initial Franchise Fee is fully earned and non-refundable in consideration of the administrative and other expenses incurred by Franchisor in entering into this Franchise Agreement and for Franchisor's lost or deferred opportunity to franchise others within the Exclusive Territory.

4.2 Royalty Fee: As further consideration for the franchise granted by this Franchise Agreement, Franchisee shall pay to Franchisor a monthly royalty fee as set forth below (the "Royalty Fee").

4.2.1 Commencing with the calendar month in which the Opening Date occurs and continuing through the calendar month in which the Expiration Date occurs, Franchisee shall pay to Franchisor a monthly Royalty Fee in an amount equal to five percent (5%) of the Inn's Gross Room Revenues. "Gross Room Revenues" means the gross receipts whether collected or uncollected, attributable to or payable for the rental of guest rooms at the Inn, including, without limitation, the gross revenues used in calculation of business interruption, rent loss, or similar insurance with respect to the Inn (provided that insurance proceeds shall be included in Gross Room Revenues only to the extent actually received or due).

Gross Room Revenues shall not include gratuities to employees or service charges levied in lieu of such gratuities, which, in either case, are payable to employees, or federal, state and local taxes or fees collected by Franchisee for transmittal to the appropriate taxing authorities. Gross Room Revenues shall not be reduced by credit card commissions, bad debts (or reserves for bad debts) or refunds to lodgers.

4.2.2 If: (i) for any full twelve (12) month period designated by Franchisor (the “Rebate Period”) the Inn achieves superior results, as determined by and in the sole discretion of Franchisor, using a guest satisfaction tracking system conducted or commissioned by Franchisor for the purpose of determining the satisfaction of guests at Red Roof Inns, or any other such program that Franchisor might use in its sole discretion to measure guest satisfaction and (ii) Franchisee is not in default of its obligations under this Franchise Agreement (including, but not limited to, financial obligations), or any other agreement between Franchisor and Franchisee, then Franchisor will rebate to Franchisee an amount equal to one-ninth of the Royalty Fee paid by Franchisee with respect to the Rebate Period pursuant to Section 4.2.1. Thus, if Franchisee has paid five percent (5%) of the Inn’s Gross Room Revenues under Section 4.2.1, one-half percent (0.5%) of the Inn’s Gross Room Revenues for the Rebate Period will be rebated to Franchisee. The Inn must be open and operating as a Red Roof Inn during the entire Rebate Period to be eligible for such rebate. Such rebate, if any, will be paid to Franchisee within ninety (90) days following the end of the Rebate Period to which the rebate relates.

4.3 Marketing and Reservation Fee: Commencing with the calendar month in which the Opening Date occurs and continuing through the calendar date in which the Expiration Date occurs, Franchisee shall pay to Franchisor a monthly marketing and reservation fee (the “Marketing and Reservation Fee”) in an amount equal to four percent (4%) of the Inn’s Gross Room Revenues for the preceding calendar month. The monthly Marketing and Reservation Fee shall be subject to increase from time to time upon notice by Franchisor; provided, that the Marketing and Reservation Fee shall not increase more than one half percent (0.5%) of Gross Room Revenues in any twelve (12) month period, nor shall the Marketing and Reservation Fee exceed a maximum of five percent (5.0%) of Gross Room Revenues.

4.4 Preferred Members Program: Franchisee must participate in any guest loyalty programs that Franchisor may initiate and amend from time to time at its sole discretion (a “Preferred Members Program”), including, but not limited to, the “RediRewards” Preferred Member Program. Such programs include but are not limited to providing guests with express check-in, guaranteed late check-in and the opportunity for guests to earn free room nights at Red Roof Inns. Franchisee shall pay to Franchisor four percent (4.0%) of Gross Room Revenues that are generated by the Preferred Members Program (the “Preferred Members Program Fee”). The Preferred Members Program Fee shall be subject to increase from time to time upon notice by Franchisor; provided that the Preferred Members Program Fee shall not exceed five percent (5.0%) of Gross Room Revenues that are generated by the Preferred Members Program.

4.5 Other Fees: Franchisee must reimburse Franchisor or its approved or designated suppliers for the amounts of any travel agency commissions, airline reservation system fees, fees associated with the use of other electronic booking systems by guests and other related fees that Franchisor pays to third parties on Franchisee’s behalf in connection with reservations for rooms at the Inn (“Booking Fees and Commissions”). Additionally, Franchisee shall comply with any terms of such programs. Franchisee acknowledges that the Booking Fees and Commissions may, in the future, be directly invoiced to Franchisee by one or more third-party billing clearinghouses, which may charge Franchisee an additional administrative or related fee for their services. Franchisee must pay Franchisor its then-current fee if Franchisee confirms a group booking of ten (10) or more rooms (with confirmation number(s) or a signed group booking agreement) that the Inn does not fulfill due to overbooking, unsatisfactory lodging conditions, or health and safety concerns. This fee is in addition to all costs that Franchisee will incur to relocate the guests to another property under Franchisor’s then-current walk policy.

4.6 Late Payment: Franchisee shall be invoiced for all fees payable under this Section 4. In the event Franchisee fails to pay an invoice by the due date stated therein, Franchisor shall have the right, in its sole discretion, to impose a late fee of Fifty Dollars (\$50) and charge interest in an amount equal to the lesser of (a) one and one half percent (1.5%) per month or (b) the maximum rate permitted by law. Further, Franchisor reserves the right to impose a returned check fee, payable upon demand, if Franchisee's check for any payments due under this Franchise Agreement fails to clear.

4.7 Form of Payment: All sums payable by Franchisee to Franchisor or its approved or designated suppliers under this Franchise Agreement shall be paid as Franchisor may from time to time specify in writing. Franchisor may direct that all monthly payments required under this Section be made to a bank account designated by Franchisor by wire transfer, by automated clearinghouse (ACH) transfer, or by other means which Franchisor may specify from time to time.

5. DUTIES OF FRANCHISEE

5.1 Construction, Renovation and Maintenance of the Inn:

5.1.1 Prior to the Opening Date, Franchisee shall, at Franchisee's expense, construct, convert, equip and furnish the Inn in accordance with the provisions of this Franchise Agreement and as applicable, the Construction Addendum or the Renovation Addendum. Except for Franchisee's own uses related to its operation of the Inn, Franchisee shall not reproduce, use, or permit the use of, any of Franchisor's design concepts, drawings, or specifications, without Franchisor's prior written consent.

5.1.2 At any time after the Opening Date, at Franchisor's request, Franchisee shall, at Franchisee's expense, make Short-Term Renovations to the Inn. "Short-Term Renovations" means upgrades, refurbishments and renovations, which include but are not limited to such items as damaged or deteriorated carpet, drapes, bedspreads, paint and case goods. Additionally, at Franchisor's request, which shall not be made more often than once every five (5) years during the term of this Franchise Agreement, Franchisee shall, at Franchisee's expense, make Long-Term Renovations to the Inn to conform the Inn to the then-current Standards for facilities then entering the System. "Long-Term Renovations" are those upgrades, refurbishments and renovations which constitute capital improvements and include, without limitation, such items as interior/exterior structural changes, shower and tub combinations, vanities, roofs and parking lots.

5.1.3 Throughout the term of the Franchise Agreement, Franchisee shall maintain the Inn in good repair and in a condition consistent with the Standards and shall make such additions, alterations, repairs and replacements as may be required for that purpose (but no others without Franchisor's written consent), including, without limitation, periodic repainting and replacement of signs, equipment, furnishings and furniture in accordance with the Standards.

5.2 Maintaining Franchisor's Image: Franchisee acknowledges that every detail of the System is important to Franchisor and other franchisees operating under the System in order to develop and maintain the Standards and public image of the System, to protect Franchisor's reputation and goodwill, and to increase the demand for the lodging services offered by Red Roof Inns. Franchisee agrees to comply with the Standards and not to deviate from them. Franchisee shall not operate the Inn in any manner which Franchisor reasonably believes adversely reflects on Franchisor, the System, the Proprietary Marks, the associated goodwill, or Franchisor's rights therein. Franchisee shall not, directly or indirectly, operate any business, at the Approved Location or otherwise, which violates this Section 5.2.

5.3 Products and Services: Franchisee shall offer only such goods and services at the Inn as are from time to time specifically approved by Franchisor in writing.



FRANCHISE DISCLOSURE DOCUMENT

Vitamin Shoppe Franchising, LLC
A Delaware limited liability company
300 Harmon Meadow Blvd.
Secaucus, New Jersey 07094
(201) 552-6400

TVSfranchising@vitaminshoppe.com
www.ownavitaminshoppe.com

The franchise offered is to develop and operate under “THE VITAMIN SHOPPE®” name and other trademarks which features standards, specifications, procedures and methods utilized in connection with the development and operation of specialty retail stores which offer and sell vitamins, minerals, herbs, specialty supplements, sports nutrition and other health and wellness products in stores.

The total investment necessary to begin operation of a new The Vitamin Shoppe Store (“Store”) is \$528,900 to \$976,900. This includes \$435,900 to \$477,900 that must be paid to the franchisor or affiliate. If you acquire development rights under a Development Agreement, you must pay us a development fee for all of the Stores you commit to develop (the amount of which depends on the number of Stores to which you commit). The total investment necessary to begin operation if you acquire development rights (for a minimum of two Stores) is \$553,900 to \$1,001,900. This includes \$460,900 to \$502,900 that must be paid to us or affiliate. The total investment necessary to begin operation of each additional Store that you develop (over the two-Store minimum) is \$514,000 to \$962,000. This includes \$421,000 to \$463,000 that must be paid to the franchisor or affiliate.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar-days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Carlos Lopez, at 300 Harmon Meadow Blvd., Secaucus, New Jersey 07094, (201) 552-6095, Carlos.Lopez@vitaminshoppe.com.

The terms of your contract will govern your franchise relationship. Don’t rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as “[A Consumer’s Guide to Buying a Franchise](#),” which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC’s home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

Issuance date: April 28, 2023

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8
State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Massachusetts	2020	17	0	0	1	0	16
	2021	16	0	0	0	0	16
	2022	16	0	0	0	0	16
Michigan	2020	18	0	0	1	0	17
	2021	17	0	0	0	0	17
	2022	17	0	0	0	0	17
Minnesota	2020	9	0	0	2	0	7
	2021	7	0	0	0	0	7
	2022	7	0	0	0	0	7
Mississippi	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
Missouri	2020	8	0	0	1	0	7
	2021	7	0	0	0	0	7
	2022	7	0	0	0	0	7
Nebraska	2020	2	0	0	0	0	2
	2021	2	0	0	0	0	2
	2022	2	0	0	0	0	2
Nevada	2020	8	0	0	0	0	8
	2021	8	0	0	0	0	8
	2022	8	0	0	0	0	8
New Hampshire	2020	5	0	0	1	0	4
	2021	4	0	0	0	0	4
	2022	4	0	0	0	0	4
New Jersey	2020	34	2	0	0	0	36
	2021	36	2	0	2	0	36
	2022	36	1	0	0	0	37
New Mexico	2020	3	0	0	0	0	3
	2021	3	0	0	0	0	3
	2022	3	0	0	0	0	3
New York	2020	69	0	0	3	0	66
	2021	66	0	0	2	0	64
	2022	64	0	0	2	0	62

THE VITAMIN SHOPPE FRANCHISING, LLC
FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (this “Agreement”) is made by and between **VITAMIN SHOPPE FRANCHISING, LLC**, a Delaware limited liability company, whose principal business address is 300 Harmon Meadow Blvd., Secaucus, New Jersey 07094 (“**Franchisor**,” “**we**,” “**us**,” or “**our**”), and _____, the entity or person identified in the signature block below (“**Franchisee**,” “**you**” or “**your**”), and is effective as of the date we sign it as the franchisor, which is set forth next to our signature at the end of this Agreement (the “Effective Date”).

1. Background

We and certain of our affiliates have created, designed, and developed a concept which features standards, specifications, procedures and methods utilized in connection with the development and operation of an omni-channel specialty retailer of vitamins, minerals, herbs, specialty supplements, sports nutrition and other health and wellness products and services. We and such affiliates currently use, promote, and license certain trademarks, service marks, and other commercial symbols for The Vitamin Shoppe Stores and from time to time we and our affiliates may create, use, and license new trademarks, service marks, and commercial symbols for The Vitamin Shoppe Stores.

We offer and grant franchises to qualified persons to own and operate a The Vitamin Shoppe Stores offering the products and services authorized and approved by us and utilizing The Vitamin Shoppe Store business system, business formats, methods, procedures, designs, layouts, trade dress, standards, specifications, and marks, all of which we and our affiliates periodically may improve, further develop, and otherwise modify.

You have applied for a franchise to own and operate The Vitamin Shoppe Store, and such application has been approved by us in reliance upon all of the representations made therein.

You have read this Agreement and have been given the opportunity to clarify any provisions that you did not understand and to consult with an attorney or other professional advisor. You hereby acknowledge that you understand and accept the terms, conditions and covenants contained in this Agreement as being necessary to maintain the high standards of quality and service and the uniformity of those standards at The Vitamin Shoppe Stores.

2. Definitions

In addition to the terms that are defined in other parts of this Agreement, the following terms have the indicated meanings:

Affiliates means Franchisor and its parents, subsidiaries, and affiliates and their respective directors, officers, owners, shareholders, partners, members, representatives, employees, agents, attorneys, contractors, predecessors, successors, heirs and assigns of each of the forgoing (in their corporate and individual capacities).

have sent us copies of all permits, licenses, and insurance policies required by this Agreement;

- v. all amounts due to us, our Affiliates, and principal suppliers have been paid;
- vi. you are not in default under any agreement with us, our Affiliates, or principal suppliers; and
- vii. you have met all other opening requirements we have established in our Operations Manual (defined in Section 7.F).

6. **Fees**

A. **Initial Franchise Fee**

You must pay us an initial franchise fee (the “**Initial Franchise Fee**”) set forth in Exhibit A, which is payable upon signing of this Agreement. The Initial Franchise Fee is not refundable under any circumstances.

B. **Royalty**

Subject to the Royalty described below, you agree to pay us, on or before the fifteenth (15th) day of each calendar month (the “**Payment Day**”), a royalty (“**Royalty**”) equal to five percent (5%) of the Store’s Net Revenue during the preceding fiscal month. In this Agreement, “Net Revenue” means all revenue received or otherwise derived from operating your Business, whether from cash, check, credit or debit card, gift card or gift certificate, loyalty, or other credit transactions, Apple Pay, PayPal, Venmo or any other form of payment, and regardless of collection or when you actually provide the products or services in exchange for the revenue. Net Revenue does include any bona fide returns and credits that are actually provided to customers. If you receive any proceeds from any business interruption insurance applicable to loss of revenue at your Store, that will be added to Total Revenue at an amount equal to the imputed net revenue that the insurer used to calculate those proceeds. Net Revenue does not include (a) any sales or other taxes that you collect from customers and pay directly to the appropriate taxing authority; or (b) any sales credited from us for online sales commissions from direct to consumer orders, web auto delivery program orders, or store replenishment auto delivery program orders.

All transactions must be entered into the Computer System at the full, standard retail price for purposes of calculating Net Revenue. In addition, Net Revenue is reduced by (i) the value of promotional or marketing discounts offered to the public (with our prior approval), and (ii) the amount of any credits the Store provides in accordance with the terms and conditions set forth in the Operations Manual. Each charge or sale upon credit will be treated as a sale for the full price on the day the charge or sale is made, irrespective of when you receive payment (whether full or partial, or at all) on that sale. Revenue from gift cards we approve for offer and sale at Stores is included in Net Revenue when the gift card is used to pay for services and products. Your Store may not issue or redeem any gift certificates, coupons, or gift, loyalty, or

similar cards unless we first approve in writing their form and content and your proposed issuing and honoring/redemption procedures. We may grant or withhold our approval as we deem best.

C. Technology Fee

You agree to pay us, on or before the Payment Day, a Technology Fee (“**Technology Fee**”) which is currently equal to Eight Hundred Fifty Dollars (\$850) per fiscal month but we can increase this fee if our costs increase. The Technology Fee covers the costs of required software, network connectivity, infrastructure support, intranet access, software fees, IT management fees, mobile device management and other IT expenses. The Technology Fee is due and payable at the same time and in the same manner as the Royalty or in such other manner we periodically specify.

D. Set Up Fee

You agree to pay us, in full, prior to the opening of your Store, a Store setup fee, which is currently Ten Thousand Dollars (\$10,000), in consideration for our on-site advisory role in connection with setting up, remodeling or relocating the Store premises as further described in Section 7.C. below.

E. Payment Method and Timing

You agree to sign and send us the documents we periodically require, or enable the electronic mechanism, authorizing us to debit your business checking or other account automatically for the Royalty, Technology Fee, Set Up Fee, Brand Fund contribution, and other amounts due under this Agreement and any related agreement between us (or our affiliates) and you. We will debit your account on or before the Payment Day for the Royalty, Technology Fee, Brand Fund contribution, and other amounts due. Funds must be available in the account before the Payment Day for withdrawal by electronic transfer. We may require you to obtain, at your expense, overdraft protection for your bank account in an amount we specify. You must reimburse any “insufficient funds” charges and related expenses we incur due to your failure to maintain sufficient funds in your bank account.

If you fail to report the Store’s Net Revenue when required, we may debit your account for one hundred twenty-five percent (125%) of the Royalty, Technology Fee, and Brand Fund contribution we debited for the previous payment period. If the amount we debit from your account is less than the amount you actually owe us for the payment period (once we determine the Store’s actual Net Revenue), we will debit your account for the balance due on the day we specify. If the amount we debit from your account is greater than the amount you actually owe us for the payment period (once we determine the Store’s actual Net Revenue), we will credit the excess, without interest, against the amount we may debit from your account for the following payment period.

We have the right, at our sole option upon notice to you, to change from time to time the timing and terms for payment of Royalties, Technology Fees, Brand Fund contributions, and other amounts due to us under this Agreement. You may not subordinate to any other obligation your obligation to pay us Royalties, Technology Fees, Brand Fund contributions, or any other amount due under this Agreement.

not at any time copy, duplicate, record, or otherwise reproduce any part of the Operations Manual, except for certain forms specified in the Operations Manual.

While we have the right to pre-approve the form of confidentiality agreement you use with Store employees and others having access to our Confidential Information in order to protect that Confidential Information, under no circumstances will we control the forms or terms of employment agreements you use with Store employees or otherwise be responsible for your labor relations. In addition, Brand Standards do not include any personnel policies or procedures, or any Store security-related policies or procedures, that we (at our option) may make available to you in the Operations Manual or otherwise for your optional use. You will determine to what extent, if any, these policies and procedures might apply to your Store's operation. You and we agree that we do not dictate or control labor or employment matters for franchisees and Store employees, and we are not responsible for the safety and physical security of Store employees, guests, and visitors.

G. Delegation

We have the right from time to time to delegate the performance of any portion or all of our obligations under this Agreement to third-party designees, whether they are our affiliates, agents, or independent contractors with which we contract to perform such obligations.

8. Store Operation and Brand Standards

A. Condition and Appearance of Store

You may not use, or allow another to use, any part of the Store for any purpose other than operating the Store in compliance with this Agreement. You must place or display at the Store (interior and exterior), according to our guidelines, only those signs, emblems, designs, artwork, lettering, logos, and display and advertising materials we periodically specify. You agree to maintain the condition and appearance of the Store, the site, and the Operating Assets in accordance with Brand Standards. Without limiting that obligation, you must take the following actions during the Term at your own expense: (i) thorough cleaning, repainting, and redecorating of the Store's interior and exterior at intervals we periodically specify and at our direction; (ii) interior and exterior repair of the Store and the site as needed; and (iii) repair or replacement, at our direction, of damaged, worn-out, unsafe, non-functioning, or obsolete Operating Assets at intervals we periodically specify (or, if we do not specify an interval for replacing an Operating Asset, as that Operating Asset needs to be replaced in order to provide services required to be offered by the Stores in compliance with Brand Standards).

In addition to your obligations described above in clauses (i) through (iii), we periodically may modify Brand Standards, which may accommodate regional or local variations, and those modifications may obligate you to invest additional capital in the Store and/or incur higher operating costs. You agree to implement any changes in mandatory Brand Standards within the time period we request as if they were part of this Agreement on the Effective Date. However, except for:

- (a) changes in the Computer System;

FRANCHISE DISCLOSURE DOCUMENT



ME SPE Franchising, LLC
a Delaware limited liability company
14350 North 87th Street, Suite 200
Scottsdale, Arizona 85260

Phone: (480) 366-4100

Fax: (480) 366-4200

E-Mail: receptionist@massageenvy.com

Website: www.massageenvy.com

ME SPE Franchising, LLC offers franchises to operate a personal health business under the name “Massage Envy®” that offer professional therapeutic massage services, Massage Envy’s proprietary Total Body Stretch service, hot stone massage therapy, customized facial and/or skin care services (including services such as microdermabrasion and chemical peel), all utilizing a unique process and high-end product line, as well as related products and services through a membership-based program in a distinctive, clean and friendly environment (“Massage Envy Business” or “Business”).

The total investment necessary to begin operation of a Massage Envy Business ranges from \$554,850 to \$982,600. This includes an initial franchise fee of \$45,000 that must be paid to ME SPE Franchising, LLC.

This Disclosure Document summarizes certain provisions of your franchise agreement and other information in plain English. Read this Disclosure Document and all accompanying agreements carefully. You must receive this Disclosure Document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no government agency has verified the information contained in this document.**

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact our legal department at 14350 North 87th Street, Suite 200, Scottsdale, Arizona 85260 or by phone at (480) 366-4100.

The terms of your contract will govern your franchise relationship. Don’t rely on the Disclosure Document alone to understand your contract. Read all of your contract carefully. Show your contract and this Disclosure Document to an advisor, like a lawyer or accountant.

Buying a franchise is a complex investment. The information in this Disclosure Document can help you make up your mind. More information on franchising, such as “**A Consumer’s Guide to Buying a Franchise**,” which can help you understand how to use this Disclosure Document, is available from the Federal Trade Commission (the “FTC”). You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC’s home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

Issuance Date: April 28, 2023, as amended October 17, 2023.

**Table 3 - Status of Franchised Outlets
For Years 2020 to 2022**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of Year
Kentucky	2020	9	0	0	0	0	0	9
	2021	9	0	0	0	0	0	9
	2022	9	0	0	0	0	1	8
Louisiana	2020	15	0	0	0	0	1	14
	2021	14	0	0	0	0	0	14
	2022	14	0	0	0	0	0	14
Maine	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Maryland	2020	27	0	1	0	0	1	25
	2021	25	1	0	0	0	0	26
	2022	26	0	0	0	0	0	26
Massachusetts	2020	28	0	0	0	0	2	26
	2021	26	0	0	0	0	1	25
	2022	25	0	0	0	0	2	23
Michigan	2020	8	0	0	0	0	0	8
	2021	8	0	0	0	0	0	8
	2022	8	1	0	0	0	0	9
Minnesota	2020	23	0	0	0	0	0	23
	2021	23	0	1	0	0	0	22
	2022	22	0	0	0	0	0	22
Mississippi	2020	6	0	0	0	0	0	6
	2021	6	0	0	0	0	0	6
	2022	6	0	0	0	0	0	6

**MASSAGE ENVY
FRANCHISE AGREEMENT**

THIS FRANCHISE AGREEMENT (the "**Agreement**") is made and entered into as of this _____ day of _____, 20____ (the "**Effective Date**"), by and between **ME SPE FRANCHISING, LLC**, a Delaware limited liability company, with its principal business address at 14350 North 87th Street, Suite 200, Scottsdale, Arizona 85260 ("**we**," "**us**" or "**our**"), and _____, a _____, with its principal business address at _____ ("**you**" or "**your**").

1. PREAMBLES, ACKNOWLEDGEMENTS AND GRANT OF FRANCHISE.

A. PREAMBLES.

(1) We and our affiliates have designed and developed valuable and proprietary formats and systems for the development and operation of personal health businesses under the name "Massage Envy" that offer total body care services, including massage therapy, stretch therapy, hot stone therapy and customized skin care services and related products and services offered or sold through a membership-based program.

(2) Currently we offer franchises under the Massage Envy name for the operation of the personal health businesses described above ("**Massage Envy Business**" or "**Business**").

(3) We have developed, use, promote and license certain trademarks, service marks and other commercial symbols for use in operating a Massage Envy Business, including "Massage Envy®" and we may create, use and license other trademarks, service marks and commercial symbols for use in operating a Massage Envy Business (collectively, the "**Marks**"). The term "Marks" also includes any distinctive trade dress used to identify a Massage Envy Business, whether now in existence or hereafter created.

(4) We have developed and license certain works and materials for which we have secured common law or registered copyright protection and that we allow franchisees to use, sell or display in connection with the marketing and/or operation of a Massage Envy Business, whether now in existence or created in the future (collectively, the "**Copyrights**").

(5) We offer franchisees who meet our minimum standards for character, skill, aptitude, attitude, business ability and financial capacity, the right to own and operate a Massage Envy Business offering the products and services we authorize (and only the products and services we authorize) and using our business system, business formats, methods, procedures, signs, designs, layouts, standards, specifications, retail products, Copyrights and Marks, all of which we may improve, further develop and otherwise modify from time to time (collectively, the "**Franchise System**").

(6) You have applied for a franchise to own and operate a Massage Envy Business, and we have approved your application relying on all of your representations, warranties and acknowledgments contained in the application and this Agreement.

grant you a license to establish and operate an additional Massage Envy Business if you meet the following minimum conditions: (i) you satisfy our then-current qualifications and training requirements for new franchisees; (ii) you execute our then-current form of franchise agreement; and, (iii) you pay to us an initial franchise fee for a second and subsequent Massage Envy Business in the amount of Thirty-Five Thousand Dollars (\$35,000), and if a veteran who qualifies under our VetFran program, you agree to pay us a discounted initial franchise fee for a second and subsequent Massage Envy Business in the amount of Twenty-Eight Thousand Dollars (\$28,000).

Initial Franchise Fees are due and are fully earned by us when you sign this Agreement.

B. ROYALTY.

You agree to pay us, on the day of each week that we periodically specify (the "**Payment Day**"), a weekly royalty ("**Royalty**") equal to six percent (6%) of your Gross Sales during the previous week. In this Agreement, "**Gross Sales**" means the total of all revenue and receipts derived from the operation of the Business, including, but not limited to, all amounts received at or away from the site of the Business, or through or by means of the business you conduct at your Massage Envy facility, such as fees for massage services, facial services, membership fees, fees for optional member services and charges, gift card sales, and revenue derived from products sales, whether in cash or by check, credit card, debit card, barter or exchange, or other credit transactions, but excluding only (1) sales taxes collected from customers and paid to the appropriate taxing authority, (2) all customer refunds and credits your Business actually makes, and (3) tips received by massage therapists, stretch service providers, and estheticians. Without limiting the generality of the foregoing, "Gross Sales" includes all amounts that third-party marketing agencies or e-commerce marketplace groups such as, for example, Groupon, receive and retain from your customers for marketing products or services that these customers purchase from your Business. "Gross Sales" also includes the full suggested retail price for any goods or services (including monthly amounts due under membership agreements) that are provided at a discount, other than discounts that are part of special programs recommended or approved by us.

You must execute and deliver to us an ACH Authorization Form allowing us to electronically debit a banking account that you designate (your "**Account**") for (i) all fees payable to us under this Agreement and (ii) any amounts that you owe to us or any of our affiliates for the purchase of goods or services. Our current form of ACH Authorization Form is attached to this Agreement as Exhibit B. You further agree to sign and deliver to us any other documents that we or your bank may require from time to time to authorize us to debit your Account for such amounts. You must deposit into the Account all Gross Sales generated by your Business. We will debit your Account for the Royalty on or after the Payment Day, based on Gross Sales for the previous week. You agree to make the funds available for withdrawal by electronic transfer before each due date. If you fail to report your Gross Sales for any week, we may debit your Account for one hundred twenty percent (120%) of the Royalty that we debited for the previous week. If the Royalty we debit from your Account is less than the Royalty you actually owe us (once we have determined your true and correct Gross Sales for the week), we will debit your Account for the balance of the Royalty due on the day we specify. If the Royalty we debit from your Account is greater than the Royalty you actually owe us for the week (once we have determined your true and correct Gross Sales for the week), we will credit the excess against the amount we otherwise would debit from your Account during the following week, without interest.

also complete our Initial Training Program. You shall pay the charges that we establish for training programs furnished to any individual who replaces a previously trained Business Manager.

B. CONDITION AND APPEARANCE OF YOUR MESSAGE ENVY BUSINESS.

You agree that you will not use your Business or any part of your Business facility for any purpose other than operating a Massage Envy Business in compliance with this Agreement, and that you will place or display at your Business facility (interior and exterior) only those signs, emblems, designs, artwork, lettering, logos and display and advertising materials that we from time to time approve during this Agreement's Term. You further agree to maintain the condition and appearance of your Business facility in accordance with our mandatory System Standards (as defined below) and consistent with the image of a Massage Envy Business as a professionally operated business offering high quality services and products and observing the highest standards of professionalism, cleanliness and courteous service. In connection therewith, you agree to take, without limitation, the following actions during this Agreement's Term at your expense: (1) thorough cleaning, repainting and redecorating of the interior and exterior of your Business facility at intervals that we may prescribe; (2) interior and exterior repair of your Business facility as needed; and (3) repair or replacement, at our direction, of damaged, worn-out or obsolete equipment at intervals that we may prescribe (or, if we do not prescribe an interval for replacing any equipment, as that equipment needs to be repaired or replaced).

In addition to your obligations described above, we may periodically require you to substantially alter your Business facility's appearance, layout and/or design, and/or replace a material portion of your equipment, in order to meet our then-current requirements for new Massage Envy Business. You acknowledge that this obligation could result in your making extensive structural changes to, and significantly remodeling and renovating, your Business facility, and you agree to incur any capital expenditures required in order to comply with this obligation and our requirements. We will not require you to make a fundamental and material change to the design of your Business within the first three (3) years of its operation. Within sixty (60) days after receiving written notice from us, you must have plans prepared according to the standards and specifications we prescribe and, if we require, using architects and contractors we designate or approve, and you must submit those plans to us for our approval. You must complete all work according to the plans we approve within the time period that we specify. However, nothing in this paragraph in any way limits your obligation to comply with all mandatory System Standards (as defined below) we specify.

C. SERVICES AND PRODUCTS YOUR BUSINESS OFFERS.

You agree that: (1) your Business will offer all services and products that we periodically specify; (2) you will not offer, sell, give away or otherwise provide at your Business facility or any other location any services or products we have not authorized; (3) you shall not sell any products at wholesale or through any channel of distribution other than retail sales at your Business facility (including, without limitation, sales of products via mail order, catalogs, toll free telephone numbers and electronic means including the Internet); (4) you shall not perform massage or other spa services or sell any products from any location other than your Business facility; and (5) you will discontinue selling and offering for sale any services or products that we at any time

FRANCHISE DISCLOSURE DOCUMENT

HAND AND STONE FRANCHISE LLC

1210 Northbrook Drive, Suite 150

Treose, Pennsylvania 19053

(215) 259-7540

www.handandstone.com



The franchise offered is for the operation of massage, facial, waxing services, and the sale of related retail products under the name Hand and Stone Massage and Facial Spa. We offer our services to the general public in a member and non-member program.

The total investment necessary to begin operation of a Hand and Stone Massage and Facial Spa franchised business is \$526,791 to \$691,311. This includes approximately \$51,000 to \$68,000 that must be paid to the franchisor and/or its affiliate.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive the disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to the franchisor or an affiliate in connection with the proposed franchise sale or grant. **Note, however, that no government agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Jennifer Durham at 1210 Northbrook Drive, Suite 150, Treose, Pennsylvania 19053 and (215) 259-7540.

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "*A Consumer's Guide to Buying a Franchise*," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about

them. **Issuance Date:** May 17, 2023

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
	2022	20	1	1	0	0	0	20
Connecticut	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Colorado	2020	18	0	0	0	0	0	18
	2021	18	0	0	0	0	0	18
	2022	18	1	0	0	0	0	19
Delaware	2020	5	0	0	0	0	0	5
	2021	5	0	0	0	0	0	5
	2022	5	0	0	0	0	0	5
Florida	2020	60	6	0	0	0	0	66
	2021	66	3	0	0	10	0	59
	2022	59	8	1	0	3	0	63
Georgia	2020	8	0	0	0	0	0	8
	2021	8	0	0	0	0	0	8
	2022	8	0	1	0	0	0	7
Illinois	2020	15	1	0	0	0	0	16
	2021	16	0	0	0	0	0	16
	2022	16	1	0	0	0	0	17
Indiana	2020	3	0	0	0	0	0	3
	2021	3	1	0	0	0	0	4
	2022	4	1	0	0	0	0	5
Idaho	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
Kansas	2020	1	1	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Kentucky	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Massachusetts	2020	4	1	0	0	0	0	5
	2021	5	0	0	0	0	0	5

HAND AND STONE FRANCHISE LLC

FRANCHISE AGREEMENT

This Franchise Agreement, made this ____ day of _____, 20__, is by and between Hand and Stone Franchise LLC, a New Jersey limited liability company, having its principal place of business at 1210 Northbrook Drive, Suite 150, Trevoose, Pennsylvania 19053 (“Franchisor”), and _____, an individual whose principal address is _____ (“Franchisee”).

W I T N E S S E T H:

WHEREAS, Franchisor and its Affiliate have developed, and are in the process of further developing, a System identified by the service marks “HAND AND STONE”, “HAND AND STONE MASSAGE SPA”, and “HAND AND STONE MASSAGE AND FACIAL SPA” and relating to the establishment and operation of a spa offering professional massage, facial and waxing services and the sale of related retail products to the general public referred to as “HAND AND STONE MASSAGE AND FACIAL SPA;” and

WHEREAS, in addition to the service mark “HAND AND STONE MASSAGE AND FACIAL SPA” and certain other Marks, the distinguishing characteristics of the System include, among other things, distinctive massage and facial protocols and techniques, uniform standards and procedures for efficient business operations; procedures and strategies for marketing, advertising and promotion; customer service and development techniques; distinctive interior and exterior design, layout and décor; other strategies, techniques and Trade Secrets; and the Manual; and

WHEREAS, Franchisor grants to qualified persons and business entities the right to own and operate a single HAND AND STONE MASSAGE AND FACIAL SPA franchise (a “HAND AND STONE franchise”) using the System and the Marks; and

WHEREAS, Franchisee desires to own and operate a HAND AND STONE franchise, has applied for the Franchise and such application has been approved by Franchisor in reliance upon all of the representations made herein and therein; and

WHEREAS, Franchisee understands and acknowledges the importance of Franchisor’s high and uniform standards of quality, operations and service and the necessity of operating the Franchised Business in strict conformity with Franchisor’s System.

NOW, THEREFORE, Franchisor and Franchisee, intending to be legally bound, agree as follows:

ARTICLE 1
DEFINITIONS

Whenever used in this Agreement, the following words and terms have the following meanings:

“**Affiliate**” means any business entity that controls, is controlled by, or is under common control with Franchisor;

“**Agreement**” means this agreement entitled “Hand and Stone Franchise LLC Franchise Agreement” and all instruments supplemental hereto or in amendment or confirmation hereof;

incurred by Franchisor in furnishing assistance and services to Franchisee as set forth in this Agreement and for costs incurred by Franchisor, including general sales and marketing expenses, training, legal, accounting and other professional fees.

3.2 **Weekly Royalty Fee.** On Tuesday of each week, Franchisee shall pay to Franchisor without offset, credit or deduction of any nature, so long as this Agreement shall be in effect, a weekly fee (“Royalty Fee”) equal to six percent (6%) of Gross Sales for the week ending the previous Saturday. During the Franchised Business’s first fifty-two (52) weeks of operation only, the Royalty Fee shall be equal to five percent (5%). For clarity, if Franchisee is executing this Agreement in connection with Franchisee’s acquisition of an operational Franchised Business, or a renewal of the franchise, the reduced weekly Royalty Fee of five percent (5%) shall not apply and Franchisee shall pay the six percent (6%) weekly Royalty Fee commencing immediately upon the Effective Date. Each weekly Royalty Fee shall accompany a Gross Sales Report, as required by Section 12.2, for the same period. If Franchisor requires Franchisee to pay Royalty Fees through electronic transfer as set forth in Section 3.6, such reports shall instead be submitted by Franchisee electronically or compiled by Franchisor electronically through access to Franchisee’s computer and point of sale system.

3.3 **Marketing Fund Contributions.** Franchisee shall contribute to a System-wide marketing, advertising and promotion fund (“Marketing Fund”) each week an amount equal to one percent (1%) of weekly Gross Sales (“Marketing Fund Contribution”). Marketing Fund Contributions shall be made at the same time and in the same manner as Royalty Fees as provided in Section 3.2. The Marketing Fund shall be maintained and administered by Franchisor or its designee in accordance with the provisions contained in Section 11.3.

3.4 **Local Advertising Fees.** In addition to the Marketing Fund Contribution described above, Franchisee shall pay to Franchisor each week an amount equal to four percent (4%) of weekly Gross Sales (“Local Advertising Fee”), but not less than Four Hundred Dollars (\$400.00) weekly, which sum shall be used by Franchisor’s subsidiary, HSM Advertising, Inc. (“Advertising Agency”), to conduct local advertising on Franchisee’s behalf in accordance with Section 11.2.

3.5 **Taxes.** Franchisee shall pay to Franchisor an amount equal to all sales taxes, use taxes and similar taxes imposed on the fees payable by Franchisee to Franchisor hereunder and on services or goods furnished to Franchisee by Franchisor at the same time as Franchisee remits such fees to Franchisor, whether such services or goods are furnished by sale, lease or otherwise, unless the tax is an income tax assessed on Franchisor for doing business in the state where the Franchised Business is located or other federal, state or local taxes assessed against the income of the Franchisor.

3.6 **Electronic Transfer.** Franchisee shall pay all Royalty Fees, Marketing Fund Contributions, amounts due for purchases by Franchisee from Franchisor and other amounts due to Franchisor through an Electronic Depository Transfer Account. Franchisee shall open and notify Franchisor of the account details of an Electronic Depository Transfer Account within one hundred eighty (180) days after the Effective Date (but in no event later than the opening of the Franchised Business). Franchisee shall provide Franchisor with continuous access to such account for the purpose of receiving any payments due to Franchisor. Every week, Franchisee shall make deposits to the account sufficient to cover amounts owed to Franchisor prior to the date such amounts are due. Once established, Franchisee shall not close the Electronic Depository Transfer Account without Franchisor’s consent.

3.7 **Late Fees.** All Royalty Fees, Marketing Fund Contributions, Local Advertising Fees, amounts due for purchases by Franchisee from Franchisor and other amounts that are not received by Franchisor within five (5) days after the due date shall bear interest at the rate of eighteen percent (18%) per annum (or the highest rate allowed by law, whichever is lower) from the date payment is due to the date

inspection (including, without limitation, travel expenses and reasonable accounting and attorneys' fees). The foregoing remedies shall be in addition to any other remedies Franchisor may have.

12.7 **Release of Records.** At Franchisor's request, Franchisee shall authorize and direct any third parties, including accounting professionals, to release to Franchisor all accounting and financial records arising from or relating to the operation of the Franchised Business including, but not limited to, records evidencing Gross Sales, profits, losses, income, tax liabilities, tax payments, revenues, expenses, and any correspondence, notes, memoranda, audits, business records, or internal accounts within said third parties' possession, custody or control, and to continue to release such records to Franchisor on a monthly basis for the length of the unexpired term of this Agreement or until such time as Franchisor withdraws its request. Franchisee shall execute all documents necessary to facilitate the release of records referenced herein to Franchisor.

12.8 **Accounting Firm.** To ensure that Franchisee has accurate financial records and reporting, during the first year of the term of this Agreement, or until Franchisee demonstrates a proficiency in preparing and submitting to Franchisor correct financial statements of the Franchised Business' operations, Franchisor requires Franchisee to use the services of one of its designated and preferred accounting firms (the "**Accounting Firm**"). The Accounting Firm will gather weekly transactional information from the Franchised Business and enter such information into its accounting software, reconcile monthly cash and credit card activity, produce monthly financial statements for the Franchised Business, perform bank reconciliations, calculate sales taxes and prepare K-1s. Franchisee is required to pay the Accounting Firm's then current monthly fee (the "Accounting Fees") and the Accounting Fees are subject to future increases. Franchisor may require Franchisee to use the Accounting Firm and pay the Accounting Fees at any time during the term of this Agreement in the event that Franchisee fails to provide Franchisor with accurate financial statements.

ARTICLE 13 **STANDARDS OF OPERATIONS**

13.1 **Authorized Products, Services and Suppliers.** Franchisee acknowledges that the reputation and goodwill of the System is based in large part on offering high quality products and services to its clients. Accordingly, Franchisee shall provide or offer for use at the Franchised Business only those products, supplies, signs, equipment and other items and services that Franchisor from time to time approves (and that are not thereafter disapproved) and that comply with Franchisor's specifications and quality standards. If required by Franchisor, any such items or services shall be purchased only from "Approved Suppliers" that Franchisor designates or approves (which might include, or be limited to, Franchisor or an Affiliate). Any purchases by Franchisee from Franchisor or its Affiliates will be at Franchisor's or the Affiliate's then-current price in effect. Franchisee shall not offer for sale, sell or provide through the Franchised Business or from the Approved Location any products or services that Franchisor has not approved.

(a) Franchisor shall provide Franchisee, in the Manual or other written or electronic form, with a list of specifications and, if required, a list of Approved Suppliers for some or all of the supplies, signs, equipment and other approved or specified items and services, and Franchisor may from time-to-time issue revisions to such list. If Franchisor or an Affiliate is an Approved Supplier, Franchisee shall execute a standard form purchase or supply agreement for the items to be supplied by Franchisor or any Affiliate. If Franchisee desires to use any services or products that Franchisor has not approved (for services and products that require supplier approval), Franchisee shall first send Franchisor sufficient information, specifications and/or samples for Franchisor to determine whether the service or product complies with its standards and specifications or whether the supplier meets its Approved Supplier criteria. Franchisee shall bear all reasonable expenses incurred by Franchisor in connection with determining whether it shall approve

an item, service or supplier. Franchisor will decide within a reasonable time (usually thirty (30) days) after receiving the required information whether Franchisee may purchase or lease such items or services or from such supplier. Approval of a supplier may be conditioned on the supplier's ability to provide sufficient quantity of product; quality of products or services at competitive prices; production and delivery capability; and dependability and general reputation. Nothing in this Section shall be construed to require Franchisor to approve any particular supplier, or to require Franchisor to make available to prospective suppliers, standards and specifications that Franchisor deems confidential.

(b) Notwithstanding anything contrary in this Agreement, Franchisor has the right to review from time to time its approval of any items or suppliers. Franchisor may revoke its approval of any item, service or supplier at any time by notifying Franchisee or the supplier. Franchisee shall, at its own expense, promptly cease using, selling or providing any items or services disapproved by Franchisor and shall promptly cease purchasing from suppliers disapproved by Franchisor.

(c) Franchisor has the right to designate certain programs, products and services, not otherwise authorized for general use as part of the System, to be offered locally or regionally based upon such factors as Franchisor determines including, but not limited to, franchisee qualifications, test marketing and regional or local differences. Franchisor has the right to give its consent to one (1) or more franchisees to provide certain products or services not authorized for general use as part of the System. Such consent will be based upon the factors set forth in Section 10.4 and shall not create any rights in Franchisee to provide the same products or services.

(d) Franchisor has the right to retain volume rebates, markups and other benefits from suppliers or in connection with the furnishing of suppliers. Franchisee shall have no entitlement to or interest in any such benefits.

13.2 **Membership Programs; Customer Data.** Franchisee shall institute membership programs as specified in the Manual. All Customer Information of Customers who participate in such membership programs (“**Members**”) is confidential information and the property of Franchisor, and shall be used by Franchisee in strict adherence to Franchisor's policies and procedures as stated in the Manual.

Franchisor may use the Customer Information as Franchisor deems appropriate (subject to applicable law), including sharing it with its Affiliates for cross-marketing or other purposes. Franchisee may only use Customer Information for the purpose of operating the Franchised Business to the extent permitted under this Agreement, including the Manual, during the term hereof and subject to such restrictions as Franchisor may from time to time impose and in compliance with all data privacy, security and other applicable laws. Without limiting the foregoing, Franchisee agrees to comply with applicable law in connection with its collection, storage and its use and Franchisor's use of such Customer Information, including, if required under applicable law, obtaining consents from Customers to Franchisor's and its Affiliates' use of the Customer Information. Franchisee must comply with all laws and regulations relating to data protection, privacy and security, including data breach response requirements (“**Privacy Laws**”), as well as data privacy and security policies, procedures and other requirements Franchisor may periodically establish. Franchisee must notify Franchisor immediately of any suspected data breach at or in connection with the Franchised Business. Franchisee must fully cooperate with Franchisor and its counsel in determining the most effective way to meet Franchisor's standards and policies pertaining to Privacy Laws within the bounds of applicable law. Franchisee is responsible for any financial losses it incurs or remedial actions that it must take as a result of breach of security or unauthorized access to Customer Information in Franchisee's control or possession.

If any federal or state Privacy Law, including the California Consumer Privacy Act (“CCPA”), or as revised and when in effect, the California Consumer Privacy Rights Act (“CPRA”) Cal. Civ. Code §

SUPERCUTS®

FRANCHISE DISCLOSURE DOCUMENT

Supercuts, Inc.
A Delaware Corporation
3701 Wayzata Boulevard, Suite 500
Minneapolis, Minnesota 55416
(952) 947-7777 www.Supercuts.com
FranchiseDevelopment@regiscorp.com

The franchisor's name is Supercuts, Inc. ("Supercuts"). You will have the right to own and operate one or more retail hair care establishments providing haircutting and related services under the "SUPERCUTS" mark and other distinctive marks.

The total investment necessary to begin operation of a new Supercuts franchise is \$185,406 to \$317,878. This includes \$54,816 to \$57,838 that must be paid to the franchisor or affiliate (for a new Supercuts Store to be developed, not an existing company-owned Store to be purchased). You are required to sign a Development Agreement even if you want only a one Store franchise. If you want to develop more than one Supercuts Store, you will sign a Development Agreement. The development fee depends on the number of Stores you want to develop and whether you are an existing franchisee or a new franchisee. If you sign a Development Agreement for development of three Supercuts Stores, for example, the total investment necessary to begin operation of a Supercuts franchise is \$215,406 to \$347,878. This includes \$69,500 for the development fees that must be paid to the franchisor or affiliate.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or any affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact the Franchise Development Department at 3701 Wayzata Boulevard, Suite 500, Minneapolis, MN 55416, (952) 947-7777, (888) 888-7008 or by email at FranchiseDevelopment@regiscorp.com.

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "[A Consumer's Guide to Buying a Franchise](#)," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

Issuance date of this Franchise Disclosure Document: January 16, 2024

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Re-acquired by Franchisor	Ceased Operations—Other Reasons	Outlets at End of the Year
Massachusetts	2021	103	0	0	0	0	6	97
	2022	97	1	0	0	0	7	91
	2023	91	0	0	0	0	5	86
Michigan	2021	80	0	0	0	0	6	74
	2022	74	0	0	0	0	3	71
	2023	71	0	0	0	0	6	65
Minnesota	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Mississippi	2021	7	0	0	0	0	0	7
	2022	7	0	0	0	0	0	7
	2023	7	0	0	0	0	0	7
Missouri	2021	26	0	0	0	0	3	23
	2022	23	0	0	0	0	2	21
	2023	21	1	0	0	0	6	16
Nebraska	2021	21	0	0	0	0	1	20
	2022	20	0	0	0	0	1	19
	2023	19	0	0	0	0	2	17
Nevada	2021	49	2	0	0	0	4	47
	2022	47	0	0	0	0	4	43
	2023	43	1	0	0	0	2	42
New Hampshire	2021	26	0	0	0	0	1	25
	2022	25	0	0	0	0	0	25
	2023	25	0	0	0	0	1	24
New Jersey	2021	81	5	0	0	0	8	78
	2022	78	4	0	0	0	5	77
	2023	77	0	0	0	0	4	73

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (this “Agreement”) made, entered into and effective this _____ day of _____, 20____, by and between SUPERCUTS, INC., a Delaware Corporation, hereinafter sometimes referred to as “Franchisor” and _____ hereinafter referred to as “Franchisee,” in consideration of the premises, covenants, and promises herein, agree as follows:

ARTICLE 1 - RECITALS

Section 1.01 Status and Location of Franchisor.

Franchisor is a corporation duly organized, validly existing, and in good standing under the laws of the State of Delaware. Franchisor’s principal office is located at 3701 Wayzata Boulevard, Suite 500, Minneapolis, MN 55416.

Section 1.02 Residence of Franchisee.

Franchisee’s principal address is: _____

Section 1.03 Franchisor’s Exclusive Right to Trademarks.

Franchisor possesses rights under various registered and unregistered trademarks, service marks, trade names and styles including distinctive logos, and also certain copyrighted material embodying the use of such marks and Franchisee specifically acknowledges Franchisor’s exclusive right to said trademarks, service marks, trade names, and copyrighted material.

Section 1.04 Franchisor’s Unique Proprietary System.

As the result of the expenditure of time, effort and money in research and development, Franchisor has developed a system and acquired experience and knowledge with respect to a system for the operation of establishments offering haircutting and related services in a specially designed and decorated building with distinctive fixtures, accessories and color scheme, all known as “Supercuts”. Through its advertising programs and the quality of its service, Franchisor has established a reputation, demand and goodwill for haircutting and related services under the name of “Supercuts”.

Section 1.05 Franchisor Granting Limited Licenses.

Franchisor is also engaged in the business of granting to others, by means of non-exclusive franchise agreements, special limited licenses to utilize the name “Supercuts”, the related proprietary marks and the associated concepts in connection with the operation by such persons of hair care establishments and the sale, distribution, and marketing of hair care systems.

Section 1.06 Grant and Acceptance of Franchise.

All of the foregoing have a valuable significance to the public, and the Franchisee, being cognizant thereof, desires to obtain from Franchisor, and Franchisor desires to grant to Franchisee, pursuant to the

“Supercuts” franchise, Franchisor has the right to terminate this Agreement immediately and shall return to Franchisee the initial franchise fee paid to Franchisor by Franchisee pursuant to Section 4.01 hereof.

Section 4.03 Escrow.

Upon the request of Franchisee, any sums paid to Franchisor pursuant to Section 4.01 hereof shall be deposited with an escrow agent, mutually acceptable to both parties, who shall hold said sums until such time as said escrow agent is notified in writing by Franchisor that (1) Franchisee has successfully completed the initial training course as specified in Section 6.03 hereof in which event said deposited sum shall be paid to Franchisor; or (2) Franchisee has not successfully completed said course in which event said deposit shall be paid to Franchisee. Any costs associated with said escrow shall be paid by Franchisee and all interest, if any, earned on said deposit while held by said escrow agent shall belong to the party to whom said deposit is ultimately paid.

Section 4.04 Monthly Royalty Fee.

In addition to the initial payment set forth in Section 4.01 hereof, Franchisee agrees to pay to Franchisor a monthly royalty fee based on Franchisee’s net monthly revenues derived from the operation of the Franchise for each month or any portion thereof during the term of this Agreement. The percentage used and the revenues which said percentage is applied against varies depending on the date of the Store opening as follows:

The monthly royalty fee is 4% of combined net service revenues and net merchandise revenues from the Store open date until the first anniversary of the Store open date. From the first anniversary of the Store open date until the Franchise Agreement expires or is terminated, the monthly royalty fee is 6% of combined net service revenues and net merchandise revenues.

Said royalty fee shall be paid on or before the tenth (10th) day of each month and shall be based upon net revenues for the preceding calendar month. Along with said payment Franchisee shall furnish Franchisor with electronic or written reports in the format and on forms provided by Franchisor for this purpose signed by Franchisee stating gross revenues, sales data, customer counts and such other similar information as Franchisor may request from time to time, excluding individual customer data, for the preceding calendar month as designated and classified in the format and on forms provided by Franchisor. Franchisee shall at all times maintain, and provide Franchisor with electronic access to, data and information on Franchisee’s computerized point of sale and back office systems regarding: (1) gross revenues, net revenues, sales data, collective sales transaction data, customer counts, and such other similar information (“General Data”); and (2) individual sales transaction data and individual customer data (“Individual Data”), including such General Data and Individual Data for the preceding day, calendar month, or other period, but excluding employee- and employment-related information, as Franchisor may require from time to time, in the form and format required by Franchisor. General Data and Individual Data are collectively referred to as “Franchisee Data.” Franchisor shall have the right to collect Franchisee Data at any time, including on a daily and other basis. Franchisor shall not use or allow any third party to use Franchisee Data to compete with Franchisee. Franchisor shall not use Franchisee Data for any purpose other than supporting, maintaining, developing, advertising, marketing, and promoting the Supercuts brand, system, and stores. Franchisor may not use Franchisee Data for any other purpose without the Supercuts Executive Council’s prior written consent. To the extent Franchisor desires to use Franchisee Data to advertise and promote specific discounted pricing of the Franchisee’s goods or services offered at Franchisee’s Store, Franchisor will first give Franchisee reasonable advance written notice of such discounted pricing offer, and give the Franchisee a reasonable opportunity to elect out of that discounted pricing offer before it is published and/or distributed.

Without limiting any other rights or remedies available to Franchisee for other breaches, violations, or misconduct, in the event Franchisee believes Franchisor has used any General Data in breach of this paragraph, Franchisee shall provide Franchisor with prompt written notice detailing the alleged breach. If Franchisor fails to promptly stop any such breach, Franchisee will have the right to take legal action, provided that Franchisee agrees that it shall not be entitled to recover damages for Franchisor's breach of this Section by using General Data in breach of the preceding paragraph, and Franchisee's sole remedy, and Franchisor's sole liability, for a breach of this Section related to General Data shall be injunctive relief to stop the breach.

Once per calendar year, the franchisee members of the Supercuts Executive Council may collectively request information from Franchisor sufficient to verify Franchisor's compliance with this Section. Franchisor agrees that it shall, once per calendar year, upon such yearly written request, provide a written response to the franchisee members of the Supercuts Executive Council sufficient to verify how Franchisor is using the Franchisee Data. Franchisor shall not be required to respond to such requests more than once per calendar year.

Section 4.05 Advertising and Sales Promotion Fee.

In addition to any other payment herein required Franchisee shall pay to Franchisor an advertising and sales promotion fee. Said fee shall be equal to:

FIVE PERCENT (5%) of Franchisee's net monthly revenues, as said term is hereinafter defined, for each month (or any portion thereof) during the term of this Agreement. Notwithstanding the above, Franchisee's net monthly revenues for purposes of this calculation shall exclude revenues directly derived from sales of retail merchandise.

An advertising fund rebate program was implemented effective July 1, 1997. Under the terms of the rebate program, a percentage of the Local portion of the 5% advertising fund may be rebated back to the individual Storeowners, whether Franchisor or Franchisee owned. All stores within a DMA vote (1 Store, 1 vote) on the Local portion of the 5% advertising fund to be rebated to the DMA or to forego the rebate. A 75% vote will govern, which vote is subject to majority approval by the Supercuts Executive Council, which approval will not be unreasonably withheld. The advertising fund rebate program will operate on a calendar year rebate period, again with a DMA vote within thirty (30) days after each calendar year end.

Said fee shall be paid in the same manner as the monthly royalty fee specified in Section 4.04 hereof. Franchisor shall retain said sums in a properly segregated fund. Franchisor shall supply Franchisee with a semi-annual statement for said fund indicating the gross amount of advertising and sales promotion fees collected from all franchisees, the total amount expended for advertising and sales promotion, and the balance of said fund. Franchisor shall have responsibility for disbursement of said funds. The manner, media and cost of such advertising or promotion shall be decided by the Franchisor and representatives of the franchisees collectively called the Supercuts Council pursuant to an agreement dated September 28, 1987.

Section 4.06 Advertising, Grand Opening

(1) Provided Franchisee was not a Supercuts Franchisee as of twelve (12) months prior to the date of this Agreement, Franchisee shall pay to Franchisor or its affiliate at least ninety (90) days prior to the Store opening the sum of Ten Thousand

means, which may consist of one or more handbooks or manuals as may be added, replaced or supplemented by Franchisor from time to time in its sole discretion (collectively the “Operations Manual”). The Operations Manual shall contain specifications, standards, policies and procedures prescribed from time to time by Franchisor for stores and information relative to other obligations of Franchisee hereunder and the operation of a Supercuts store. The Operations Manual may be modified from time to time to reflect changes in the system or specifications, standards, policies and procedures of stores, to specify brands, types and/or models of equipment which must be used by Franchisee in the operation of the store, to specify changes in inventory specifications, and to specify changes in the decor, format, image, products, services and operations of a store. Franchisee shall keep its copy of the Operations Manual current by immediately inserting all modified pages furnished by Franchisor. In the event of a dispute about the contents of the Operations Manual, the master copies maintained by Franchisor at its principal office shall be controlling. Franchisee acknowledges that the Operations Manual is proprietary and confidential and, therefore, agrees that it will not, at any time, copy or distribute any part of the Operations Manual. Disclosure or use of the contents of the Operations Manual by Franchisee for purposes other than the operation of a Supercuts Store shall constitute a violation of this Agreement.

ARTICLE 8 - OBLIGATIONS OF FRANCHISEE

Section 8.01 Continuous Operation.

Franchisee shall, beginning on the Commencement Date of this Agreement and continuing during the remaining term of this Agreement, continuously operate a hair care business at the subject location (except if prevented by an act of God or other causes beyond the control of Franchisee), using Franchisee’s best efforts, skills and diligence in the conduct thereof, and regulating and controlling Franchisee’s employees so that said employees maintain a high standard of professional competency and quality of service. Franchisee shall notify Franchisor within seven (7) days after Franchisee’s Store opening.

Section 8.02 No Other Business Within Subject Premises.

Franchisee shall not operate, directly or indirectly, nor allow the operation of, any other business within or in connection with the subject location, including the rental of the salon chairs or booths to anyone.

Section 8.03 Standards of Operation.

Franchisee shall operate the subject location in strict conformity with such reasonable standards, specifications, requirements and instructions as Franchisor may hereafter adopt. Such reasonable standards, specifications, requirements and instructions shall exclude standards, specifications, requirements and instructions relating to labor relations and employment practices, as Franchisee controls exclusively its labor relations and employment practices, but shall include but not be limited to the required computerized point of sale cash register and back office system and telephone modem that is designated by Franchisor and is purchased or leased from Franchisor’s designated supplier. Franchisor will use reasonable efforts to agree with its designated supplier on (a) reasonable pricing for the required point of sale and back office computer system, maintenance and support services, and costs for Franchisees to convert from other systems to the currently designated system; and (b) yearly caps on price increases of the lesser of five percent (5%) and the increase in the consumer price index (CPI) for maintenance and support services for such system.

Franchisee will comply with Franchisor’s then current standards, specifications, requirements and instructions regarding the computerized point of sale cash register system and franchise back office system designated by Franchisor. Franchisee agrees to provide Franchisor at all times with electronic

access to any and all information stored on its computerized point of sale cash register system and franchise back office system, including, without limitation, individual customer data (e.g., names, addresses, emails, phone numbers), individual and collective sales transaction data, and all other financial, revenue, and operational data (excluding employee and employment related information) associated with the Store, which Franchisor shall have the right to collect at any time, including on a daily and other basis. Franchisor shall have the right from time to time to make reasonable changes, modifications, or additions to any standards, specifications and/or requirements for the computerized point of sale cash register and/or the franchise back office system whenever Franchisor deems that such changes, modifications or additions are reasonably necessary to improve the standards of quality, service, repair and maintenance of the subject location or to protect any mark, trademark, service mark or trade name of Franchisor. Any such changes, modifications or additions shall automatically be binding upon Franchisee upon the giving of notice of same to Franchisee by Franchisor.

Franchisee shall maintain its computerized point of sale and back office systems in secure, environmentally stable conditions and use reasonable, industry standard security measures to protect the data and information contained on its Systems. Franchisee shall maintain compliance with all applicable data privacy and protection laws and regulations and industry standards, including the PCI data security standard. Franchisee will notify Franchisor immediately of any data breaches associated with Franchisee's Systems and reasonably cooperate with Franchisor to address any such data breaches on Franchisee's Systems.

Section 8.04 Employee Criteria & Employee Certificates of Competency.

Franchisee shall maintain a competent, conscientious and trained staff, and shall take such steps as are necessary to ensure that its employees preserve good guest relations; render competent, prompt, courteous and knowledgeable service; and meet such minimum standards as Franchisor may establish in writing from time to time to maintain the quality of the Supercuts brand. Franchisee shall be solely responsible for all employment decisions of the store, including, without limitation, those related to hiring, firing, promotion, training, wages and hours, other benefits, work assigned, adjustment of grievances and complaints, record keeping, working conditions, supervision and discipline of employees. Franchisee agrees to relieve from his or her duties related to the Store any employee of Franchisee whose professional competency or quality of service does not meet the minimum standards described in this paragraph or who does not hold a valid "Certificate of Competency" issued by Franchisor.

Section 8.05 Products Offered.

Franchisee shall display and sell in the subject premises a limited line of hair care products. All such products must be those classified as "professional" products sold or provided only in professional hair salons. Such products may include shampoos, hair conditioners, and related hair care products. Franchisee acknowledges that sufficient product inventory is essential to the successful operation of the store and hereby agrees that inventory level shall never be reduced below eighty percent (80%) of the opening inventory level for a period of time exceeding seven (7) consecutive days. Said eighty percent (80%) standard shall mean eighty percent (80%) of the number of inventory items specified in the opening inventory order. Franchisee shall not display or sell items such as wigs, hairpieces, permanent or semi-permanent hair dyes or coloring products, permanent wave products or products not directly related to hair care. Prior to the sale of any line of hair care products Franchisee shall obtain Franchisor's prior written consent to the sale of said product line and specific product. Such consent shall not be unreasonably withheld. Franchisee may purchase said approved products from any reputable supplier, distributor or wholesaler of said products. Franchisee may not sell any hair care product other than directly to end user customer from Franchised location. Franchisee may not sell any hair care products through any other distribution channels (including the Internet) or to any reseller.

FRANCHISE DISCLOSURE DOCUMENT



AFC Franchising, LLC
3700 Cahaba Beach Road
Birmingham, Alabama 35242
(205) 403-8902
www.afcurgentcare.com
www.afcfranchising.com

The franchisee will operate an urgent and accessible primary care management business that will establish and manage an urgent care center that, through independent physicians and professionally licensed persons or entities, provides various levels of patient care services, which include minor injuries, infections, workers' compensation injuries, sports physicals, travel medicine, colds and flu, and much more. Each center will be equipped with several exam rooms, X-Ray Equipment, on-site laboratory, and, where permitted by law, a pharmacy dispensing the most common urgent care medicines.

The total initial investment necessary to begin operation of a franchised business (in which you are not converting an existing urgent care business), ranges from \$1,169,347 - \$1,651,712. This includes \$140,000 - \$180,000 that must be paid to the franchisor or its affiliates. If you are converting an existing urgent care facility to be an "AFC/American Family Care" center that you will manage, the total initial investment necessary to begin operation of a franchised business ranges from \$114,500 - \$480,500. This includes \$125,000.00 to \$165,000 that must be paid to the franchisor or affiliate. If you sign an Area Development Agreement to develop a certain number of franchised businesses, you must pay us a development fee of \$60,000 for your first franchise and a non-refundable deposit of \$10,000 for each additional franchise to be developed. The number of units for an Area Development Agreement will be negotiated between the parties but will be no less than 2. The initial franchise fee for subsequent franchises under the Area Development Agreement is \$45,000.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all agreements carefully. You must receive this disclosure document at least 14 calendar-days before you sign a binding agreement with, or make any payment to, franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no government agency has verified the information contained in this document.**

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The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "[A Consumer's Guide to Buying a Franchise](#)," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may be laws on franchising in your state. Ask your state agencies about them.

Issued: March 1, 2023

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
Illinois	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	1	0	0	0	0	2
Kansas	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Maine	2020	1	0	0	0	0	0	0
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Maryland	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Massachusetts	2020	21	0	0	0	0	0	21
	2021	21	0	3	0	6	0	12
	2022	12	0	0	0	0	0	12
Michigan	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	2	0	0	0	0	3
Minnesota	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
Mississippi	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
Missouri	2020	3	0	1	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Nebraska	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
New Jersey	2020	14	2	1	0	0	0	15
	2021	15	5	0	0	0	0	20
	2022	20	5	0	0	0	0	25
New Mexico	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
New York	2020	12	0	0	0	0	0	12
	2021	12	1	0	0	0	0	13
	2022	13	5	0	0	0	0	18
North Carolina	2020	2	0	0	0	0	0	7
	2021	7	3	0	0	0	0	10
	2022	10	8	0	0	0	0	18
Ohio	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1

**AFC FRANCHISING, LLC
FRANCHISE AGREEMENT**

THIS FRANCHISE AGREEMENT (the “**Agreement**”) is made and entered into as of the _____ day of _____, 20__ (the “**Effective Date**”) (regardless of the dates of the parties’ signatures) by and between:

- **AFC FRANCHISING, LLC**, an Alabama limited liability company located at 3700 Cahaba Beach Road, Birmingham, Alabama 35242 (“**we**,” “**us**,” or “**our**”), and
- _____, whose principal business address is _____ (“**you**” or “**your**”).

PREAMBLES AND BACKGROUND

A. We and our predecessors, as a result of the expenditure of time, skill, and effort have developed (and continue to develop and modify) an urgent care center management system (“**System**”) relating to the management of urgent and/or accessible primary care centers that provide, through independent physicians and professionally licensed persons or entities, various levels of patient care services; all of which are provided by a physician, or medical personnel supervised by a physician, which include, without limitation, minor injuries, infections, workers compensation injuries, sports physicals, travel medicine, and colds and flu; and each center will be equipped with several exam rooms, X-Ray Equipment, on-site laboratory, and where permitted by law a pharmacy dispensing the most common urgent care medicine. As used herein, urgent care also includes accessible primary care.

B. The urgent care centers in the System operate under the “AFC and Design” and “AMERICAN FAMILY CARE” name and Marks and will be managed according to the System. The business that will manage a Center under the System is referred to in this Agreement as the “Franchised Business.” The System has characteristics that currently include providing construction design, approved supplier relationships for site selection, medical and other equipment, supplies, furniture and fixtures, procedures for monitoring operations and quality of services offered; procedures for management; training and assistance; advertising and promotional programs; business formats, methods, procedures, standards, and specifications all of which we may change, improve, and further develop.

C. We use, promote, and license certain trademarks, service marks, and other commercial symbols including the mark “AFC and Design” and “AMERICAN FAMILY CARE” in operating and managing Centers, which have gained and will continue to gain public acceptance and goodwill, and we may create, use, and license other trademarks, service marks, and commercial symbols for Centers.

D. We grant to persons who meet our qualifications, and are willing to undertake the investment and effort, a franchise to own and operate a business that will manage a Center using our System and Marks.

E. You have applied to us for the right to use the System. Your application has been approved by us in reliance upon all of the representations made in your application including those concerning your financial resources and the manner in which the Franchised Business will be owned and operated. You acknowledge that you have read this Agreement and been given an opportunity to obtain clarification of any provision that you did not understand. You also understand and agree that the terms and conditions contained in this Agreement are necessary to maintain the System’s high standards of quality and service and the uniformity of those standards at all Centers and thereby agree to protect and preserve the goodwill of the Marks, and you must comply with this Agreement and all System Standards in order to maintain the high and consistent quality that is critical for Centers.

You agree to pay us a nonrecurring initial franchise fee, in the amount set forth in Exhibit A. This fee is due, and fully earned by us, when you sign this Agreement. The initial franchise fee is nonrefundable.

3.2 Continuing Service and Royalty Fee

In consideration of the license granted to use the Marks and the System, and for the services provided to enable you to provide management services to the PC, you agree to pay us, in the manner provided below (or as the Manual otherwise prescribes), a Royalty, based on the calculations set forth in Exhibit A. The Royalty must be transmitted by automatic, electronic debit of funds on a weekly basis, on or before the Wednesday immediately following the previous week (with each week beginning on a Monday and ending on a Sunday), based on the Net Payments from the preceding week.

3.3 Net Payments

To the extent your required Net Payments report includes sales or revenue not received or includes sales or revenue that is refunded at a later date to a client, we will apply an appropriate credit toward a future payment. In the event that the PC fails to pay you any revenues that it is obligated to pay you under the Management Agreement, the amounts that it fails to pay you shall nonetheless be included in the calculation of Net Payments.

3.4 Late Fees and Interest

All amounts which you owe us for any reason will bear interest accruing as of their original due date at one and one-half percent (1.5%) per month or the highest commercial contract interest rate the law allows, whichever is less. We may debit your bank account automatically for late fees and interest. You acknowledge that this Section 3.4 is not our agreement to accept any payments after they are due or our commitment to extend credit to, or otherwise finance your operation of, the Franchised Business.

3.5 Application of Payments

We may apply any of your payments to any of your past due indebtedness to us as we determine regardless of your designation for such payment. We may set off any amounts you owe us or key suppliers against any amounts we owe you. You may not withhold payment of any amounts you owe us due to our alleged nonperformance of any of our obligations under this Agreement.

3.6 Method of Payment

Before the Franchised Business opens, you agree to sign and deliver to us the EDTA documents we require to authorize us to debit your business checking account automatically for the Royalty, Marketing Fund contributions, and other amounts due under this Agreement and for your purchases from us. We will debit the EDTA for these amounts on their due dates. You agree to ensure that funds are available in the EDTA to cover our withdrawals. Our access to your business checking account by EDTA shall be utilized by us only for your payments required under this Agreement.

We may require you to pay any amounts due under this Agreement or otherwise by means other than automatic debit whenever we deem appropriate. You agree to comply with our payment instructions as they may be modified from time to time.

You must comply with all of our payment policies, procedures, and requirements, as described in the Manual.

identity of any supervisory employee(s) acting as Center Administrator. The Center Administrator must devote his or her full-time and best efforts to the management and supervision of the Center.

If you or your Operating Principal own or control more than one Franchised Business, each Center must be under the direct on-premises supervision of a Center Administrator who meets the minimum qualifications, receive such certification(s), and has completed the training programs that we may require.

8.6 Insurance

During the term of this Agreement, you must maintain in force at your sole expense comprehensive public liability coverage, general liability insurance, personal injury coverage and motor vehicle liability insurance against claims for bodily and personal injury, death and property damage caused by or occurring in connection with the Franchised Business's operation, all containing the minimum liability coverage we prescribe. We may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverages (including reasonable excess liability insurance) at any time to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. These insurance policies must name us and any affiliates we designate as additional named insureds and provide for thirty (30) days' prior written notice to us of a policy's material modification, cancellation or expiration. You routinely must furnish us copies of your Certificates of Insurance or other evidence of your maintaining this insurance coverage and paying of premiums. If you fail or refuse to obtain and maintain the insurance we specify, in addition to our other remedies, we may obtain such insurance for you and the Franchised Business on your behalf, in which event you shall cooperate with us and reimburse us for all premiums, costs and expenses we incur in obtaining and maintaining the insurance, plus a reasonable fee for our time incurred in obtaining such insurance. We encourage you to seek advice from an independent risk management provider who may specify higher limits.

Additionally, you must purchase such extended reporting period coverage (Tail) as we may specify in the Manual. You further agree to provide us with a copy of an insurance certificate evidencing such coverage prior to: (i) the expiration of this Agreement (if the franchise rights are not being renewed); (ii) any assignment of this Agreement or of your rights under this Agreement requiring our approval; or (iii) the termination of this Agreement (provided, however, in the case of immediate termination under Sections 14.1 or 14.2, you must provide us with evidence of coverage within seven (7) days of the effective date of the termination).

8.7 Compliance with System Standards

You acknowledge and agree that operating and maintaining the Franchised Business according to System Standards is essential to preserve the goodwill of the Marks and all Franchised Businesses and Centers. Therefore, you agree at all times to operate and maintain the Franchised Business according to all of our System Standards. Although we retain the right to establish and periodically modify System Standards, you retain the right to and responsibility for the day-to-day management and operation of the Franchised Business and implementing and maintaining System Standards at the Franchised Business. If you fail to implement, maintain, and/or comply with System Standards, we may terminate your right to operate the Franchised Business, and/or take other actions to enforce the System Standards.

As examples, and without limitation, System Standards may regulate any one or more of the following, in addition to the items described in Sections 8.1 through 8.6 above:

(a) all management and administrative services provided to the Center or otherwise used in connection with operating the Franchised Business;

(b) staffing levels and service standards for the Franchised Business; identifying the Franchised Business's personnel; and employee qualifications, training, dress, and appearance (although you have sole responsibility and authority concerning employee selection and promotion, hours worked, rates of pay and other benefits, work assigned, working conditions and discipline. You will post a notice at the Center notifying them that they are employees of the PC and not ours);

(c) sales, marketing, advertising, and promotional programs and materials and media used in these programs;

(d) use and display of the Marks at the Franchised Business and at the Center, and on signs, contracts, products and supplies;

(e) days and hours of operation;

(f) participation in market research and testing and product and service development programs as well as participation in, and dues assessed for, advisory councils;

(g) accepting credit and debit cards, other payment systems, and check verification services;

(h) participation in, and compliance with, private and government-sponsored insurance and reimbursement programs;

(i) bookkeeping, accounting, data processing, and recordkeeping systems and forms; formats, content, and frequency of reports to us of sales, revenue, financial performance, and condition; and providing us copies of tax returns and other operating and financial information concerning the Franchised Business;

(j) submitting to us all press releases relating to the Center for our prior written approval; and

(k) any other aspects of operating and maintaining the Franchised Business that we determine to be useful to preserve or enhance the efficient operation, image, or goodwill of the Marks, Franchised Businesses and Centers.

You acknowledge and agree that as part of the System Standards, we have the right to designate Products as mandatory or optional for use in connection with the operation of the Franchised Business, and that you obtain such Products only from suppliers that we approve or designate. We may require that you refrain from conducting any direct billing or collections from customers of the Center for the services covered by the Central Billing Services during any such period. During any time that Central Billing Services are a mandatory Product, you agree to comply with the designated supplier's terms and procedures for the operation of, and participation in, the Central Billing Services, which may include without limitation the use of electronic fund transfers for monies collected from, and fees due for, Central Billing Services provided to the Franchised Business.

You agree that System Standards we prescribe in the Manual, or otherwise communicate to you in writing, are part of this Agreement as if fully set forth within its text. All references to this Agreement include all System Standards as periodically modified.

FRANCHISE DISCLOSURE DOCUMENT



APPLEBEE'S FRANCHISOR LLC

A Delaware Limited Liability Company

10 W. Walnut St., 5th Floor

Pasadena, California 91103

(818) 240-6055

<https://www.applebees.com/en>

The franchisee will operate sit-down, table service Restaurants, including the service of food and alcoholic beverages, under the trade name of Applebee's Neighborhood Grill & Bar®.

The total investment necessary to begin operation of an Applebee's Neighborhood Grill & Bar® franchised business ranges from \$2,013,688 to \$11,521,696. This includes Initial Fees of \$35,000 to \$50,000 that must be paid to the franchisor or an affiliate. You might pay the franchisor more if you sign a Development Agreement to develop multiple Restaurants.

This Franchise Disclosure Document (this "Disclosure Document") summarizes certain provisions of your franchise agreement and other information in plain English. Read this Disclosure Document and all accompanying agreements carefully. You must receive this Disclosure Document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale or grant. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your Disclosure Document in another format that is more convenient to you. To discuss the availability of this document in different formats, contact Justin Ma, Associate General Counsel, 10 W. Walnut St., 5th Floor, Pasadena, California 91103 10 W. Walnut St., 5th Floor, Pasadena, California 91103, (818) 637-3127, justin.ma@dinebrands.com.

The terms of your contract will govern your franchise relationship. Do not rely on the Disclosure Document alone to understand your contract. Read all of your contract carefully. Show your contract and this Disclosure Document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this Disclosure Document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this Disclosure Document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

Date of Issuance: March 27, 2023.

Table No. 3A

Status of Franchised Outlets for Fiscal Years 2020-2022⁽¹⁾ (Traditional Venue Locations)

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations- Other Reasons	Outlets at End of Year
KENTUCKY	2020	27	0	0	0	0	0	27
	2021	27	0	0	0	0	0	27
	2022	27	0	0	0	0	0	27
LOUISIANA	2020	14	0	0	0	0	0	14
	2021	14	0	0	0	0	0	14
	2022	14	0	0	0	0	0	14
MAINE	2020	12	0	0	0	0	0	12
	2021	12	0	0	0	0	0	12
	2022	12	0	0	0	0	0	12
MARYLAND	2020	22	0	0	1	0	2	19
	2021	19	0	0	1	0	0	18
	2022	18	0	0	0	0	0	18
MASSACHUSETTS	2020	27	0	0	0	0	1	26
	2021	26	0	0	0	0	1	25
	2022	25	0	0	0	0	0	25
MICHIGAN	2020	85	0	0	0	0	2	83
	2021	83	0	0	0	0	0	83
	2022	83	1	1	0	0	1	82
MINNESOTA	2020	48	0	0	0	0	1	47
	2021	47	0	0	0	0	0	47
	2022	47	0	1	0	0	0	46
MISSISSIPPI	2020	21	0	0	0	0	1	20
	2021	20	0	0	0	0	0	20
	2022	20	0	0	0	0	0	20
MISSOURI	2020	49	0	0	1	0	0	48
	2021	48	0	0	1	0	0	47
	2022	47	0	0	0	0	0	47

**APPLEBEE’S NEIGHBORHOOD GRILL & BAR
FRANCHISE AGREEMENT**

This Agreement is made this _____ day of _____, 20___, by and among APPLEBEE’S FRANCHISOR LLC, a Delaware limited liability company (“**Franchisor**”), _____, a (_____ corporation, sole proprietorship, _____ partnership, _____ limited partnership [*strike inappropriate language*]) (“**Franchisee**”) and _____ (collectively, the “**Principal Shareholders**” and, individually, a “**Principal Shareholder**” of Franchisee if a corporation or general partner if Franchisee is a limited partnership having as its general partner a corporation) and _____ (“**General Partner**” of Franchisee if Franchisee is a limited partnership).*

* (If Franchisee is not a corporation or a sole proprietorship, or if Franchisee is a limited liability company, the parties hereto hereby agree that an Addendum shall be attached to this Agreement so as properly to reflect the responsibilities of the partners of any general partnership, the general partner of any limited partnership and the shareholders of any corporate general partner of any partnership, or the members of any limited liability company.)

WITNESSETH:

RECITALS

A. Franchisor owns the rights to develop and operate a unique system of restaurants which specialize in the sale of high quality, moderately priced food and alcoholic beverages in an attractive, casual setting. Franchisor owns the service mark Applebee’s Neighborhood Grill & Bar and variations of such mark, and other names, service marks and trademarks which may be adopted for use in the future (the “**Marks**”), designs, decor and color schemes for restaurant premises, signs, equipment, procedures and formulae for preparing food and beverage products, specifications for certain food and beverage products, inventory methods, operating methods, financial control concepts, training facilities and teaching techniques (the “**System**”). Franchisor has the right to offer franchises for the use of the Marks and the System.

B. Franchisor established, through its own development and operation, and through the granting of franchises, a chain of Applebee’s Neighborhood Grill & Bar restaurants which are distinctive; which are similar in appearance, design and decor; and which are uniform in operation and product consistency.

C. The value of the Marks used in the System is based upon: (1) the maintenance of uniform high quality standards in connection with the preparation and sale of Franchisor-approved food and beverage products, (2) the uniform high standards of appearance of the individual restaurant units in the System, (3) the use of distinctive trademarks, service marks, building designs and advertising signs representing a uniformly high quality of product and services, and (4) the assumption by Franchisor and its franchisees of the obligation to maintain and enhance the goodwill and public acceptance of the System (and of the Marks) by strict adherence to the high standards required by Franchisor.

D. Franchisor, Franchisee and the Principal Shareholders have entered into a Development Agreement dated _____, 20___ (“**Development Agreement**”), relating to the development by Franchisee of Applebee’s Neighborhood Grill & Bar restaurants.

E. Franchisee desires to use the System in connection with the operation of an Applebee’s Neighborhood Grill & Bar restaurant at the location which is specified in Subsection 1.1 of this Agreement, pursuant to the terms, conditions and provisions hereinafter set forth.

restaurant unit or may license a restaurant unit to a third-party within the geographic area set forth in the preceding sentence, provided that: (i) such restaurant is located within an airport (serviced by one or more public or charter carrier), train station, bus terminal, port authority, campus at any college, university or other post-secondary education institution, hospitals and other health care facilities, arena, stadium, state or national park, or military fort, post or base, travel plaza or casino, (ii) is located across an international border, or (iii) does not utilize the System or utilize the Applebee's Neighborhood Grill & Bar service mark. From the date hereof through the date of the expiration or earlier termination of this Agreement, to the extent that Franchisor establishes, franchises or licenses a ghost kitchen, Franchisor shall not authorize such ghost kitchen to use the Applebee's Neighborhood Grill and Bar trademark in fulfilling delivery orders within the Restaurant's Delivery Area (as defined below). Additionally, from the date hereof through the date of expiration or earlier termination of this Agreement, to the extent that Franchisor establishes, franchises or licenses a ghost kitchen, Franchisor shall not authorize such ghost kitchen to use the trademark for a virtual brand owned by Franchisor in fulfilling delivery orders within the Restaurant's Delivery Area; provided, that, this restriction shall only apply to the extent that such virtual brand was actually offered by the Restaurant at the time Franchisor establishes, franchises or licenses the ghost kitchen. To the extent that the restriction in the foregoing sentence is not applicable solely because the virtual brand was not actually offered by the Restaurant at the time the ghost kitchen was established, licensed or franchised, then, prior to authorizing the use of the trademark by such ghost kitchen in the Restaurant's Delivery Area, Franchisor shall first send a written notice ("**Notice**") to Franchisee inquiring whether Franchisee desires to negotiate in good faith with Franchisor to arrive at a mutually acceptable arrangement whereby by the Restaurant may offer such virtual brand within the Restaurant's Delivery Area (the date of such written notice, the "**Notice Date**"). If Franchisor has received an offer which it finds acceptable as of the Notice Date, the Notice will also contain an offer to the Franchisee consisting of commercial terms at least as favorable to those received with respect to the virtual brand within the Restaurant Delivery Area. Should Franchisee respond in writing to Franchisor within 7 days of the Notice Date that it wishes to negotiate in good faith concerning such an arrangement, then for a period of 30 days commencing on the Notice Date (such period, the "**Right of First Offer Period**"), Franchisor shall not authorize such ghost kitchen to use the trademark within the Restaurant's Delivery Area in order to allow time for Franchisor and Franchisee to negotiate such an arrangement in good faith. Following expiration of the Right of First Offer Period, if Franchisor and Franchisee have not entered into a written agreement providing for the Restaurant's offering of such virtual brand, Franchisor shall be free to authorize a ghost kitchen to use the trademark for such virtual brand owned by Franchisor in fulfilling deliveries within the Restaurant's Delivery Area. As used herein, "**Restaurant's Delivery Area**" means the area surrounding the Restaurant within which the Restaurant routinely fulfills delivery orders as of the date on which Franchisor establishes the ghost kitchen (in the case of a company owned ghost kitchen) or enters into a license or franchise agreement with the third party ghost kitchen operator (in the case of a licensed or franchised ghost kitchen); provided, however, in no event will the Restaurant's Delivery Area be smaller than the Restricted Area. The determination of the Restaurant's Delivery Area shall be in Franchisor's sole discretion after obtaining information from any third-party delivery vendors and Franchisee.

1.5 Franchisee, in consideration of the benefits and privileges provided to it by this Agreement, agrees to operate the Restaurant and perform as required hereunder for the full term of this Agreement.

1.6 This Agreement is entered into pursuant to and subject to the terms and conditions which are set forth in the Development Agreement.

2. UNIFORM STANDARDS

2.1 The System is a comprehensive restaurant system for the retailing of certain uniform and quality food and beverage products (including alcoholic beverages), emphasizing a varied menu of high quality, moderately priced food products (including appetizers, creative sandwiches, dinner entrees and desserts), a selection of alcoholic and other beverages, and prompt and courteous service in a clean, wholesome, casual atmosphere. The foundation of the System is the establishment and maintenance of a

reputation among the public for the operation of high quality restaurant units. A fundamental requirement of the System, this Franchise Agreement and franchises which Franchisor will grant to others is adherence by all franchisees to Franchisor's standards and policies providing for the uniform operation of all restaurant units within the System, including, but not limited to: (a) selling only those products which Franchisor has designated and approved; (b) using only Franchisor's prescribed building layout and designs, equipment, signs, interior and exterior decor items, fixtures and furnishings; (c) adhering strictly to Franchisor's standards and specifications relating to the selection, purchase, storage, preparation, packaging, service and sale of all food and beverage products being sold at the Restaurant; and (d) satisfying all of Franchisor's prescribed standards of quality, service and cleanliness. Compliance by all franchisees with the foregoing standards and policies in conjunction with the use of the Marks provides the basis for the wide public acceptance of the System and its valuable goodwill. Accordingly, strict adherence by all franchisees to all aspects of the System is required at all times.

2.2 The provisions of the Agreement shall be interpreted to give effect to the intent of the parties stated in this Section 2 to assure that Franchisee shall operate the Restaurant in conformity with the System, through strict adherence to Franchisor's standards and policies as they now exist and as they may be modified from time to time.

3. COMPLIANCE WITH THE SYSTEM

Franchisee acknowledges that every component of the System is important to Franchisor, to all franchisees and to the operation of the Restaurant, including the requirements: (a) that only those products designated and approved by Franchisor are sold at the Restaurant; and (b) that there is uniformity of food and beverage specifications, preparation methods, quality, appearance, building and interior design, color and decor, landscaping, facilities and service among all restaurant units in the System. Accordingly, Franchisee agrees to and shall comply with all aspects of the System (as it now exists and as it may be modified from time to time). Franchisee recognizes and agrees that Franchisor may prohibit the use of the System and its trade names, notwithstanding the granting of this Agreement, if Franchisee fails to design, construct, equip, furnish or operate its Restaurant in compliance with the specifications designated by Franchisor, unless prior written approval has been received from Franchisor.

4. GENERAL SERVICES OF FRANCHISOR

4.1 Franchisor shall advise and consult with Franchisee periodically in connection with the operation of the Restaurant, and at other reasonable times upon Franchisee's request. Franchisor will provide to Franchisee such of its know-how, new developments, techniques and improvements in areas of restaurant design, management, food and beverage preparation, sales promotion and service concepts as may be pertinent to the construction and operation of the Restaurant under the System. Franchisor may provide the foregoing information: (a) by sending representatives to visit the Restaurant; (b) by providing written or other material; (c) at meetings or seminars; and (d) at training sessions at Franchisor's training facility and/or such other locations as may be selected by Franchisor from time to time. Franchisor also shall make available to Franchisee all additional services, facilities, rights and privileges which Franchisor makes available from time to time to its franchisees of the System generally.

4.2 If Franchisee and its affiliates do not have any existing Applebee's Neighborhood Grill & Bar restaurants, for Franchisee's first restaurant opening, for approximately eight days before and six days after Franchisee opens its first Restaurant, Franchisor will provide Franchisee with the services of up to eight training personnel to train Franchisee's Restaurant employees in the operation of the kitchen, bar and dining room areas. If Franchisee requires more than eight training personnel or a training period beyond 14 days, Franchisee will be responsible for the excess cost and expenses for the additional trainers and/or for the period beyond the 14-day period.

(b) Franchisee submits to Franchisor within 120 days after the opening of the Restaurant documentation for the opening advertising expenditures, such as paid invoices from suppliers of goods or services evidencing expenditure on the opening advertising promotion; and

(c) Franchisee's opening advertising expenditures are made pursuant to the approved advertising campaign plan and in accordance with the Grand Opening Reimbursement Program Policy Guidelines set forth in the Manuals.

8.5 Nothing in the foregoing Subsections shall be deemed to prohibit Franchisee from making additional expenditures for local promotional activities. All of Franchisee's local promotional activities shall utilize approved advertising media. "**Approved advertising media**" are limited to the following:

- (a) Newspapers, magazines and other such periodicals;
- (b) Radio and television;
- (c) Outdoor advertising by signs displayed on billboards or buildings; and
- (d) Handbills, flyers, door-hangers and direct mail.

In the event Franchisee wants to use a form of advertising medium not set forth above, Franchisee shall submit a description of such medium and advertising to Franchisor. Franchisor shall notify Franchisee whether it approves the use of such medium within 30 days of Franchisee's request. Failure by Franchisor to so notify Franchisee within that period shall be deemed to constitute Franchisor's approval of such request. Guidelines for local promotional activities are contained in the Manuals, including Franchisee's required participation in any co-operative marketing program.

8.6 All advertising copy and other materials employed by Franchisee in local promotional activities shall be in strict accordance and conformity with the standards, formats and specimens contained in the Manuals and shall receive the prior approval of Franchisor. In the event Franchisee wishes to deviate from the materials contained in the Manuals, Franchisee shall submit, in each instance, the proposed advertising copy and materials to Franchisor for approval in advance of publication. Franchisor shall notify Franchisee in writing, within 15 days of such submission, whether Franchisor disapproves such advertising copy and materials. Failure by Franchisor to so notify Franchisee within that period shall be deemed to constitute Franchisor's approval of such advertising copy and materials. In no event shall Franchisee's advertising contain any statement or material which may be considered: (a) in bad taste or offensive to the public or to any group of persons; (b) defamatory of any person or an attack on any competitor; (c) to infringe upon the use, without permission, of any other persons' trade name, trademark, service mark or identification; or (d) inconsistent with the public image of Franchisor or of the System.

9. FEES

9.1 As partial consideration for the rights granted hereunder, Franchisee shall pay Franchisor:

(a) an initial franchise fee of _____ dollars (\$_____), to be paid in the manner prescribed in Subsection 4.1 of the Development Agreement as payment for the grant of the franchise. If Franchisor has not received such fee within 5 business days of the date hereof, Franchisee authorizes Franchisor, at Franchisor's election and without obligation to do so, to electronically debit such fee from any of Franchisee's accounts enrolled in Franchisor's electronic funds transfer program. Should, for any reason whatsoever, the funds in any such account be insufficient to pay in full the amount due, Franchisee shall

remain liable for such shortfall and, immediately upon demand, remit to Franchisor the full amount of any such deficiency;

(b) a monthly royalty fee as determined by Franchisor, not to exceed 5% of each calendar month's gross sales, as provided in Subsection 4.3 of the Development Agreement, as payment for Franchisee's continuing right to operate the Restaurant as part of the System (*see Exhibit 1*); and

(c) a monthly advertising fee equal to such percentage of each calendar month's gross sales as Franchisor may require pursuant to Subsection 8.2 hereof.

9.2 The fees referred to in Subsections 9.1(b) and (c) (the "**Fees**") shall be paid on or before the twelfth day of the next full month immediately following the month to which the Fees relate. Any Fees, including the initial franchise fee, which are not paid when due shall bear interest from and after the due dates thereof at the rate of 18% per annum or the highest rate permitted by applicable law, whichever is less.

9.3 (a) Except for the sale of a gift card (on which royalty shall be due and payable upon redemption of the gift card and as provided in Subsection 9.3(b) hereof, the term "**gross sales**," as used in this Agreement, shall mean all receipts (cash, cash equivalents or credit) or revenues from sales from all business conducted upon or from the Restaurant premises, whether evidenced by check, cash, credit, debit card, charge account, exchange or otherwise, including, but not limited to, amounts received from the sale of goods, wares and merchandise (including sales of food, beverages and tangible property of every kind and nature, promotional or otherwise), from all services performed from or at the Restaurant premises, and from all orders taken or received at the Restaurant premises, regardless of where such orders are filled (including any payments received from the sale of meals to employees). Gross sales shall not be reduced by any deductions for cash shortages incurred in connection with the transaction of business with customers, credit card company charges or theft which is reimbursed by insurance or is not reported to the appropriate police authorities. Each charge or sale upon installment or credit shall be treated as a sale for the full price in the month during which such charge or sale shall be first made, irrespective of the time when Franchisee shall receive payment (whether full or partial) therefor.

(b) Gross sales shall not include: (i) the sale of merchandise for which cash has been refunded or, except as provided in the second sentence of Subsection 9.3(a), not received, or allowances made for merchandise, if the sales of any such returned or exchanged merchandise shall have been previously included in gross sales; (ii) the amount of any sales tax imposed by any federal, state, municipal or other governmental authority directly on sales and intended to be collected from customers, provided that the amount thereof is added to the selling price and actually paid by Franchisee to such governmental authority; (iii) the sale of merchandise for which a gift card is redeemed, if the initial sale of the gift card shall have been previously included in gross sales; (iv) the sale of waste products of the Restaurant; (v) telephone, game and vending machine revenues; (vi) the sale of non-food items or beverages at a discount in connection with a promotional campaign; (vii) one-time sale of furniture, fixtures or equipment; (viii) theft which is not covered by insurance and is reported to the appropriate police authorities; and (ix) delivery fees imposed in connection with dispatch services provided by Mobo Systems, Inc. In addition, Franchisor may, from time to time, in writing, permit or allow certain other items to be excluded from gross sales. Any such permission or allowance may be revoked or withdrawn at Franchisor's discretion.

9.4 Franchisee agrees that, subject to the provisions of this Section 9.4, Franchisor or its designee may withdraw funds from Franchisee's designated bank account by electronic funds transfer ("**EFT**") in the amount of any royalties or other fees payable to Franchisor under this Agreement. Franchisor or its designee will make each EFT withdrawal of the royalty fees described in Section 9.1(b) and advertising fees described in Section 9.1(c) on the dates such payments are due. Franchisor or its designee may withdraw any other payments owed to Franchisor pursuant to, or in connection with, this Agreement if such payments become more than 10 days past due. Franchisee's designated bank account for EFT withdrawals shall at all times be

FRANCHISE DISCLOSURE DOCUMENT

BURGER KING COMPANY LLC
a Florida limited liability company
5707 Blue Lagoon Drive
Miami, Florida 33126
(305) 378-7128
www.bk.com



You will operate a quick-service restaurant specializing in the sale of hamburgers under Burger King Company LLC's distinctive format and operating system, including the BURGER KING® marks. The total investment necessary to begin operation of a BURGER KING® Restaurant ("Restaurant") is between \$232,300 and \$4,520,900, in all cases excluding real estate. This includes \$57,500 that must be paid to the franchisor or its affiliates.

You may be eligible to sign an Area Development Agreement to develop two or more Restaurants pursuant to a Development Schedule, in which case you will prepay the franchise fee of \$50,000 multiplied by the number of new Restaurants you must develop and have open during the first and final development years (the minimum prepaid franchise fee is \$100,000 if you commit to develop and open two Restaurants).

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar-days before you sign a binding agreement with, or make any payment to, the Franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another form that is more convenient for you. To discuss the availability of disclosures in different formats, please contact Burger King Company LLC's Franchise Contract Management, 5707 Blue Lagoon Drive, Miami, Florida 33126, Telephone: 305-378-7128, E-mail: GBSRequest@whopper.com.

The terms of your contract will govern your franchise relationship. Do not rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "[A Consumer's Guide to Buying a Franchise](#)," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

Issued: March 31, 2023

State	Year	Outlets at Start of Year	Outlets Opened	Terminations ⁱ	Non-renewals ⁱⁱ	Reacquired by Franchisor	Ceased-Operations Other Reasons ⁱⁱⁱ	Outlets at End of the Year ^{iv}
DE	2020	22	0	0	0	0	2	20
	2021	20	0	0	0	0	0	20
	2022	20	0	0	0	0	0	20
FL	2020	524	10	0	0	0	38	496
	2021	496	6	1	0	0	9	492
	2022	492	8	0	0	0	3	497
GA	2020	281	4	0	0	0	10	275
	2021	275	4	0	0	0	1	278
	2022	278	3	0	0	0	1	280
HI	2020	28	1	0	0	0	0	29
	2021	29	1	0	0	0	1	29
	2022	29	0	0	0	0	1	28
IA	2020	83	3	0	0	0	8	78
	2021	78	0	0	2	0	0	76
	2022	76	0	0	0	0	7	69
ID	2020	35	1	0	0	0	0	36
	2021	36	1	0	0	0	1	36
	2022	36	1	0	0	0	0	37
IL	2020	311	3	0	0	0	19	295
	2021	295	1	0	0	0	3	293
	2022	293	1	0	0	0	10	284
IN	2020	194	2	0	0	0	3	193
	2021	193	1	0	0	0	2	192
	2022	192	2	0	0	0	4	190
KS	2020	69	2	0	0	0	6	65
	2021	65	1	0	0	0	0	66
	2022	66	1	0	0	0	1	66
KY	2020	106	1	0	0	0	5	102
	2021	102	0	0	0	0	0	102
	2022	102	2	0	0	0	1	103
LA	2020	162	1	0	0	0	7	156
	2021	156	1	0	2	0	0	155
	2022	155	0	0	0	0	0	155
MA	2020	121	2	0	0	0	6	117
	2021	117	1	0	0	0	0	118
	2022	118	1	0	0	0	0	119

BURGER KING® RESTAURANT

FRANCHISE AGREEMENT

THIS BURGER KING® RESTAURANT FRANCHISE AGREEMENT (this "Agreement") is made as of the effective date set forth on the Key Contract Data page, by and between Burger King Company LLC, a Florida limited liability company ("BKC"), and the franchisee identified on the Key Contract Data page ("Franchisee").

INTRODUCTION

A. BKC is the owner of certain trademarks and service marks, including but not limited to BURGER KING® and HOME OF THE WHOPPER®, which are registered or pending with the United States Patent and Trademark Office, and is the owner of other trademarks and service marks authorized for use in BURGER KING Restaurants (the "BURGER KING Marks").

B. BKC is engaged in the business of operating and granting franchises to operate restaurants ("BURGER KING Restaurants") using the BURGER KING Marks and a uniform and comprehensive restaurant format and operating system developed by BKC and its predecessor (the "BURGER KING System"), including a standardized design, decor, equipment system, color scheme, style of building and signage, as well as uniform operating and quality standards, specifications and procedures of operation, and uniformity of product and services offered, including all provisions of the Manual of Operating Data, as amended from time to time (the "MOD Manual").

C. Franchisee desires to acquire a franchise to operate a BURGER KING Restaurant at the Premises for the entire Term specified in this Agreement. Franchisee acknowledges receipt of a copy of the Franchise Disclosure Document of BKC and Franchisee has had a full and adequate opportunity to be thoroughly advised of the terms and conditions of this Agreement by financial and legal counsel of Franchisee's own choosing at least fourteen (14) calendar days prior to its execution, and is entering into this Agreement after having made an independent investigation of BKC's operations and not upon any representation as to the profits and/or sales volume which Franchisee might be expected to realize, nor upon any representations or promises by BKC which are not contained in this Agreement.

In consideration of the mutual covenants contained in this Agreement, the parties agree as follows:

1. FRANCHISE GRANT: TERM AND LOCATION

BKC grants to Franchisee and Franchisee accepts a franchise for the duration of the Term (defined below) to use the BURGER KING System and the BURGER KING Marks only in the operation of a BURGER KING Restaurant at the location described on the Key Contract Data page attached to this Agreement and incorporated by reference herein (the "Franchised Restaurant"), (the term "Franchised Restaurant" includes the real estate described on Exhibit A (the "Premises"), the restaurant "Building," and all "Improvements" constructed thereon wherever the context permits or requires). The term of this Agreement shall be for the period of time set forth on the Key Contract Data page unless terminated earlier in accordance with the provisions of this Agreement (the "Term"), and shall commence on the Commencement Date and shall expire on the Expiration Date. In the event of a dispute over the date that the Franchised Restaurant opens for business, the records maintained by BKC shall control and be dispositive. Franchisee agrees to operate the Franchised Restaurant at the specified location for the entire duration of the Term. Franchisee accepts this franchise with the full and complete understanding that the franchise grant contains no promise or assurance of renewal. The sole and entire conditions under which Franchisee will have the opportunity of obtaining a Successor BURGER KING Franchise Agreement at expiration are those set forth herein in Section 17. This franchise is for the specified location only and does not in any way grant or imply any area, market or territorial rights proprietary to Franchisee. Notwithstanding

certification program. BKC may, in its sole discretion, waive the Initial Training requirement for the designated restaurant manager.

BKC shall provide, and the Operating Partner shall attend, continuing operations training programs from time to time as may be directed by BKC to re-enforce operational standards ("Continuing Operations Training"). The required frequency, duration and subject matter of the Continuing Operations Training shall be specified by BKC (the Initial Training and Continuing Operations Training programs are hereinafter collectively referred to as "Training Programs"). BKC and the Franchisee Advisory Council shall periodically review the Training Programs and BKC will consult with the Franchisee Advisory Council prior to making any material changes to the Training Programs. Such programs may be in Miami, Florida, or at such other locations as may be specified by BKC.

B. Charges and Costs

Franchisee shall be responsible for reasonable charges and costs of any sort associated with such training but not limited to all travel and living expenses, compensation of and worker's compensation insurance for the Operating Partner and the manager while enrolled in the training program any other personal expenses, course materials, training facility charges, and training staff charges (if any). If the Operating Partner fails to complete the orientation session at the next scheduled session after opening or acquisition, as applicable, BKC may declare Franchisee to be in default of this Agreement, in addition to its other rights under this Agreement.

C. Franchisee Training and Restaurant Staffing

Franchisee shall implement a training program for Franchised Restaurant employees in accordance with training standards and procedures prescribed by BKC and shall staff the Franchised Restaurant at all times during the Term of this Agreement with a sufficient number of trained employees including at least one (1) manager who has, within six (6) months after becoming manager, successfully completed BKC's training program for restaurant managers at an accredited location to ensure that the BURGER KING operational standards are met. Requests for exemption from the manager training requirement will be considered on an individual basis and will be granted only in those situations where the employees have prior operational management experience in a BURGER KING Restaurant and demonstrate to BKC a thorough knowledge and understanding of the BURGER KING System.

9. ROYALTY AND ADVERTISING CONTRIBUTION

A. Royalty

During the Term of this Agreement, Franchisee agrees to pay to BKC a royalty equal to the percentage of monthly Gross Sales set forth as the Royalty on the Key Contract Data page ("Royalty") for the use of the BURGER KING System and the BURGER KING Marks. Royalties shall be paid monthly by the tenth (10th) day of each month based upon Gross Sales for the preceding month.

B. Advertising, Sales Promotion and Public Relations

(i) Franchisee shall pay to BKC an amount equal to the percentage of monthly Gross Sales set forth as the Advertising Contribution on the Key Contract Data page by the tenth (10th) day of each month based upon Franchisee's Gross Sales for the preceding month (the "Advertising Contribution"). This sum, less direct administrative expenses, will be used for (a) market research expenditures directly related to the development and evaluation of the effectiveness of advertising and sales promotions, (b) creative, production and other costs incurred in connection with the development of advertising, sales promotions and public relations (as limited by Section (vi) below), both in the market area of the Franchised Restaurant, as reasonably defined from time to time by BKC, and on a national basis and

FRANCHISE DISCLOSURE DOCUMENT

PIZZA HUT, LLC
A Delaware Limited Liability Company
7100 Corporate Drive
Plano, TX 75024-4100
972-338-7700
www.pizzahutfranchise.com



The franchise is for a business that operates Pizza Hut restaurants offering primarily pizza, pasta and other Italian-style food items and WingStreet chicken products and side dishes (a “System Restaurant” or “Restaurant”).

The total investment necessary to begin operation of a new Restaurant ranges from: (i) \$787,000 to \$2,063,500 for a Restaurant Based Delivery Restaurant or Delivery Based Restaurant; (ii) \$534,000 to \$1,488,500 for a Fast Casual Delco Restaurant; (iii) \$552,000 to \$971,300 for a Freestanding “Delco” Delivery/Carryout Restaurant; and (iv) \$367,000 to \$721,300 for an Inline/Endcap “Delco” Delivery/Carryout Restaurant, in each case excluding real property and including \$47,500 to \$69,000 that must be paid to us or our affiliates. This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no government agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact the PHLLC Legal Department at 7100 Corporate Drive, Plano, Texas 75024-4100 at 972-338-7700.

The terms of your contract will govern your franchise relationship. Don’t rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as “A Consumer’s Guide to Buying a Franchise,” which can help you understand how to use this disclosure document is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC’s home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

Issuance date: March 24, 2023

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened (1*)	Col. 5 Termina- tions	Col. 6 Non- Renewals	Col. 7 Reacquired by Franchisor	Col. 8 Ceased Opera- tions - Other Reasons (2*)	Col. 9 Outlets at End of the Year
Illinois	2020	201	1	0	0	0	40	162
	2021	162	1	0	0	0	3	160
	2022	160	4	0	0	0	3	161
Indiana	2020	175	3	0	0	0	6	172
	2021	172	2	0	0	0	2	172
	2022	172	2	0	0	0	5	169
Iowa	2020	94	0	0	0	0	20	74
	2021	74	0	0	0	0	2	72
	2022	72	0	0	0	0	2	70
Kansas	2020	165	2	0	0	0	9	158
	2021	158	1	0	0	0	2	157
	2022	157	2	0	0	0	9	150
Kentucky	2020	121	0	0	0	0	14	107
	2021	107	2	0	0	0	3	106
	2022	106	3	0	0	0	3	106
Louisiana	2020	139	2	0	0	0	6	135
	2021	135	5	0	0	0	2	138
	2022	138	5	0	0	0	3	140
Maine	2020	15	0	0	0	0	1	14
	2021	14	0	0	0	0	0	14
	2022	14	0	0	0	0	0	14
Maryland	2020	84	2	0	0	0	16	70
	2021	70	2	0	0	0	6	66
	2022	66	5	0	0	0	1	70
Massachusetts	2020	13	0	0	0	0	3	10
	2021	10	0	0	0	0	0	10
	2022	10	0	0	0	0	0	10
Michigan	2020	128	0	0	0	0	25	103
	2021	103	3	0	0	0	3	103
	2022	103	4	0	0	0	2	105
Minnesota	2020	75	0	0	0	0	7	68
	2021	68	0	0	0	0	0	68
	2022	68	1	0	0	0	0	69
Mississippi	2020	103	1	0	0	0	16	88
	2021	88	2	0	0	0	3	87
	2022	87	9	0	0	0	8	88
Missouri	2020	195	2	0	0	0	19	178
	2021	178	1	0	0	0	0	179
	2022	179	5	0	0	0	5	179

PIZZA HUT, LLC

LOCATION FRANCHISE AGREEMENT

THIS LOCATION FRANCHISE AGREEMENT (this “**Agreement**”) is entered into between Pizza Hut, LLC, a Delaware limited liability company with its principal office address at 7100 Corporate Drive, Plano, Texas 75024 (“**we,**” “**us,**” “**our**” or “**Franchisor**”) and _____, a _____ whose principal address is _____ (“**you,**” “**your**” or “**Franchisee**”), as of the date this Agreement is signed by us as set forth opposite our signature below (the “**Effective Date**”).

The definitions of all initially capitalized terms not defined herein are set forth in Appendix A to this Agreement.

1. PURPOSE AND SCOPE OF THIS AGREEMENT

1.01 The Pizza Hut Businesses

- A. The Pizza Hut System.** We and our affiliates have developed a proprietary system (the “**System**”) for opening and operating businesses (each a “**Business**”) that operate Pizza Hut Restaurants (each also a “**System Restaurant,**” a “**Restaurant,**” or a “**franchised Restaurant**”) specializing in the sale of Pizza Hut pizza, pasta, other Italian food products; WingStreet-branded chicken products and side dishes; and, other Approved Products. The System makes use of the Pizza Hut Marks that you are authorized to use pursuant to Section 2.01 below and additional or substitute Pizza Hut Marks which we may license you to use in the future (as provided in Section 16.05 below).
- B. The Pizza Hut Standards.** As detailed in Article 6 below, the Pizza Hut System features Brand Standards which you must comply with and which we may from time to time modify, add to or delete. The Brand Standards embrace and reflect the standards of speed, service, quality, appearance, food and beverage offerings and the preparation thereof, and other attributes which the consuming public has come to associate with the Pizza Hut Marks and authorized Pizza Hut Businesses and Restaurants. All Brand Standards or other terms of this Agreement that require certain operational processes, procedures and requirements are imposed to ensure the proper operation of authorized Pizza Hut Restaurants and protection of the standards associated with the Pizza Hut Marks. You understand and agree that our Brand Standards do not in any fashion reflect our control of the day-to-day operation of your franchised Businesses and its Pizza Hut Restaurant(s) but, instead, only reflect those standards, procedures and policies which you must follow in your exclusive day-to-day control and operation of your franchised Pizza Hut Businesses and its Restaurant(s) in order to ensure that the above-referenced standards of quality associated by the consuming public with the Pizza Hut Marks and Pizza Hut Businesses and Restaurants are at all times maintained.

1.02 System Restaurant Concepts

- A. System Restaurant Concept Types.** The Pizza Hut System embraces various types of authorized System Restaurant Concepts. We have the right to establish, add to, delete from or modify existing System Restaurant Concepts in the future. The Pizza Hut System currently embraces three types of authorized System Restaurant Concepts: (i) RBDs; (ii) DelCos; and, (iii) DBRs/FCDs.¹

¹ Our original concept, the Pizza Hut “Red Roof” restaurant from which Pizza Hut pizza (and other Approved Products) are sold for dine-in and carryout consumption, is now retired and no longer operative except with respect to existing “Red Roof” restaurants previously franchised and subject to franchisee renewal or transfer activity to the extent permitted by the subject Pizza Hut Franchise Agreement governing such “Red Roof” restaurants.

business issues or strategies. Such guidelines and recommendations are not part of the Brand Standards, are not contracts, and do not create any contractual or other binding obligation on either you or us.

6.02 Furnishing the Brand Standards to You

- A.** We will furnish to you, at no charge, a complete set of the Brand Standards applicable to each type of System Restaurant Concept(s) franchised under this Agreement. We may do so through any now or hereafter developed print, electronic or other media capable of conveying the Brand Standards.
- B.** You acknowledge that we are the owner of all proprietary rights in the Brand Standards and all intellectual property rights connected therewith (including common law copyright) and that you are acquiring no property or other right to the Brand Standards other than a license to use them and comply with them during the Term of this Agreement. You agree to ensure at all times that your Brand Standards content is current and up-to-date.

6.03 Compliance with the Brand Standards, System and This Agreement

- A.** Your franchised Pizza Hut Business and the Pizza Hut Restaurant(s) it operates must comply at all times with every provision of this Agreement, the System and the Brand Standards, unless we agree to a variance in writing. You may not use the System, the Pizza Hut Marks or the Brand Standards for the benefit of any business other than the franchised Business, its Restaurant(s), or any other Pizza Hut Restaurant(s) operated by you or your Affiliates pursuant to another agreement with us. You may not conduct (or permit anyone else to conduct) any business at your franchised Restaurant(s), other than as provided in this Agreement, without first obtaining our prior written consent, which we may withhold for any reason or no reason, other than as provided in this Agreement. You acknowledge, understand and agree that your strict compliance with the System, this Agreement and the Brand Standards are of the essence to this Agreement and are critically important to you, us and all other Pizza Hut franchisees, since your failure to adhere to the System, this Agreement and/or the Brand Standards may damage the reputation and goodwill enjoyed by the Pizza Hut Restaurant network and the Pizza Hut Marks.
- B.** To the extent that we have furnished to you, or otherwise permitted you to inspect, the Brand Standards prior to your execution of this Agreement, you hereby irrevocably affirm and attest that you have reviewed our Brand Standards in detail and in their entirety; that the Brand Standards are commercially reasonable in all respects; that the Brand Standards do not in any fashion exceed our ability to promulgate Brand Standards under this Agreement; and that, accordingly, you irrevocably promise and agree never to begin or join in any legal action or proceeding, or register a complaint with any government entity, directly or indirectly contending otherwise or in any way complaining that our Brand Standards are in any fashion commercially unreasonable or exceed our authority to promulgate same under this Agreement.

6.04 Modifications to the System and Brand Standards

In the exercise of our reasonable business judgment, we may from time to time modify components of the Pizza Hut System and requirements applicable to you by means of revised Brand Standards including adding to, deleting from or modifying those Approved Products and other food and beverage items, products, programs and services which your franchised Business and Restaurant(s) is authorized and required to offer; altering System policies, procedures, methods and requirements; modifying or substituting required equipment, technology, signs, trade dress and other Restaurant characteristics that you will be required to adhere to (subject to the limitations set forth in this Agreement); requirements pertaining to capturing and relaying to us customer information and data; and, changing, improving, modifying or substituting one or more of the Pizza Hut Marks. You agree

Persons, nor shall our consent be deemed a waiver of our right to require exact compliance with any of the terms of this Agreement by any transferee.

18.11 Attorneys' Fees and Other Expenses

You agree to pay for our outside counsel fees and other expenses incurred in connection with any proposed Transfer of a System Restaurant, Ownership Interest in you, or Ownership Interest in any of your affiliates.

19. YOUR PAYMENTS TO US, OUR AFFILIATES AND THIRD PARTY DESIGNEES

19.01 Initial Franchise Fee

You agree to pay us an Initial Franchise Fee in the amount of \$25,000 for each franchised Restaurant authorized by this Agreement. We reserve the right to increase the Initial Fee annually consistent with the rate of inflation. The Initial Franchise Fee is payable in full when you sign this Agreement; is not refundable except as otherwise specifically provided in this Agreement; and, will be deemed fully earned when paid solely in consideration of our execution of this Agreement and not in exchange for any particular programs, products, services or assistance.

19.02 Monthly Service Fees

You agree to pay us a Monthly Service Fee in an amount equal to 6.0% of the prior month's Gross Sales of each Restaurant franchised hereunder. If applicable law prohibits you from paying us a percentage of your revenues from the sale of alcoholic beverages, then we will estimate the amount of such excluded revenues from the sale of alcoholic beverages and determine an effective royalty rate for you designed to account for such excluded revenue (but only with respect to those Restaurants situated within a jurisdiction prohibiting the payment of Monthly Service Fees based in part on the sale of alcoholic beverages).

19.03 Advertising Fund Contribution

You agree to pay us a monthly Advertising Fund Contribution equal to 4.75% of the prior month's Gross Sales of each of the Restaurants franchised hereunder. Your Advertising Fund Contributions will be expended as provided in Section 17.01 above.

19.04 Digital Technology Fees

You agree to pay to us or our affiliates (including Digico) a Digital Innovation Fee for each transaction conducted through a digital or other automated channel we establish in connection with costs and projected expenses associated with products and services provided or obtained in connection with digital innovation for the benefit of the Pizza Hut System. Commencing January 1, 2021, we or PH Digico LLC may increase the Digital Innovation Fee in our reasonable discretion (i) consistent with the rate of inflation, or (ii) as reasonably necessary to maintain market competitiveness.

19.05 Restaurant Technology Fee

You must pay to us or our affiliates a Restaurant Technology Fee (currently, a "**SUS Fee**") for each franchised Pizza Hut Restaurant franchised hereunder annually. We reserve the right to increase this Restaurant Technology Fee pursuant to the then-current Restaurant Technology agreement (currently, the "**SUS Agreement**") which you must execute, as annexed hereto as Appendix K and as required by Section 11.01 above. This fee includes services/support for our then-approved point-of-sale System (currently SUS but inclusive of any successor POS we may require), our then-approved back of house companion technology, and our then-approved kitchen management system.



FRANCHISE DISCLOSURE DOCUMENT

McDonald's USA, LLC
a Delaware limited liability company
110 N. Carpenter Street
Chicago, Illinois 60607
(630) 623-3000
www.mcdonalds.com

The franchisee will own and operate a quick service restaurant offering a limited menu of value-priced foods using the McDonald's System.

The total investment necessary to begin operation of a traditional McDonald's franchise ranges from \$1,469,000 to \$2,503,000 (see Item 7 for small town oil, small town retail, and Satellite locations). This includes an initial franchise fee of \$45,000.00 (see Item 5 for small town oil, small town retail, and Satellite locations) that must be paid to the franchisor.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar-days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact the Franchise Practice Group at 110 N. Carpenter Street, Chicago, IL 60607 and (630) 623-3000.

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "[A Consumer's Guide to Buying a Franchise](#)," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

Issuance Date: May 1, 2023, as amended January 1, 2024

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations (1)	Non-Renewals (2)	Reacquired by Franchisor (3)	Ceased Operations - Other Reasons (4)	Outlets at End of the Year
Florida	2020	804	4	0	9	0	0	799
	2021	799	6	1	41	3	0	760
	2022	760	7	0	1	47	0	719
Georgia	2020	452	1	0	7	0	0	446
	2021	446	0	0	4	0	0	442
	2022	442	1	0	0	0	0	443
Guam	2020	6	0	0	0	0	0	6
	2021	6	0	0	0	0	0	6
	2022	6	0	0	1	0	0	5
Hawaii	2020	52	0	0	0	0	0	52
	2021	52	1	0	1	0	0	52
	2022	52	0	0	0	0	0	52
Idaho	2020	62	1	0	1	0	0	62
	2021	62	1	0	2	0	0	61
	2022	61	2	0	0	0	0	63
Illinois	2020	616	0	1	3	2	0	610
	2021	610	3	0	2	0	0	611
	2022	611	0	4	2	0	0	605
Indiana	2020	321	0	0	0	0	0	321
	2021	321	6	1	2	0	0	324
	2022	324	1	0	0	0	0	325
Iowa	2020	146	0	0	3	0	0	143
	2021	143	0	0	0	25	0	118
	2022	118	0	0	0	0	0	118
Kansas	2020	148	0	0	1	0	0	147
	2021	147	1	0	2	0	0	146
	2022	146	0	0	0	0	0	146
Kentucky	2020	241	0	0	0	0	0	241
	2021	241	8	0	1	0	0	248
	2022	248	1	0	0	0	0	249
Louisiana	2020	237	1	0	5	0	0	233
	2021	233	2	1	1	0	0	233
	2022	233	4	8	0	0	0	229
Maine	2020	62	0	0	0	0	0	62
	2021	62	0	0	1	0	0	61
	2022	61	0	0	0	0	0	61
Maryland	2020	234	0	0	9	0	0	225
	2021	225	3	0	4	0	0	224
	2022	224	2	1	2	0	0	223
Massachusetts	2020	234	0	0	0	0	0	234
	2021	234	0	0	0	0	0	234
	2022	234	0	0	2	0	0	232
Michigan	2020	488	2	0	5	0	0	485
	2021	485	2	1	7	0	0	479
	2022	479	8	0	1	0	0	486
Minnesota	2020	226	0	1	2	0	0	223
	2021	223	0	0	1	0	0	222
	2022	222	1	1	1	0	0	221
Mississippi	2020	143	0	0	3	0	0	140
	2021	140	1	0	0	0	0	141
	2022	141	1	0	0	0	0	142
Missouri	2020	315	2	0	3	0	2	312
	2021	312	3	1	2	0	0	312
	2022	312	0	2	0	0	0	310

EXHIBIT B

FRANCHISE AGREEMENT (TRADITIONAL)

[CITY, STATE]
[Address]
L/C: _____
File #: _____

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (“Franchise”) made this ____ day of _____, for the operation of a McDonald’s restaurant located at _____ (the “Restaurant”) by and between:

McDONALD’S USA, LLC,

a Delaware limited liability company,

(“McDonald’s”)

and

(collectively “Franchisee”)

for the purpose of granting the Franchisee the rights necessary to operate the Restaurant.

In consideration of the mutual rights and obligations contained herein McDonald’s and Franchisee agree as follows:

1. ***Nature and Scope of Franchise.***

(a) McDonald’s operates a restaurant system (“McDonald’s System”). The McDonald’s System is a comprehensive system for the ongoing development, operation, and maintenance of McDonald’s restaurant locations which have been selected and developed for the retailing of a limited menu of uniform and quality food products, emphasizing prompt and courteous service in a clean, wholesome atmosphere which is intended to be attractive to children and families and includes proprietary rights in certain valuable trade names, service marks, and trademarks, including the trade names “McDonald’s” and “McDonald’s Hamburgers,” designs and color schemes for restaurant buildings, signs, equipment layouts, formulas and specifications for certain food products, methods of inventory and operation control, bookkeeping and accounting, and manuals covering business practices and policies. The McDonald’s System is operated and is advertised widely within the United States of America and in certain foreign countries.

(b) McDonald's holds the right to authorize the adoption and use of the McDonald's System at the Restaurant. The rights granted to the Franchisee to operate the Restaurant are set forth in this Franchise, including the Operator's Lease ("Lease") which is attached hereto as Exhibit A, incorporated in this Franchise.

(c) The foundation of the McDonald's System and the essence of this Franchise is the adherence by Franchisee to standards and policies of McDonald's providing for the uniform operation of all McDonald's restaurants within the McDonald's System including, but not limited to, serving only designated food and beverage products; the use of only prescribed equipment and building layout and designs; strict adherence to designated food and beverage specifications and to McDonald's prescribed standards of Quality, Service, and Cleanliness in the Restaurant operation. Compliance by Franchisee with the foregoing standards and policies in conjunction with the McDonald's trademarks and service marks provides the basis for the valuable goodwill and wide family acceptance of the McDonald's System. Moreover, the establishment and maintenance of a close personal working relationship with McDonald's in the conduct of Franchisee's McDonald's restaurant business, Franchisee's accountability for performance of the obligations contained in this Franchise, and Franchisee's adherence to the tenets of the McDonald's System constitute the essence of this Franchise.

(d) The provisions of this Franchise shall be interpreted to give effect to the intent of the parties stated in this paragraph 1 so that the Restaurant shall be operated in conformity to the McDonald's System through strict adherence to McDonald's standards and policies as they exist now and as they may be from time to time modified.

(e) Franchisee acknowledges Franchisee's understanding of McDonald's basic business policy that McDonald's will grant franchises only to those individuals who live in the locality of their McDonald's restaurant, actually own the entire equity interest in the business of the Restaurant and its profits, and who will work full time at their McDonald's restaurant business. Franchisee represents, warrants, and agrees that Franchisee actually owns the complete equity interest in this Franchise and the profits from the operation of the Restaurant, and that Franchisee shall maintain such interest during the term of this Franchise except only as otherwise permitted pursuant to the terms and conditions of this Franchise. Franchisee agrees to furnish McDonald's with such evidence as McDonald's may request, from time to time, for the purpose of assuring McDonald's that Franchisee's interest remains as represented herein.

(f) Franchisee agrees to pay to McDonald's all required payments under this Franchise, including, without limitation, the payments set forth in paragraphs 8 and 9 herein and paragraph 3.01 of the Lease. All payments hereby required constitute a single financial arrangement between Franchisee and McDonald's which, taken as a whole and without regard to any designation or descriptions, reflect the value of the authorization being made available to the Franchisee by McDonald's in this Franchise and the services rendered by McDonald's during the term hereof.

2. ***Franchise Grant and Term.***

(a) McDonald's grants to Franchisee for the following stated term the right, license, and privilege:

Franchisee's advertising and promotional material nor the providing of such material by McDonald's to Franchisee shall, directly or indirectly, require McDonald's to pay for such advertising or promotion.

Franchisee shall expend during each calendar year for advertising and promotion of the Restaurant to the general public an amount which is not less than four percent (4%) of Gross Sales (as that term is defined in paragraph 7) for such year. Expenditures by Franchisee to national and regional cooperative advertising and promotion of the McDonald's System, or to a group of McDonald's restaurants which includes the Restaurant, shall be a credit against the required minimum expenditures for advertising and promotion to the general public.

6. **Training.** McDonald's shall make available to Franchisee the services of Hamburger University, the international training center for the McDonald's System. Franchisee acknowledges the importance of quality of business operation among all restaurants in the McDonald's System and agrees to enroll Franchisee and Franchisee's managers, present and future, at Hamburger University or at such other training center as may be designated by McDonald's from time to time. McDonald's shall bear the cost of maintaining Hamburger University and any other training centers, including the overhead costs of training, staff salaries, materials, and all technical training tools, and agrees to provide to Franchisee both basic and advanced instruction for the operation of a McDonald's System restaurant. Franchisee shall pay all traveling, living, compensation, or other expenses incurred by Franchisee and Franchisee's employees in connection with attendance at Hamburger University or such other training centers.

7. **Gross Sales.** For the purposes of this Franchise, the term "Gross Sales" shall mean all revenues from sales of the Franchisee based upon all business conducted upon or from the Restaurant, whether such sales be evidenced by check, cash, credit, charge account, exchange, or otherwise, and shall include, but not be limited to, the amounts received from the sale of goods, wares, and merchandise, including sales of food, beverages, and tangible property of every kind and nature, promotional or otherwise, and for services performed from or at the Restaurant, together with the amount of all orders taken or received at the Restaurant, whether such orders be filled from the Restaurant or elsewhere. Gross Sales shall not include sales of merchandise for which cash has been refunded, provided that such sales shall have previously been included in Gross Sales. There shall be deducted from Gross Sales the price of merchandise returned by customers for exchange, provided that such returned merchandise shall have been previously included in Gross Sales, and provided that the sales price of merchandise delivered to the customer in exchange shall be included in Gross Sales. Gross Sales shall not include the amount of any sales tax imposed by any federal, state, municipal, or other governmental authority directly on sales and collected from customers, provided that the amount thereof is added to the selling price or absorbed therein and actually paid by the Franchisee to such governmental authority. Each charge or sale upon credit shall be treated as a sale for the full price in the month during which such charge or sale shall be made, irrespective of the time when the Franchisee shall receive payment (whether full or partial) therefor.

8. (a) **Royalty.** Franchisee shall pay a monthly royalty on or before the tenth (10th) day of the following month in an amount equal to [] percent ([]%) of the Gross Sales of the Restaurant (FDD note: see Item 6, Footnote 2) for the preceding month immediately ended.

(b) **Method of Payment.** Franchisee shall at all times participate in the McDonald's automatic debit/credit transfer program as specified by McDonald's from time to time for the payment of all amounts due McDonald's pursuant to this Franchise. Franchisee shall execute and deliver to McDonald's such documents and instruments as may be necessary to establish and maintain said automatic debit/credit transfer program.

(c) **Interest on Delinquencies.** In the event that the Franchisee is past due on the payment of any amount due McDonald's under this Franchise, including accrued interest, the Franchisee shall be required, to the extent permitted by law, to pay interest on the past due amount to McDonald's for the period beginning with the original due date for payment to the date of actual payment at an annual rate equal to the highest rate allowed by law or, if there is no maximum rate permitted by law, then fifteen percent (15%). Such interest will be calculated on the basis of monthly compounding and the actual number of days elapsed divided by 365.

9. **Initial Fee.** Franchisee acknowledges that: (a) the initial grant of this Franchise constitutes the sole consideration for the payment of an Initial Fee of Forty-Five Thousand Dollars (\$45,000.00) paid by Franchisee to McDonald's; and (b) the fee has been earned by McDonald's (except where the construction of the Restaurant has not been completed within one (1) year from the date of the execution and delivery of this Franchise). If the Restaurant has not been constructed or is not ready for occupancy at the time of the execution of this Franchise, McDonald's shall use its best efforts to expedite the construction and lease of the Restaurant to Franchisee. However, McDonald's shall not be liable to Franchisee in any manner for any delays in or lack of completion of such construction for any reason. McDonald's shall be under no obligation to enforce performance or to seek other remedies for non-performance of any lease, clause, or contract necessary for the construction of the Restaurant and reserves the right, in case construction of the Restaurant should be abandoned, the lease assigned, or other interest in the premises be relinquished, to terminate this Franchise upon reimbursement to Franchisee of the Initial Fee. At such time as the Restaurant is completed and ready for occupancy, the Initial Fee shall be deemed to be earned. If the Restaurant is not ready for occupancy within one (1) year from the date of this Franchise, Franchisee shall have the right to terminate this Franchise and obtain an immediate refund of the Initial Fee upon written request to McDonald's.

10. **Reports.** On or before 11:00 a.m. Central Standard Time on the first business day of each month, Franchisee shall render, in a manner specified by McDonald's, a statement, in such form as McDonald's shall reasonably require from time to time, of all receipts from the operation of the Restaurant for the preceding month immediately ended. On or before the twenty-fifth (25th) day of each month Franchisee shall submit to McDonald's an operating statement and a statistical report for the previous month in form satisfactory to McDonald's. Franchisee shall keep and preserve full and complete records of Gross Sales for at least three (3) years in a manner and form satisfactory to McDonald's and shall also deliver such additional financial and operating reports and other information as McDonald's may reasonably request on the forms and in the manner prescribed by McDonald's. Franchisee further agrees to submit within ninety (90) days following the close of each fiscal year of the Restaurant's operation, a profit and loss statement covering operations during such fiscal year and a balance sheet taken as of the close of such fiscal year, all prepared in accordance with generally accepted accounting principles. The profit and

FRANCHISE DISCLOSURE DOCUMENT



Doctor's Associates LLC
A Florida Limited Liability Company
325 Sub Way, Milford, Connecticut 06461
Phone: 1-800-888-4848
franchise@subway.com
www.subway.com

As a Subway® franchisee, you will sell foot-long and other sandwiches, salads and other food items from a retail establishment.

The initial investment necessary to begin operation of a single new Subway® franchise ranges from \$233,550 to \$526,800 (\$194,050 to \$393,800 for a non-traditional location). This sum includes an estimated \$18,432 to \$43,117 (including an initial franchise fee of \$15,000) that must be paid to us or our affiliate.

The initial investment necessary to begin operation of 2 to 10 new Subway® franchises under the multi-unit development program ranges from \$241,050 to \$594,300 per restaurant (\$201,550 to \$461,300 for a non-traditional location). This sum includes an estimated \$48,432 to \$193,117 (including a development fee of \$22,500 to \$82,500) that must be paid to us or our affiliate.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no government agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient to you. To discuss the availability of disclosures in different formats, contact the Franchise Development Team at 325 Sub Way, Milford, CT 06461, (800) 888-4848, franchise@subway.com.

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "[A Consumer's Guide to Buying a Franchise](#)," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

Issuance Date: April 25, 2023, amended August 31, 2023

Hawaii	2021	99	2	0	0	0	6	95
	2022	95	4	0	0	0	10	89
Idaho	2020	127	0	0	0	0	4	123
	2021	123	2	0	0	0	1	124
	2022	124	1	0	0	0	7	118
Illinois	2020	1,070	20	0	0	5	103	981
	2021	981	44	0	0	6	74	942
	2022	942	24	0	2	9	69	886
Indiana	2020	625	1	0	0	0	42	583
	2021	583	8	0	0	1	34	555
	2022	555	13	0	2	2	13	551
Iowa	2020	293	3	0	0	2	16	280
	2021	280	5	0	0	0	16	267
	2022	267	4	0	0	2	9	260
Kansas	2020	247	9	0	6	0	17	233
	2021	233	6	2	0	0	33	203
	2022	203	5	0	0	1	8	199
Kentucky	2020	387	7	0	0	2	21	371
	2021	371	9	0	0	2	21	359
	2022	359	10	0	0	0	13	356
Louisiana	2020	456	5	0	0	1	31	428
	2021	428	16	0	0	2	39	405
	2022	405	17	0	0	0	16	406
Maine	2020	111	1	0	0	0	9	103
	2021	103	0	0	0	0	3	100
	2022	100	2	0	0	0	2	100
Maryland	2020	437	5	0	0	2	34	407
	2021	407	12	0	0	1	25	393
	2022	393	10	0	2	1	20	380
Massachusetts	2020	348	6	0	0	0	33	319
	2021	319	10	0	0	2	32	297
	2022	297	5	0	0	0	22	280
Michigan	2020	864	15	0	0	1	93	784
	2021	784	21	0	0	2	70	734
	2022	734	25	0	0	1	32	726
Minnesota	2020	450	3	0	0	2	36	416
	2021	416	10	0	0	1	16	408
	2022	408	7	1	0	2	12	400
Mississippi	2020	292	5	0	0	0	17	280
	2021	280	9	0	0	0	15	272
	2022	272	11	1	0	2	7	273
Missouri	2020	512	9	0	5	0	32	484
	2021	484	10	0	0	0	50	444
	2022	444	10	0	0	0	20	434
Montana	2020	80	0	0	0	0	4	76
	2021	76	1	0	0	0	4	73

DOCTOR'S ASSOCIATES LLC
FRANCHISE AGREEMENT

This Franchise Agreement (this “**Agreement**”), made on the date shown on the cover page hereof (the “**Agreement Date**”), by and between Doctor’s Associates LLC, a Florida limited liability company with a principal office in Milford, Connecticut (“**Franchisor**”, “**we**”, “**us**”, or “**our**”), and the party identified as Franchisee in the Key Contract Data at the beginning of this Agreement (“**Franchisee**”, “**you**” or “**your**”).

1. **Background Information.**

A. Our affiliate, Subway IP LLC (“**SIP**”) is the owner of a proprietary system for establishing and operating restaurants featuring sandwiches, pizza and salads under our trade name and service mark, Subway[®], which operate with a uniform business format, specially designed equipment, methods, procedures, and designs (the “**System**”). The System includes the trademark Subway[®], other trademarks, trade names, service marks, commercial announcements (slogans) and related insignia (logos) owned by SIP (the “**Marks**”). The System was developed spending considerable money, time, and effort. The System also includes confidential information and goodwill. SIP has granted us a non-exclusive license to use the System in the United States of America and its territories to establish and sublicense others to establish and operate Subway[®] restaurants (“**Subway[®] Restaurants**”). Subway[®] Restaurants are operated by persons meeting our qualifications to whom we have granted franchises.

B. You have applied for the right and obligation to operate a Subway[®] Restaurant utilizing the Marks solely at the Approved Location (as defined in Section 4.A) described in this Agreement. Such application has been approved by us in reliance upon all of the representations made within it being true, correct and complete including, without limitation, your ownership. You desire to operate a Subway[®] Restaurant under the System and wish to obtain a franchise from us for that purpose.

C. You have read this Agreement, and our franchise disclosure document, and have been given an opportunity to clarify any provisions that you did not understand. You understand and accept the terms, conditions, and covenants contained in this Agreement as being reasonably necessary to maintain our high standards of quality and service and the uniformity of those standards at all Subway[®] Restaurants, and thereby to protect and preserve the goodwill of the Marks.

D. The term “Franchisee”, “you” and “your” as used herein is applicable to one or more persons, a corporation, limited liability company or a partnership, as the case may be, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine. References to “Franchisee”, “you” and “your” applicable to an individual or individuals shall mean the principal owner or owners of the equity or operating control of you if you are a corporation, limited liability company or partnership, and shall include all such individuals collectively and individually.

E. The parties agree that the information in this Section 1 (“**Background Information**”) is true and correct, and we are relying on it.

2. **Appointment.**

A. We hereby grant to you, upon the terms and conditions of this Agreement, a franchise to operate a Subway[®] Restaurant (the “**Restaurant**”) and to use in connection therewith the System, as it may be changed, improved and further developed from time to time, and the Marks solely at the Approved Location and for the Term.

we or our agents shall have the right of entry and inspection of the Premises at all reasonable times and, additionally, shall have the right to observe the manner in which you are rendering your services and conducting your operations, to confer with your employees and customers, to inspect your Computer Systems (including hardware, software, security, configurations, connectivity, and data access), and to select ingredients, food and non-food products, beverages, and other items, products, materials and supplies for test of content and evaluation purposes to make certain that the services, ingredients, products, materials, equipment and operations are satisfactory and meet the quality control provisions and performance standards established by us.

G. You agree not to, and to use your best efforts to cause your parents, subsidiaries and affiliates, and your and their respective owners, officers, directors, employees, managers, agents, representatives, spouses, heirs, predecessors, successors, and assigns not to, disparage or otherwise speak or write negatively, directly or indirectly, of us or our parents, subsidiaries, and affiliates, and our and their respective current and former owners, officers, directors, employees, managers, agents, representatives, predecessors, successors, and assigns or our or their current and former franchisees, Business Developers (“BDs”, f/k/a Business Development Agent or “BDA”), developers, area developers or the Subway® brand, the System, or any other service-marked or trademarked concept of us, or which would subject the Subway® brand to ridicule, scandal, reproach, scorn, or indignity or which would negatively impact the goodwill of us, our affiliates, the Subway® brand or the Marks.

9. **Confidential Operations Manual.**

A. We will make available to you during the Term, in the format that we choose (electronic, hardcopy, or both), an operations manual containing mandatory specifications, standards, operating procedures and rules prescribed from time to time by us for Subway® Restaurants and information relative to other of your obligations hereunder and the operation of the Restaurant (the “**Confidential Operations Manual**”). The mandatory specifications, standards, operating procedures and rules prescribed from time to time by us for Subway® Restaurants are referred to herein as the “**System Standards**”. The Confidential Operations Manual contains our proprietary information and shall be kept confidential by you both during the Term and subsequent to the expiration or termination of the Term. The Confidential Operations Manual includes all policies, procedures, specifications, rules and guidelines that we may promulgate or revise from time to time and publish via an intranet, the internet, in other electronic media, or in other written format. We shall have the right to add to and otherwise modify the Confidential Operations Manual from time to time to reflect changes in the System Standards.

B. The Confidential Operations Manual shall at all times remain the sole property of us and any hardcopy version thereof that we may have provided to you shall promptly be returned to us upon the expiration or termination of this Agreement.

C. You shall at all times ensure that the Confidential Operations Manual is available at the Premises in a current and up-to-date manner, and in the event of any dispute as to the contents of the Confidential Operations Manual, the terms of the master copy of the Confidential Operations Manual maintained by us at our home office shall be controlling.

10. **Standards of Quality and Performance.**

A. You shall commence operation of the Restaurant not later than twelve (12) months from the Agreement Date, or as otherwise approved in writing by us. Prior to such opening, you shall have procured all necessary licenses, permits, and approvals, including but not limited to construction permits, shall have hired and trained personnel, made all leasehold improvements, and purchased initial inventory. If you for any reason fail to commence operations as herein provided, unless you are precluded from doing

so by war or civil disturbance, natural disaster or organized labor dispute that precludes such timely commencement of operation, such failure shall be considered a default and we may terminate this Agreement. Once you have commenced operation of the Restaurant, you must actively and continuously operate the Restaurant during normal business hours (as we may periodically prescribe in the Confidential Operations Manual or elsewhere in writing) for the entire duration of the Term.

B. You agree to maintain (or cause to be maintained) the condition and appearance of the interior and exterior of the Premises consistent with our quality controls and standards for the image of a Subway® Restaurant as an attractive, pleasant and comfortable facility conducive to patronage and impulse buying by its customers. You agree to carry out such maintenance of the Restaurant as is from time to time required to maintain or improve the appearance and efficient operation of the Restaurant, including replacement of worn out or obsolete fixtures and signs, repair of the exterior and interior of the Restaurant and redecorating. If at any time in our business judgment the general state of repair or the appearance of the Premises or its equipment, fixtures, signs or decor does not meet our quality control and standards therefor, we shall so notify you, specifying the action to be taken by you to correct such deficiency. If you fail or refuse to initiate within thirty (30) days after receipt of such notice, and thereafter continue, a bona fide program to complete any required maintenance, we shall have the right, in addition to all other remedies, to enter upon the Premises and effect such repairs, painting, decorating or replacements of equipment, fixtures or signs on your behalf and you shall pay the entire costs thereof on demand. Your obligation to initiate and continue any required maintenance shall be suspended during any period in which such maintenance is commercially impractical due to war, civil disturbance, natural disaster, organized labor dispute or other event beyond your reasonable control.

C. You shall make no material alterations to the improvements of the Restaurant nor shall you make material replacements of or alterations to the equipment, fixtures or signs of the Restaurant without our prior written approval.

D. The Approved Location shall be used solely for the purpose of conducting a Subway® Restaurant.

E. Except if you are prohibited from selling products under applicable law or under the terms of the Restaurant lease, you agree that you will offer for sale and sell at the Restaurant all types of sandwiches, food, drinks and other products that we from time to time authorize, and that you will not offer for sale or sell at the Premises any other food product, beverage, confection or non-food product whatsoever or use the Premises for any purpose other than the operation of the Restaurant in full compliance with this Agreement. You further agree that you will participate in any gift certificate, gift card and/or loyalty card programs that we require. To the extent allowed by applicable law, you must comply with our minimum, maximum, and other pricing requirements for sandwiches and other products and services offered by the Restaurant, as well as comply with our pricing methods and procedures for in-store, curbside, delivery, catering, on-line/electronic and any other types of orders, including but not limited to advertising and marketing promotions.

F. From time to time, we shall provide to you in the Confidential Operations Manual or otherwise in writing a list of approved manufacturers, suppliers, and distributors and approved food and non-food products, fixtures, equipment, signs, stationery, supplies, and other items or services necessary to operate the Restaurant. Such list shall specify the manufacturer, supplier and distributor and the food and non-food products, fixtures, equipment, signs, stationery, supplies and services that we have approved to be carried or used in the System. We may revise the approved list of manufacturers, suppliers and distributors and the approved list of food and non-food products, fixtures, equipment, signs, stationery, supplies, and other materials from time to time. Such approved list shall be submitted to you in a form that

we deem advisable. You must respond to the recall of any products in the manner and at the time that we specify.

G. All sandwiches, menu items, breads, meats, cheeses, ingredients, toppings, spices, mixes and other food and beverage products and materials, containers, packaging materials, other paper and plastic products, plates, cups, utensils, menus, uniforms, forms, cleaning and sanitation materials and other materials and supplies used in the operation of the Restaurant shall conform to the specifications and quality standards established by us from time to time in the Confidential Operations Manual or otherwise. Except as otherwise provided herein, you may only purchase such products that meet our specifications and quality standards from suppliers approved by us as meeting our criteria for Subway® Restaurant suppliers, such criteria and suppliers being subject to change by us from time to time. If you propose to offer for sale at the Restaurant any brand of product, or to use in the operation of the Restaurant any brand of food ingredient or other material or supply, that is not then approved by us as meeting our minimum specifications and quality standards, or to purchase any product from a supplier that is not then designated by us as an approved supplier, you shall submit your request in writing to us before purchasing or leasing any such ingredient, material or supply, and its purchase or lease may not be made by you absent our prior written consent. We will not be obligated to respond to your request, and any actions we take in response to such request will be at our sole discretion, including the assessment of a fee to compensate us for the time and resources we spend in evaluating the ingredient, material or supply. If we do not respond to your request within thirty (30) days, the request shall be deemed denied. We reserve the right from time to time to examine the facilities of any approved supplier or distributor and to conduct reasonable testing and inspection of the ingredients, materials or supplies to determine whether they meet our standards and specifications. We also reserve the right to charge fees for testing and evaluating proposed suppliers or distributors and to impose reasonable limitations on the number of approved suppliers or distributors of any product. Approval of a supplier or distributor may be conditioned on requirements relating to frequency of delivery and standards of service, including prompt attention to complaints and the ability to service and supply Subway® Restaurants within areas designated by us.

H. In addition to the specific operating standards and specifications set forth above, you agree to fully comply with the System Standards in effect from time to time as set forth in the Confidential Operations Manual or otherwise communicated to you by us in writing (including by intranet or other electronic means).

I. You shall secure and maintain in force all required licenses, permits and certificates relating to the leasing, construction, opening, and operation of the Restaurant and shall operate the Restaurant in full compliance with all applicable laws, ordinances and regulations, including without limitation all government regulations relating to occupational hazards and health, consumer protection, trade regulation, worker's compensation, unemployment insurance and withholding and payment of Federal and State income taxes and social security taxes and sales, use and property taxes. You agree to refrain from any merchandising, advertising or promotional practice that is unethical or may be injurious to our business and/or other Subway® Restaurants or to the goodwill associated with the Marks. Upon request, you will forward to us copies of any documentation relating to these items.

J. The Restaurant shall at all times be under your direct, on-premises supervision or a trained and competent employee acting as full-time manager. In the event you operate more than one franchise, or in the event you do not devote your full time to conducting the Restaurant business, we may require you to designate one or more competent managers who have completed the training requirements to hold the position of full-time managers (each a "**Designated Manager**") for the Restaurant. You must, upon our request, keep us informed at all times of the identity of any other employee(s) acting as manager(s) of the Restaurant. We shall make training available, as is necessary in our judgment, for all managers who you designate. We shall provide such training at the then-current published rates. You agree that you will at all

written consent. We may receive fees from Third-Party Delivery Providers in return for designating them as approved or designated for Subway® Restaurants and may negotiate with them for our benefit or that of Subway® Restaurants. We reserve the right periodically to revoke our approval of any Third-Party Delivery Provider that does not continue to meet our criteria. Notwithstanding the foregoing, you agree that we may limit the number of Third-Party Delivery Providers with whom you may deal, designate Third-Party Delivery Providers that you must use, and/or refuse any of your requests for any reason, including if we have already designated an exclusive Third-Party Delivery Provider for the System or if we believe that doing so is in the best interests of the System.

F. You agree to grant us access to, or otherwise collect and report in the form and manner desired by us, all operational, financial and other information concerning the Delivery Activities provided from your Restaurant, including, but not limited to, all Gross Sales, transactions and guest count data, product mix, service time data and financial results. We will have permission to access Gross Sales, guest count, and other operational data, including, without limitation, staffing and customer satisfaction data from the relevant Third-Party Delivery Provider and your Restaurant.

G. You may not establish “ghost kitchens” (separate facilities for food preparation, typically for preparation of delivery orders) without our prior, written approval, and if we grant such approval then you must comply with any and all guidelines that we may establish and modify from time to time.

12. **Modification of the System.** You recognize and agree that from time to time we may change or modify the System, including the adoption and use of new or modified trade names, trademarks, service marks or copyrighted materials, new menu items, new products, new equipment or new techniques and that you will accept, use and display for the purpose of this Agreement any such changes in the System, as if they were part of this Agreement at the time of execution hereof. Within the timeframes that we may reasonably require, you will make such expenditures as such changes or modifications in the System as we may reasonably require, including but not limited to repairs, upgrades and remodels. You shall not change, modify or alter in any way the System without our prior written consent. You will be provided with reasonable notice of any material updates or changes to the System or the Confidential Operations Manual.

13. **Fees and Contributions.**

A. **Franchise Fee.** When you sign this Agreement, you will pay us the fee(s) (the “**Franchise Fee**”) indicated in the Key Contract Data at the beginning of this Agreement, which shall be deemed fully earned by us and shall be nonrefundable upon execution of this Agreement (except as otherwise expressly provided in this Agreement) as consideration for expenses incurred by us in furnishing assistance and services to you and for our lost or deferred opportunity to sell a franchise to others. If you or your affiliate are an existing Subway® franchisee, you represent that your other Subway® Restaurant(s) is/are in substantial compliance with the Operations Manual and there are no material defaults under the franchise agreement(s) governing the operation of such Subway® Restaurant(s). If any of the aforesaid representations are not true when the Restaurant opens (based upon the most recent restaurant evaluation), you agree to pay us an additional \$7,500.

B. **Royalty Fee.** You shall pay to us without offset, credit or deduction of any nature unless otherwise permitted by us in writing, so long as this Agreement shall be in effect, a royalty fee equal to eight percent (8%) of Gross Sales of the Restaurant on a weekly basis or other periodic basis that we may determine from time to time (the “**Royalty Fee**”).

C. **Advertising Contributions.** You shall pay without offset, credit or deduction of any nature, to us, so long as this Agreement shall be in effect, advertising contributions equal to four and one-



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Wingstop Franchising LLC
A Delaware Limited Liability Company
15505 Wright Brothers Drive
Addison, Texas 75001
(972) 686-6500
areadevelopment@wingstop.com
www.wingstop.com

The franchise is to operate a restaurant under the WING-STOP® trade name and business system that serves cooked-to-order, hand-sauced and tossed chicken wings, boneless wings, tenders, chicken sandwiches, and fresh-cut, seasoned fries, and beverages.

The total investment necessary to begin operation of a WING-STOP® Restaurant is \$325,616 to \$974,733, excluding real estate purchase and lease costs. This includes \$30,000 that must be paid to the franchisor or affiliate. You sign the Development Agreement even if you want only one Restaurant franchise. If you want development rights for more than one Restaurant, you must pay the franchisor a development fee equal to \$10,000 times the number of Restaurants you commit to develop.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar-days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

Issuance date of this Franchise Disclosure Document: May 4, 2023, as amended November 21, 2023

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
Illinois	2020	68	12	0	0	0	0	80
	2021	80	14	0	0	0	0	94
	2022	94	15	0	0	0	0	109
Indiana	2020	14	0	0	0	0	0	14
	2021	14	2	0	0	0	0	16
	2022	16	8	0	0	0	0	24
Iowa	2020	5	0	0	0	0	0	5
	2021	5	2	0	0	0	0	7
	2022	7	0	0	0	0	0	7
Kansas	2020	2	6	0	0	0	0	8
	2021	8	2	0	0	0	0	10
	2022	10	1	0	0	0	0	11
Kentucky	2020	6	0	0	0	0	0	6
	2021	6	0	0	0	0	0	6
	2022	6	0	0	0	0	0	6
Louisiana	2020	22	2	0	0	0	0	24
	2021	24	3	0	0	0	0	27
	2022	27	1	0	0	0	0	28
Maryland	2020	22	1	0	0	0	0	23
	2021	23	3	0	0	0	0	26
	2022	26	2	0	0	0	0	28
Massachusetts	2020	6	0	0	0	0	0	6
	2021	6	0	0	0	0	0	6
	2022	6	0	0	0	0	0	6
Michigan	2020	13	4	0	0	0	1	16
	2021	16	3	0	0	0	0	19
	2022	19	7	0	0	0	0	26



STORE NO.

**FRANCHISE AGREEMENT
FOR A
WINGSTOP RESTAURANT**

THIS AGREEMENT is entered into by and between Wingstop Franchising LLC, a Delaware limited liability company (“Company”), and _____ (“Franchisee”). Certain terms are used in this Agreement with the meanings assigned in the Glossary of Terms appearing at the beginning of this Agreement. That Glossary is incorporated into, and made an integral part of, this Agreement by reference.

1. RECITALS.

Company and its Affiliates have developed a System to guide and govern the operation of restaurants that operate under the Wingstop® trade name and sell cooked-to-order, hand-sauced and tossed chicken wings as their primary menu item. Company franchises the operation of Restaurants. Franchisee has completed the site selection requirements of a Development Agreement for a Restaurant to be located at the address shown in Section 2. The parties are now ready to embark on a franchise relationship and have entered into this Agreement to evidence the terms and conditions of their relationship.

2. GRANT OF FRANCHISE.

(a) Subject to the terms, conditions and limitations of this Agreement, Company grants Franchisee a franchise to operate a Restaurant at the following location: _____
_____. Franchisee’s use of any of the Marks or any element of the System in the operation of a business at any other location or in any other channel of distribution without Company’s express written authorization will constitute willful infringement of Company’s rights in the Marks and the System.

(b) The franchise includes the following rights and licenses:

(1) Authorization to operate the Restaurant under the Wingstop® trade name, in association with the Wingstop® service mark and in accordance with the System;

(2) Authorization to install the Trade Dress and exterior and interior signs bearing the Wingstop® name and logo at the Restaurant;

(3) Authorization to provide Catering from the Restaurant; and

(4) Authorization to use the Marks to identify, advertise and promote the Restaurant’s products and services.

(c) Franchisee will acquire no rights or authority under this Agreement or as an element of the franchise:

Franchisee of any reservations it has about the consultant's reputation or ability within 10 calendar days after it receives this information. If Franchisee's proposed permit expeditor consultant is not approved, Franchisee must use one of Company's approved permit expeditor consultants.

(6) If Company allows Franchisee to use a general contractor whom Company has not pre-approved, Franchisee must furnish Company or its designee the name of an experienced general contractor who has built at least two restaurants that engage primarily in frying operations. The contractor must furnish Company or its designee a statement of the contractor's qualifications as referenced in the Operations Manual, including at least five client references and a copy of the construction contract the contractor proposes to sign with Franchisee. Company or its designee will have 10 calendar days after it receives these documents to advise Franchisee of any reservations it has about the contractor's reputation or ability. If Franchisee decides not to hire a particular contractor, Franchisee will have an additional 15 days to locate another general contractor and to submit the new candidate's qualifications to Company or its designee for review.

(c) **Construction and Operations.** In connection with the construction and operation of the Restaurant, Franchisee agrees to fulfill the following requirements and perform the obligations and observe the restrictions stated in this Section 7(c):

(1) Franchisee will construct, finish out, equip, furnish and decorate the Restaurant in compliance with Wingstop equipment, Trade Dress, Information System, and signage specifications and the construction documents Company or its designee approves in accordance with Sections 7(b)(1) and (2). After the Restaurant opens, Franchisee will not alter its furniture, fixtures, equipment, signs or Trade Dress in any fashion without Company's express prior permission.

(2) Franchisee will affix to an exterior window or display prominently on an interior wall of the Restaurant a decal or placard containing the following statement: "This restaurant is owned, operated, and managed by _____ under a license from Wingstop Franchising LLC," and never make a statement or representation to any person that is contrary to or inconsistent with Section 22 of this Agreement.

(3) Franchisee (or its Designated Principal) will attend and send the General Manager to the training program described in Section 6(a)(3). Both Franchisee (or its Designated Principal) and the General Manager must complete the Wingstop training program (including all training hours) with a passing grade before the Restaurant may open for business.

(4) As soon as Franchisee obtains a telephone number for the Restaurant, Franchisee will sign and deliver to Company an Assignment of Telephone Number(s) for the number in the form attached to this Agreement as Exhibit D. If the Restaurant's telephone number changes during the franchise term, or if Franchisee adds additional lines for a modem or other purposes, Franchisee will promptly sign and deliver to Company a new Assignment of Telephone Number(s) for the new or additional number(s).

(5) Franchisee will open the Restaurant for business not later than the Scheduled Opening Date specified beneath the signature block of this Agreement and will operate it continuously throughout the entire term of the franchise solely under the Wingstop trade name and System. If the Restaurant's completion is interrupted by a natural disaster, fire or other casualty, labor dispute, materials shortage, or similar event over which Franchisee lacks control (although such "force majeure" events do not under any circumstances include Franchisee's financing delays or difficulties), the Scheduled Opening Date will be extended for the time reasonably necessary to remedy the effects of the occurrence. If the Restaurant is located in a core market (currently, the Dallas-Fort Worth, El Paso (Las Cruces), Harlingen-Wslco-Brnsvl-McA, Houston, Laredo, or San Antonio, Texas DMAs; the Los Angeles,

California DMA; or the Las Vegas, Nevada DMA), Franchisee must spend at least \$5,000 to market the Restaurant's opening within three months after the Restaurant's opening date (the "Grand Opening Period") and send Company proof of paid invoices for such marketing no later than 90 days after the end of the Grand Opening Period. If the Restaurant is located in an emerging market (currently, the Albuquerque-Santa Fe, New Mexico DMA; Chicago, Illinois DMA; Denver, Colorado DMA; Miami-Ft. Lauderdale, Florida DMA; Reno, Nevada DMA; Monroe-El Dorado, Louisiana DMA; Monterey-Salinas, Sacramento-Stkton-Modesto, San Diego, or San Francisco-Oak-San Jose, California DMAs; Phoenix (Prescott) or Tucson (Sierra Vista), Arizona DMAs; or Abilene-Sweetwater, Amarillo, Austin, Corpus Christi, Lubbock, Odessa-Midland, Tyler-Longview (Lfkn & Ncgd), Victoria, or Waco-Temple-Bryan, Texas DMAs), Franchisee must spend at least \$10,000 to market the Restaurant's opening during the Grand Opening Period and send Company proof of paid invoices for such marketing no later than 90 days after the end of the Grand Opening Period. If the Restaurant is located in a market outside of both the core and emerging markets, Franchisee must spend at least \$15,000 to market the Restaurant's opening during the Grand Opening Period and send Company adequate proof of paid invoices for such marketing no later than 90 days after the end of the Grand Opening Period. If Franchisee fails to provide Company with proof of paid invoices for such marketing, equaling the minimum amount required for the particular market, within 90 days after the end of the Grand Opening Period, Company will draft the remaining balance from Franchisee's account and contribute that amount to the Ad Fund.

(6) Franchisee will (i) comply with and adhere to the policies and procedures set forth in the Operations Manual, as revised and supplemented from time to time, (ii) follow Wingstop procedures in the storage, preparation, presentation and dispensing of chicken wings, other authorized menu items, and other authorized Restaurant merchandise and the acquisition of items from Approved Vendors, (iii) purchase and use fresh, processed and prepackaged ingredients that satisfy or exceed the minimum grade or quality standards specified from time to time for the Wingstop System, (iv) purchase from Company or a source Company designates and exclusively use Wingstop® brand sauces and seasonings and other proprietary products specially produced for the Wingstop restaurant chain, and (v) purchase equipment, inventory, supplies and services only from the Purchasing Cooperative or, if not available from the Purchasing Cooperative, from suppliers designated or approved for the Wingstop System from time to time, the number of which may be limited by Company.

(7) Franchisee will provide appropriate training, supervision and security for all personnel employed in the Restaurant, maintain standards of prompt and courteous customer service, and instruct all employees of the Restaurant in the proper use and display of the Marks and the confidential handling of the Trade Secrets and the Operations Manual, as stated in Section 12.

(8) Franchisee will ensure that all of the Restaurant's employees follow Wingstop grooming and dress code standards and wear the Wingstop uniform items developed for the Wingstop System.

(9) Franchisee will notify Company promptly of any change in the General Manager and send any new General Manager to attend and satisfactorily complete the Wingstop training program.

(10) [Intentionally Omitted]

(11) Franchisee will offer all foods and beverages included on the standard Wingstop menu, as revised from time to time, in compliance with Company's product pricing standards and specifications. Franchisee will not offer any foods, beverages or other merchandise that is not included on the authorized Wingstop Restaurant merchandise list, as revised from time to time, without Company's prior written consent; provided, however, that Company will not specify on the menu or merchandise list the brands of any alcoholic beverages, beer or wine to be sold at the Restaurant by Franchisee.

franchisees post on the Intranet. Company expects to adopt and adhere to a reasonable privacy policy. However, Franchisee acknowledges that, as administrator of the Intranet, Company or its designee can technically access and view any communication that any person posts on the Intranet. Franchisee further acknowledges that the Intranet facility and all communications that are posted to it will become Company's property, free of any claims of privacy or privilege that Franchisee or any other person may assert.

(3) Upon receipt of notice from Company that the Intranet has become functional, Franchisee agrees to purchase and install all necessary additions to the Restaurant's Information System and to establish and continually maintain electronic connection with the Intranet that allows Company or its designee to send messages to and receive messages from Franchisee. Franchisee's obligation to maintain connection with the Intranet will continue until this Agreement's expiration or termination (or, if earlier, until Company dismantles the Intranet).

(4) Franchisee agrees to contribute a reasonable amount, not to exceed \$50 per month, toward the cost of the Intranet's maintenance and further development. Company will set the contribution amount in March of each year and Franchisee will pay one quarter of its annual contribution quarterly by bank draft. Any balance of a quarterly payment that remains unpaid 30 days after the invoice date will bear interest from that date until paid at the rate of twelve percent (12%) per annum (or, if less, the highest rate permitted by applicable law).

(5) If Franchisee fails to pay when due any amount payable to Company under this Agreement or otherwise as a result of the Restaurant's operation, or if Franchisee fails to comply with any policy or procedure governing the Intranet, Company may temporarily suspend Franchisee's access to any so-called chat room, bulletin board, list-serve or similar feature the Intranet includes until such time as Franchisee fully cures the breach and may auto-debit the Intranet/Website fee from Franchisee's bank account.

10. ROYALTIES.

(a) In consideration for Franchisee's continuing use of the Marks and the System, Franchisee agrees to pay Company continuing royalties equal to six percent (6%) of Gross Sales.

(b) Royalties (and Ad Fund contributions under Section 8(a)) will be payable weekly by automatic debit of Franchisee's account. Franchisee will authorize Company and its bank to debit Franchisee's account directly for Royalties, Ad Fund contributions, applicable Area Cooperative contributions (if any), monthly contributions for Internet and Intranet maintenance and further development and all other amounts due under this Agreement or to satisfy System requirements, including amounts due for Franchisee's purchases of products and services from Company, its Affiliates and/or unaffiliated vendors. Franchisee must sign and deliver an Authorization Agreement for Preauthorized Payments in the form attached to this Agreement as Exhibit C or such other document/authorization that Company periodically specifies. Royalties and Ad Fund contributions will be payable without notice or demand on Tuesday of each week with respect to Franchisee's Gross Sales for the week ending the preceding Saturday. By notice in writing to all franchisees, Company may from time to time change the payment interval, the payment date and/or the manner of payment. Company may, on the day Company specifies, debit Franchisee's account for any other amounts Franchisee owes Company, its Affiliates and/or unaffiliated vendors.

(c) Franchisee must report Gross Sales for the week ending the prior Saturday night in accordance with Section 7(c)(22), and Company will calculate Franchisee's royalty payment and Ad Fund contribution and draft Franchisee's account. If Franchisee fails to report the Gross Sales for any week by that week's deadline, Company will reasonably estimate Franchisee's Gross Sales and also charge a non-

refundable fee of \$250, to be electronically withdrawn in the same manner as royalty payments and Ad Fund contributions, due to Franchisee's failure to report. At Company's discretion, adjustments to Company's estimate may be made after Franchisee furnishes the missed Gross Sales report.

(d) Franchisee will not be entitled to withhold payment of royalties, Ad Fund contributions, or any other amounts due to Company or its Affiliates on account of Company's breach or alleged breach of its obligations under this Agreement; Company's performance under this Agreement constitutes no part of the consideration for Franchisee's obligation to make required payments.

(e) Franchisee is obligated to pay all state and local taxes, including, without limitation, taxes denominated as income or franchise taxes, that may be imposed on Company as a result of its receipt or accrual of the franchise fee, royalties, Ad Fund contributions, or other fees that are referenced in this Agreement, whether assessed against Franchisee through withholding or other means or whether paid by Company directly. In either case, Franchisee is obligated to pay Company (and the appropriate governmental authority) such additional amounts as are necessary to provide Company, after taking such taxes into account (including any additional taxes imposed on such additional amounts), the same amounts it would have received or accrued had such withholding or other payment, whether by Franchisee or Company, not been required.

11. TERM AND RENEWAL.

(a) The primary term of the franchise begins on the Effective Date and expires 10 years from either the Scheduled Opening Date (specified beneath the signature block of this Agreement) or the actual date on which the Restaurant opens to the public for business, whichever date is earlier, subject to earlier termination in accordance with Sections 16 and 17. Franchisee must operate the Restaurant in compliance with this Agreement for the entire primary term unless this Agreement is properly terminated under Sections 16 and 17.

(b) If, upon the expiration of the 10-year primary term, Franchisee is in full compliance with Franchisee's agreements and obligations under this Agreement, Franchisee will have the option to renew the franchise for an additional term of 10 years by (1) notifying Company of Franchisee's intention to renew not earlier than 180 days nor later than 90 days before the primary term's scheduled expiration date, (2) signing Company's then-current renewal form of Franchise Agreement and a general release, in form and substance satisfactory to Company, of any and all claims against Company and its Affiliates, and all of their respective owners, officers, directors, and agents, arising out of or relating to this Agreement, the Restaurant, and the parties' business relationship (this requirement applies to Franchisee and each Controlling Principal), (3) paying Company a renewal fee equal to twenty-five percent (25%) of the sum of Company's then-current development fee and franchise fee, and (4) not later than 30 days before the primary term's scheduled expiration date, completing the remodeling, refurbishing and modernizing of the Restaurant's interior and exterior, including its furniture, fixtures, signs, equipment, Information System and Trade Dress, to conform to then-required Wingstop standards (regardless of cost). Notwithstanding anything to the contrary in the foregoing, regardless of the then-current form of Company's Franchise Agreement, Company will not require Franchisee to pay a royalty fee in excess of six percent (6%) of Gross Sales during Franchisee's first renewal term.

(c) Franchisee's failure or refusal to comply with any of the four conditions to renewal stated in Section 11(b), each of which Franchisee acknowledges to be reasonable and material, will be interpreted as a conclusive, irrevocable election on Franchisee's part not to renew the term of the franchise.

(d) The relationship between Company and Franchisee during the renewal period will be governed by the provisions of Company's then-current renewal form of Franchise Agreement, including

FRANCHISE DISCLOSURE DOCUMENT



Jiffy Lube International, Inc.
A Delaware Corporation
150 N. Dairy Ashford, Houston, Texas 77079
P.O. Box 4427, Houston, Texas 77210-4427
Toll Free (Franchise Sales): 800-327-9532
www.jiffylube.com

This disclosure document describes a franchise to operate a convenient lubrication, oil change, and light repair business for cars and light trucks using the trade name “Jiffy Lube.”

The initial investment necessary to begin operation of a new freestanding Jiffy Lube service center ranges from \$232,000 to \$520,000 (excluding real estate costs) (and the net total investment with funding ranges from \$232,000 to \$442,650). *See* Item 7. This includes \$35,000 to \$85,000 that must be paid to the franchisor or its affiliate. *See* Item 5. If you purchase an existing Jiffy Lube service center from the franchisor, these costs may vary.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no government agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact our franchise administration department at 150 N. Dairy Ashford, Houston, TX 77079, (800) 327-9532, JLICContracts@shell.com.

The terms of your contract will govern your franchise relationship. Do not rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as “A Consumer’s Guide to Buying a Franchise,” which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC’s home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may be laws on franchising in your state. Ask your state agencies about them.

Issuance Date: March 30, 2023

State	Year	Outlets Operating at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets Operating at Year End
	2021	3						3
	2022	3						3
Maryland	2020	63						63
	2021	63	1					64
	2022	64						64
Massachusetts	2020	49		1				48
	2021	48						48
	2022	48	2					50
Michigan	2020	0						0
	2021	0	1					1
	2022	1	1					2
Minnesota	2020	28		3			1	24
	2021	24						24
	2022	24						24
Mississippi	2020	2						2
	2021	2						2
	2022	2	2					4
Missouri	2020	46	3	4				45
	2021	45	3					48
	2022	48				8		40
Montana	2020	10						10
	2021	10						10
	2022	10						10
Nebraska	2020	17		1				16
	2021	16						16
	2022	16		1				15
Nevada	2020	35						35
	2021	35						35
	2022	35		1				34
New Hampshire	2020	13						13
	2021	13						13
	2022	13						13
New Jersey	2020	33						33
	2021	33						33
	2022	33						33
New Mexico	2020	35						35
	2021	35						35
	2022	35						35
New York	2020	29	4					33
	2021	33	2			9		26
	2022	26	2				1	27
North Carolina	2020	65						65
	2021	65	1	1				65
	2022	65	1	1		47		18
North Dakota	2020	8						8
	2021	8						8
	2022	8						8
Ohio	2020	37						37
	2021	37	3			9		31

JIFFY LUBE®

FRANCHISE AGREEMENT

THIS AGREEMENT (the “**Agreement**”) is made this _____ day (the “**Execution Date**”), by and between JIFFY LUBE INTERNATIONAL, INC., a Delaware corporation, having its principal place of business at 150 N. Dairy Ashford, Houston, Texas 77079, U.S.A. (“**Franchisor**”) and _____, a[n] [type of entity] [individual(s)], with [its] [his/her/their] principal [place of business] [residence] at _____ (“**Franchisee**”).

RECITALS

- A.** Franchisor has spent considerable time, effort and money developing a nationally recognized brand and owns a unique system for providing lubrication and preventive fluid maintenance and light repair services to cars and light trucks using the registered trademark “Jiffy Lube®” (the “**System**”). The distinguishing characteristics of the System include methods for locating, building and operating Jiffy Lube® Service Centers (the “**Service Centers**”), proprietary trademarks, trade dress, software, training materials and operational methods and manuals and methods for marketing the services offered at the Service Center and which may be modified, improved, discontinued or further developed by Franchisor from time to time.
- B.** Franchisor owns the property rights and interests in and to and utilizes the “Jiffy Lube” trademark, the “Flying J” logo and certain other service marks, symbols, word marks, trademarks, trade names and trade dress as currently designated, or as may hereinafter be designated by Franchisor in writing, in connection with the System (the “**Trademarks**”).
- C.** Franchisor continues to develop, use and control the use of the Trademarks in order to identify for the public the source of services marketed thereunder and in association with the System and to represent the System’s high standards of quality, appearance and service.
- D.** Franchisee wishes to locate, acquire, open and operate a Service Center utilizing the System at the location identified in the addendum as specified in Section 1.1 strictly in accordance with the terms and conditions of this Agreement.
- E.** Based upon the information provided by Franchisee to Franchisor in Franchisor’s prospective franchisee application process, Franchisor has decided to grant to Franchisee a license to develop a Service Center that strictly utilizes the System in accordance with the terms and conditions of this Agreement.

NOW THEREFORE, in consideration of the undertakings and commitments of each party to the other party set forth in this Agreement, the parties agree as follows:

purchase agreement between Franchisor and Franchisee. Once paid to Franchisor, all franchise fees are non-refundable.

4.1.6 Renewal

If this Agreement is a renewal of an existing franchise agreement, then no franchise fee is required; provided that, upon execution of this Agreement, Franchisee will pay Franchisor the Renewal Fee described in Section 2.2.11 of this Agreement.

4.1.7 Area Development Rights and Prior Agreements

Notwithstanding anything to the contrary, if Franchisee is a party to an area development agreement with Franchisor which (a) is in effect when this Agreement is executed and (b) provides for some lower franchise fee or some other time for payment than what is described in this Section 4.1.7, then the provisions of that area development agreement will supersede this Section 4.1.7 with regard to the amount and time of payment of the franchise fee.

4.2 Royalties

4.2.1 Royalty Amount

1. If as of the date of signing this Agreement the Franchised Center is or will be a new Jiffy Lube location (either a non-Jiffy Lube site being converted to a Jiffy Lube or a newly built Jiffy Lube location) then Franchisee will pay Franchisor a monthly royalty based on a certain percent of “**Gross Sales**” (as defined in Section 4.2.3 of this Agreement) at the Franchised Center as follows:

During the first six months in which the Franchised Center is open for business, Franchisee will pay no monthly royalty. Thereafter, Franchisee will pay a monthly royalty of four percent (4%) of Gross Sales.

Royalty payments are due on the 15th day of the month. Thus, the first royalty payment will be due on the 15th day of the 7th month after the month in which the Franchised Center opens for business and thereafter on the 15th day of each month, based on Gross Sales for the preceding month.

2. If as of the date of signing this Agreement the Franchised Center is an existing Jiffy Lube location, then Franchisee will pay Franchisor a monthly royalty equal to four percent (4%) of the Gross Sales at the Franchised Center. Royalty payments are due on the 15th day of the month after the month in which the Franchised Center opens for business and thereafter on the 15th day of each month, based on Gross Sales for the preceding month.

7. OPERATION OF THE FRANCHISED CENTER

7.1 Supervision by a Trained Manager

The Franchised Center at all times will be under the personal supervision of an individual who has completed Franchisor's operations training course (or an alternate course approved by Franchisor) successfully. As used in this Agreement, "**personal supervision**" means that the individual (a) will be present at, or readily available to, the Franchised Center at opening, closing and peak business hours, (b) will inspect the Franchised Center regularly to insure the highest standards of cleanliness and general appearance, and (c) will assist in training employees.

7.2 The Manual and the System Manuals

7.2.1 Franchisee agrees to operate the Franchised Center in strict conformance with the Policies and Procedures Manual developed by Franchisor for use in connection with the Products Program (the "**Manual**") and any System Manuals. System Manuals which may be issued by Franchisor from time to time describe particular phases of the System. Such System Manuals may be in different types of media, including computer-based training, on-the-job training, booklets, brochures, video, seminars, classroom training and other such types of media as Franchisor may develop from time to time. The Manual and all System Manuals are and will remain the exclusive property of Franchisor. A copy of the Manual and each System Manual will be loaned to Franchisee for the term of this Agreement either via hard copy, electronically, or both.

7.2.2 Franchisee understands and agrees that the System may from time to time be modified, and that such modifications to the System may require modifications in the Manual or the System Manuals or issuance of new System Manuals. Franchisee agrees that in the event of any such modifications to the System and the Manual or the System Manuals, it will operate the Franchised Center in strict conformance with the Manual and the System Manuals as so modified. Any amendments or revisions to the Manual or System Manuals shall be effective seven days after receipt by Franchisee of such amendments or revisions. Franchisee will ensure that the copy of the Manual and any System Manuals loaned to Franchisee are kept current. In the event of any dispute as to the contents of any such Manual or System Manuals, the contents of the master copy of such Manual or System Manuals maintained by Franchisor at its principal place of business will be definitive.

7.3 Approved Products and Supplies

7.3.1 From time to time, Franchisor may prescribe certain minimum quality and/or warranty specifications for equipment, products and supplies used by the System in connection with building and operating a Service Center. To the extent that Franchisor elects to do so, these specifications will be listed in the Manual or otherwise in writing.



FRANCHISE DISCLOSURE DOCUMENT

AAMCO TRANSMISSIONS, LLC

A Pennsylvania limited liability company
410 Horsham Road, Suite 105
Horsham, PA 19044
Telephone: (800) 292-8500
email: franchise@aamco.com
www.aamcofranchises.com

The franchise offered is for a transmission and general automotive repair center under the AAMCO® brand. The total investment necessary for a new franchisee to begin operation of a new AAMCO Center is \$234,800 to \$353,200. This includes between \$68,000 to \$90,500 that must be paid to the franchisor or affiliate.

This disclosure document summarizes certain provisions of your Franchise Agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Warren Berest at 410 Horsham Road, Suite 105, Horsham, PA 19044 (telephone 267-464-7261 or e-mail to wberest@aamco.com).

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "*A Consumer's Guide to Buying a Franchise*," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, N.W., Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

Issuance Date: April 30, 2023

Hawaii	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	1	0
	2022	0	0	0	0	0	0	0
Idaho	2020	5	0	0	0	0	0	5
	2021	5	0	0	0	0	0	5
	2022	5	0	0	0	0	0	5
Illinois	2020	12	1	0	0	0	0	13
	2021	13	0	0	0	0	0	13
	2022	13	1	0	1	0	1	12
Indiana	2020	5	0	0	0	0	0	5
	2021	5	0	0	0	0	0	5
	2022	5	1	0	0	0	0	6
Iowa	2020	5	0	0	0	0	0	5
	2021	5	0	0	0	0	0	5
	2022	5	0	0	0	0	0	5
Kansas	2020	7	3	0	0	0	2	8
	2021	8	0	0	0	0	0	8
	2022	8	0	0	0	0	0	8
Kentucky	2020	9	1	0	0	0	1	9
	2021	9	0	0	0	0	0	9
	2022	9	0	0	0	0	0	9
Louisiana	2020	5	0	0	0	0	1	4
	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
Maine	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Maryland	2020	15	0	0	0	0	0	15
	2021	15	0	1	0	0	0	14
	2022	14	0	0	0	0	0	14
Massachusetts	2020	5	0	0	0	0	0	5
	2021	5	0	0	0	0	1	4
	2022	4	1	0	0	0	0	5
Michigan	2020	4	0	0	0	0	0	4
	2021	4	0	0	0	0	1	3
	2022	3	0	0	0	0	0	3
Minnesota	2020	6	0	0	0	0	1	5
	2021	5	0	0	0	0	0	5
	2022	5	0	0	0	0	0	5
Mississippi	2020	4	0	0	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (“AGREEMENT”) IS ENTERED INTO BY AND BETWEEN: (1) AAMCO TRANSMISSIONS, LLC, A PENNSYLVANIA LIMITED LIABILITY COMPANY LOCATED AT 201 GIBRALTAR ROAD, HORSHAM, PENNSYLVANIA 19044 (“AAMCO”); AND (2) THE PERSON OR PERSONS OR LEGAL ENTITY LISTED BELOW AS “FRANCHISEE.” THIS AGREEMENT BECOMES EFFECTIVE ON THE DATE COUNTER-SIGNED BELOW BY AAMCO (THE “EFFECTIVE DATE”).

FRANCHISEE: FULL LEGAL NAME (See Attached Ownership Information Form)

LOCATION OF FRANCHISEE’S AAMCO® CENTER (the “Approved Center Location”):

Street Address: _____

City/State/Zip Code: _____

AAMCO Center Number: _____

As a result of extensive experience in the transmission and general automotive repair business, AAMCO has developed methods, procedures and techniques for the operation of AAMCO centers devoted to such repair business and AAMCO has built up substantial business and valuable goodwill by the establishment of such centers throughout the United States and Canada; and

AAMCO has developed, and continues to develop, a comprehensive system for conducting operations in the transmission and general automotive repair business which consists, in part, of the use of the AAMCO Marks (defined below), AAMCO’s methods, procedures and techniques, and a network of centers devoted to the transmission and general automotive repair business (the “System”); and

AAMCO identifies the System by means of certain trade names (for example, the “AAMCO” mark and logo), service marks, trademarks, logos, emblems, and indicia of origin, as well as other trade names, service marks, and trademarks that AAMCO may periodically specify in writing for use in connection with the System (all of these are referred to as the “AAMCO Marks”); and

AAMCO has created a substantial demand for its products and services by maintaining high standards of quality in its operation and in the operation of its franchised centers and by extensive advertising; and

AAMCO makes its experience and proprietary know-how available to all its franchisees in order to assist them in opening and developing an AAMCO center. AAMCO makes this and other means at its disposal available to aid Franchisee in Franchisee’s management and operation of Franchisee’s AAMCO center.

7. Operator's Manual

7.1 Operator's Manual.

(a) AAMCO shall loan to Franchisee or otherwise allow Franchisee to access, for the term of this Agreement, a manual produced and published by AAMCO (the "Operator's Manual") which: (i) is incorporated by reference into this Agreement; and (ii) includes, in part, the business procedures, technical advice, policies and procedures, and rules and regulations for the operation of the Center. AAMCO may provide the Operator's Manual in any format it deems appropriate (including, without limitation, by paper, electronically, or via an internet website or secured portal).

(b) Franchisee agrees that Franchisee will comply with all of the policies and procedures which AAMCO establishes from time to time including those set forth in AAMCO's Operator's Manual, training manuals as modified and/or updated by AAMCO from time-to-time as determined by AAMCO in its sole discretion.

7.2 Franchisee acknowledges and agrees that:

(a) the Operator's Manual is the property of AAMCO and shall remain its property during the term of this Agreement and during a renewal term of the Center's franchise rights;

(b) the Operator's Manual contains confidential information which Franchisee will protect as a trade secret, and that its loss will cause substantial damage to AAMCO and the System although the amount of such loss would be incalculable with any degree of accuracy. Consequently, in the event of loss of this Operator's Manual, Franchisee agrees to pay to AAMCO such sum as may be agreed upon for its replacement, as liquidated damages and not as a penalty;

(c) Franchisee will not reprint or reproduce any portion of the Operator's Manual for any reason whatsoever; and

(d) upon expiration or termination of this Agreement for any reason, the Operator's Manual will be immediately returned to AAMCO.

8. Certain Obligations of Franchisee. In order to maintain the high quality and uniform standards associated with the System and to protect its good will and reputation, Franchisee agrees to:

(a) deal fairly and honestly with AAMCO and with each customer, and that Franchisee will render prompt, workmanlike, courteous, and willing service in the Center;

(b) operate the Center in such a manner so as to avoid customer complaints, since any customer complaints cause harm to the growth of AAMCO's national identity, reputation in the marketplace and association of its name with quality repairs. Franchisee agrees that any customer complaints generated by the Center, including but not limited to those in which customers allege abuse, fraud, or deceptive or unfair trade practices, cause such harm individually and in the aggregate. Franchisee agrees to handle all customer complaints and adjustments in a uniform manner consistent with the protocols and requirements

other qualified suppliers. For some items, AAMCO and its affiliates may be the sole supplier so long as such items are competitive in terms of price and service compared with substantially the same items available from other qualified suppliers. AAMCO agrees to furnish current standards, specifications, and requirements to Franchisee or a vendor, upon reasonable request and without charge, in order to facilitate having the vendor approved as a source of such item(s). Franchisee must, at any time during the term of this Agreement, purchase equipment and/or supplies needed to comply with any change or update to the standards, specifications, or requirements that AAMCO, in its sole discretion, may make from time to time.

9.2 Original Equipment, Supplies and Inventory. Prior to the opening of the Center, Franchisee must purchase the equipment, supplies, and inventory (“Items”) designated in Appendix 9.2 of this Agreement as “Required – must purchase from AAMCO” and “Required – may purchase from AAMCO.” Franchisee may purchase Items designated as “Optional” in Appendix 9.2 at Franchisee’s discretion. Except as prohibited by state law, Franchisee must purchase all Items in Appendix 9.2 designated as “Required – must purchase from AAMCO” exclusively from AAMCO. Franchisee must purchase all Items in Appendix 9.2 designated as “Required – may purchase from AAMCO” through either AAMCO or an approved vendor; provided, that if any Item is purchased through any source other than AAMCO, Franchisee must submit to AAMCO, upon request, specifications from the suppliers for any of these Items to verify that the Items comply with AAMCO’s standards, specifications, and requirements. All Items purchased from or through AAMCO will be supplied to Franchisee at the price then in effect; provided, that if prior to delivery of such Items, the price to AAMCO increases, then AAMCO may proportionately increase the price to Franchisee. If any Item is not available at the time of request, then AAMCO may substitute merchandise of a similar quality, and adjust the price, after notice to Franchisee. Franchisee acknowledges and agrees that Appendix 9.2 in no way diminishes or limits Franchisee’s responsibility to purchase additional Items as AAMCO may require, in its sole discretion, from time to time during the term of this Agreement.

9.3 Operating Inventory. Franchisee acknowledges that consumer acceptance, quality, and standardization of parts and assembly sets used by AAMCO Centers is integral to the System. Franchisee further acknowledges and agrees that the exclusive use of parts and assembly sets that comply with AAMCO’s standards, specifications, and requirements is an essential condition of the performance of this Agreement. Accordingly, Franchisee must, at AAMCO’s request, submit a certification or other forms of verification that Franchisee uses parts and assembly sets that comply with AAMCO’s standards, specifications, and requirements.

9.4 Product Warranties. There are no warranties, express or implied, made by AAMCO under this Agreement for the products purchased by Franchisee, including without limitation the implied warranty of merchantability, and Franchisee hereby waives any such warranty found to exist.

9.5 Signs. Franchisee agrees to erect, outside and inside the Center, signs of such size and construction as pre-approved in writing by AAMCO. No other signs may be erected or used. Franchisee acknowledges and agrees that AAMCO shall have exclusive control of the use and display of all sign faces bearing the AAMCO name or marks.

10. Franchise Fees and Business Reports.

(a) During the term of this Agreement, Franchisee agrees to pay to AAMCO a franchise fee equal to seven and one-half percent (7½%) of the Gross Receipts of all

business transacted by Franchisee (the "Franchise Fee" or "Franchise Fees"). As used herein, "Gross Receipts" means all forms of consideration received by the Center for all work, sale of parts, supplies, accessories, or services sold, completed, and delivered to customers of the Center, exclusive of sales tax. Franchisee agrees to pay to AAMCO each Tuesday by 12:00 noon EST the Franchise Fees due on Gross Receipts earned during the preceding seven (7) day period of Monday through Sunday. The Franchise Fee must be remitted simultaneously with Franchisee's weekly business reported as required by this Section 10. If a Tuesday falls on a federal holiday, as defined by the United States Office of Personnel Management (or any successor or replacement agency or entity), then Franchise Fees and the accompanying weekly business reports must be submitted by 12:00 noon EST the next business day that is not a federal holiday.

(b) Franchisee must at all times utilize, and pay for, AAMCO's then current point-of-service program and equipment in the format prescribed by AAMCO (i.e. software, website-based, etc.), which such program AAMCO may change and/or update at its sole discretion from time to time ("AAMCO POS"). Franchisee further agrees to abide by the terms and conditions published by AAMCO for the AAMCO POS in use at any given time. Franchisee must not utilize any point-of-service program other than that prescribed by AAMCO. Franchisee must take any action reasonably necessary to facilitate the proper usage of the then current AAMCO POS, including without limitation: (i) upgrading, purchasing, and/or installing equipment or accessories (i.e. computers, wires, routers, or other related devices), (ii) purchasing or subscribing to any Internet access, communications plan, or similar data-transfer system/service, or (iii) collecting, inputting, or transmitting any information requested by AAMCO to be collected, inputted, or transmitted. Franchisee must utilize the AAMCO POS to record and submit (either by uploading or having the data downloaded) all Gross Receipts transactions, including without limitation data from repair orders and other information as AAMCO may from time to time require ("Business Reports"). AAMCO may access the Center's AAMCO POS (i) remotely without notice to Franchisee or (ii) via the then current computer, terminal, or system used for such purpose located at the Center during normal business hours, provided such access does not unreasonably interfere with the Center's operations. At AAMCO's request, Franchisee must submit such Business Reports via paper, mail, delivery service, email, facsimile, or other means should circumstances necessitate an alternate form of reporting.

(c) AAMCO may, in its sole discretion, (i) alter the format of, and/or information required on or in, the AAMCO POS, any reports, forms, or repair orders that Franchisee is obligated to utilize under this Agreement or (ii) require Franchisee to utilize any new AAMCO POS, reports, forms, or repair orders at the Center.

(d) Franchisee must retain accurate records of all Business Reports of the Center, as well as any other forms required to be utilized under this Agreement, for the most recent seven (7) year period, and to submit such Business Reports or forms as directed by AAMCO.

(e) Franchisee agrees that the Franchise Fee and all other fees, charges and/or amounts owed by Franchisee under this Agreement, specifically including, but not limited to, any sums due for any advertising, whether national, regional, local and/or national creative, pursuant to Section 11 below, shall be remitted to AAMCO via electronic funds transfer ("EFT") from the designated account(s) of Franchisee's financial institution. Prior to opening the Center, and from time to time thereafter as events may require, Franchisee agrees to provide AAMCO written authorization, and such other information as AAMCO may require, in such form as shall



FRANCHISE DISCLOSURE DOCUMENT

Valvoline Instant Oil Change Franchising, Inc.

A Delaware Corporation

100 Valvoline Way, Suite 100

Lexington, Kentucky 40509

(859) 357-7000

www.vioc.com

www.valvoline.com

www.viocfranchise.com

The franchisee will operate a Valvoline Instant Oil Change service center, a quick-service engine oil change facility which offers chassis lubrication, certain routine maintenance checks and other automotive services.

The estimated total investment necessary to begin operation of one Valvoline Instant Oil Change service center ranges from \$194,375 to \$3,485,550 per service center. This includes the \$73,750 to \$157,050 that must be paid to the franchisor or an affiliate.

If you are offered the opportunity to develop multiple service centers under a development agreement, you will pay us a development fee of \$5,000 for each existing oil change facility that you convert or newly constructed service center you develop. The minimum number of service centers that you must open under the development agreement will be mutually agreed upon by you and us, but will be at least three service centers. The estimated total investment ranges from \$209,250 to \$3,500,550 for the area development rights to open three service centers and the first service center licensed in connection with the development agreement. This includes the \$88,750 to \$172,050 that must be paid to the franchisor or an affiliate.

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The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or accountant.

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	2022	15	11	0	0	0	0	26
	2023	26	6	0	0	0	0	32
Indiana	2021	6	2	0	0	0	0	8
	2022	8	0	0	0	0	0	8
	2023	8	2	0	0	0	0	10
Iowa	2021	6	0	0	0	0	0	6
	2022	6	2	0	0	0	0	8
	2023	8	0	0	0	0	0	8
Kansas	2021	9	0	0	0	9	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Kentucky	2021	22	0	0	0	6	0	16
	2022	16	0	0	0	0	0	16
	2023	16	0	0	0	0	0	16
Louisiana	2021	1	1	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	1	0	0	0	0	3
Maryland	2021	19	2	0	0	0	0	21
	2022	21	2	0	0	0	0	23
	2023	23	0	0	0	0	0	23
Massachusetts	2021	43	2	0	0	0	0	45
	2022	45	2	0	0	0	0	47
	2023	47	0	0	0	0	0	47
Michigan	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	2	0
Mississippi	2021	7	0	0	0	0	0	7
	2022	7	0	0	0	0	0	7
	2023	7	0	0	0	0	0	7
Missouri	2021	12	4	0	0	12	0	4
	2022	4	0	0	0	0	0	4
	2023	4	1	0	0	0	0	5
Minnesota	2021	13	0	0	0	0	0	13
	2022	13	0	0	0	0	0	13
	2023	13	0	0	0	0	0	13
Montana	2021	5	0	0	0	0	0	5
	2022	5	0	0	0	0	0	5
	2023	5	1	0	0	0	0	6
Nebraska	2021	7	0	0	0	0	1	6
	2022	6	0	0	0	0	0	6
	2023	6	0	0	0	0	0	6
Nevada	2021	1	0	0	0	0	0	1
	2022	1	1	0	0	0	0	2
	2023	2	1	0	0	0	0	3
New Hampshire	2021	13	0	0	0	0	0	13
	2022	13	0	0	0	0	0	13
	2023	13	0	0	0	0	0	13
New Jersey	2021	34	0	0	0	0	0	34

CENTER NO.: _____

LICENSE AGREEMENT

This LICENSE AGREEMENT ("Agreement") is made and entered into as of _____ by and between VALVOLINE INSTANT OIL CHANGE FRANCHISING, INC., a Delaware corporation, with a mailing address of 100 Valvoline Way, Suite 100, Lexington, Kentucky, 40509 ("Licensor"), and _____, a _____ limited liability company, with a mailing address of _____ ("Licensee").

WITNESSETH:

WHEREAS, Licensor, as the result of the expenditure of time, skill, effort, and money, has developed and owns a distinctive system ("System") relating to the establishment and operation of quick-lube service centers providing motor vehicle oil change, lubrication, certain preventive maintenance and specified related services and featuring certain VALVOLINE® brand products ("Centers");

WHEREAS, the distinguishing characteristics of the System include, without limitation, specialized building design, equipment, standards, specifications, and procedures for operations; consistency of products and services offered; procedures for quality and inventory control; and training, assistance, advertising, and promotional programs; all of which may be changed, improved, and further developed by Licensor from time to time;

WHEREAS, Licensor identifies the System by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin, including, but not limited to, the marks "V VALVOLINE INSTANT OIL CHANGE® AND DESIGN", "VALVOLINE®", "V®", "VALVOLINE INSTANT OIL CHANGE®", "INSTANT OIL®", and such other trade names, service marks, and trademarks as are now designated (and may hereafter be designated by Licensor in writing) for use in connection with the System ("Proprietary Marks");

WHEREAS, Licensor continues to develop, use, and control the use of such Proprietary Marks in order to identify for the public the source of services marketed thereunder and under the System, and to represent the System's high standards of quality, appearance, and service;

WHEREAS, Licensee desires to enter into the business of operating a Center under Licensor's System at the location described in Section 1.2 and wishes to obtain a license from Licensor for that purpose, as well as to receive the training and other assistance provided by Licensor in connection therewith;

WHEREAS, Licensee understands and acknowledges the importance of Licensor's requirements that Licensee purchase and use certain VALVOLINE brand products at the Center and use such products exclusively where a different brand is not specified by Licensee's customer; the importance of Licensor's high standards of quality, cleanliness, appearance, and service; and the necessity of operating the Center on a full time and continual basis and in conformity with Licensor's standards and specifications; and

WHEREAS, Licensor has decided, based on the representations in Licensee's License questionnaire(s), application(s), and other information provided by Licensee to Licensor, to grant Licensee a license, pursuant to the terms and conditions set forth in this Agreement.

EXHIBIT A-1

4.1.3. Licensee acknowledges that any Initial License Fee and any Renewal License Fee is fully earned and is in consideration of administrative and other expenses incurred by Licensor in developing the System and granting this license, and for Licensor's lost or deferred opportunities to license others.

4.2. Licensee shall pay to Licensor a continuing monthly royalty fee equal to 6% of Adjusted Gross Revenue (as defined in Section 4.5.2).

4.3. Licensee shall expend or contribute monies for advertising and promotion as required by Section 13.

4.4. All monthly payments and contributions required under this Agreement shall be received by Licensor via electronic funds transfer. Each such draft payment will be taken by the close of business on the twentieth (20th) day of each calendar month. If the twentieth (20th) day of the month falls on a Saturday, Sunday or legal holiday then such draft payment shall be taken on the next business day thereafter. Any reports or statements required under Section 12 shall be received by Licensor at the location designated by Licensor by the eighth (8th) day of each calendar month. In the event Licensor does not receive the reports or statements by the eighth (8th) business day, Licensor may, at its discretion, draft in amounts equal to the previous month's draft and any needed adjustments to the draft amounts shall be corrected on the following month's scheduled draft date. Twenty days prior to the scheduled draft payments, Licensor shall mail to Licensee itemized invoices detailing the monies owed, with the exception of the royalty report, which will be sent electronically by the 13th day of the month. Licensee must contact Licensor within 72 hours to resolve any discrepancies. In the event the draft fails due to insufficient funds, Licensor will notify Licensee of such failure. Licensor will then re-draft the monies owed within 10 days. Licensee shall bear the fees, if any, imposed by Licensee's financial institution for electronic fund transfers. All payments and contributions based on Adjusted Gross Revenue shall be based on Adjusted Gross Revenue for the immediately preceding calendar month. Notwithstanding the provisions of this Section 4.4, Licensor may require that any or all payments or contributions by Licensee under this Agreement, and the reports required by Section 12.1.2, be made on a quarterly, biweekly, weekly or other basis, by giving written notice to Licensee not less than thirty (30) days prior to the new payment or contribution schedule taking effect. In the event Licensor exercises its right to change the payment or contribution period, payments and contributions hereunder based upon Adjusted Gross Revenue shall be based upon Adjusted Gross Revenue for the immediately preceding payment or contribution period.

4.5. Licensee agrees to make all payments and contributions due under this Agreement by such means as Licensor shall require. If any payment or contribution is overdue, Licensee shall pay Licensor, in addition to the overdue amount, a late-payment charge on such amount from the date due until paid, at a rate of one and one-half percent (1 ½%) per month (18% annually) on the business day next following the date on which such payment or contribution is due and compounded monthly, or the maximum rate permitted by law, whichever is less. Entitlement to such late-payment charge shall be in addition to any other remedies Licensor may have.

4.5.1. "Gross Revenue" means the actual sales prices of all goods, wares and merchandise sold, leased, licensed or delivered, and the actual charges for all services performed by Licensee, in, at, from, or arising out of the use of the Center, whether for wholesale or retail, and whether for cash or credit as and when extended, whether collected, uncollected or uncollectible, including the value of all consideration other than money received. Gross Revenue shall include, without limitation, (a) sales and services performed either at the Center or an offsite location marketed under the Proprietary Marks, (b) any sales or services made or performed by mail, telephone, or similar type orders, and (c) any sales or services which Licensee or any subtenant, licensee, concessionaire (to the extent of revenues paid to Licensee) or

EXHIBIT A-1

other person in the normal and customary course of its business, would credit or attribute to its operations at the Center or any part thereof or has been invoiced through the VIOC POS System.

4.5.2. "Adjusted Gross Revenue" means Gross Revenue, excluding the following: (a) sales of Licensee-owned trade fixtures, machinery and equipment after their use thereof in the conduct of Licensee's business, (b) amounts separately collected by Licensee and paid by Licensee to any governmental authority for any sales, excise or similar tax, and (c) the amount of any discount (including, but not limited to, fleet discounts and promotions) given to customers or employees as represented by a coupon or other promotional item, to the extent the same were actually included in Licensee's Gross Revenue.

5. SITE SELECTION

5.1. Licensee shall acquire or lease, at Licensee's expense, a location for the Center to be operated under this Agreement at a site approved by Licensor as provided herein. Such site shall be located within _____ "Site Selection Area".

5.2. The Site Selection Area is described solely for the purpose of selecting a site for the Center. The Site Selection Area is not exclusive and Licensor may establish or license others to establish a Center in such Site Selection Area; provided, however, once a site has been formally approved by Licensor, the Territory as defined in Section 1.3 shall be applicable.

5.3. Licensor shall furnish to Licensee the following:

5.3.1. Site selection counseling and assistance as Licensor may deem advisable.

5.3.2. Such on-site evaluation as Licensor may deem advisable in response to Licensee's request for site approval; provided, however, that Licensor shall not issue an approval for any proposed site prior to the receipt of a completed Site Approval Application for such site prepared by Licensee pursuant to Section 5.4. Licensor shall provide on-site evaluations as Licensor deems necessary, at its own discretion, at no charge to Licensee. If at Licensor's discretion on-site evaluations become excessive, then Licensee shall reimburse Licensor for all reasonable expenses incurred by Licensor in connection with such on-site evaluation, including, without limitation, the costs of travel, lodging, wages, and meals.

5.4. Licensee shall furnish to Licensor the following:

5.4.1. For the proposed Center site, Licensee must submit to Licensor, in the form specified by Licensor, a completed Site Approval Application, and such other information or materials as Licensor may reasonably require within one year from the date of this Agreement. The Site Approval Application shall consist of a preliminary site plan (showing at least dimensions, building location, street coordinates, a map of the area, and photographs), and financial information on the proposed site (consisting at least of a pro-forma analysis, purchase price, rentals, or other terms of purchase or lease, and structure of any proposed financing). Licensee must submit such Site Approval Application(s), information, and materials before a site has been purchased or leased. The Site Approval Application shall accompany a proposed contract to purchase or lease for the site in form and content acceptable to Licensor, which confirms Licensee's control of the site, subject only to the contingencies set forth in Section 5.4.2. Licensor shall have thirty (30) days after receipt of such information and materials from Licensee to issue the Site Approval, as defined in Section 5.4.2, for the proposed site as the location for a Center and to describe the Territory to be assigned to such site, as defined in Section 1.3, if Licensor determines that such Territory should be different than as described in Section 1.3. In the event the Site Approval is not issued to Licensee

EXHIBIT A-1

training program and Licensor's SuperPro® Training System, or successor training system ("Training System").

7.2. Within six (6) months after beginning employment in such position with Licensee, each Center Manager subsequent to the initial Center Manager shall be certified, to Licensor's satisfaction at Licensee's expense, through the management level of Training System. Each other employee shall likewise be certified at Licensee's expense through the appropriate level of the Training System within six (6) months of beginning employment at that position. Licensor may audit the Center at any time to ensure compliance with the then current Training System.

7.3. Licensee (or, if Licensee is an Entity, such principals of Licensee as are designated by Licensor), Licensee's Center Managers, and such of Licensee's employees as are designated by Licensor, shall complete such additional training programs as Licensor may require from time to time.

7.4. Licensee shall be responsible for any costs related to training requested by the Licensee, which training is beyond the standard initial training offered to licensees after execution of their first License Agreement. These additional training costs include, but are not limited to, all lodging, travel, meal expenses, training and staffing needs provided in connection therewith. All training shall be provided, from time to time and at such locations, as determined by Licensor.

8. DUTIES OF LICENSEE

8.1. Licensee understands and acknowledges that every detail of the Center and its operation is important to Licensee, Licensor, and other System licensees, in order to develop and maintain high operating standards, to increase the demand for the services and products sold by all System licensees, and to protect Licensor's reputation.

8.2. Licensee shall use the Center premises solely for the operation of the business licensed hereunder; shall refrain from using or permitting the use of such premises for any other purpose or activity at any time without first obtaining the written consent of Licensor; and shall continuously operate the Center throughout the term of this Agreement, at a minimum, on the days of Monday through Saturday, from 9:00 a.m. through 5:00 p.m. and as specified in the Manual, excluding up to ten (10) regionally or nationally recognized holidays and except as specified in Section 16.3.2.

8.3. Licensee agrees to comply with such dress codes as Licensor may prescribe, to maintain a competent, conscientious, and trained staff, and to take such steps as are necessary to preserve good customer relations, all as required by Licensor in this Agreement or otherwise in writing.

8.4. Licensee shall meet and maintain the highest environmental, health and safety standards and ratings applicable to the operation of the Center. Licensee shall furnish to Licensor, within five (5) days after Licensee's receipt thereof, a copy of any notice, request, violation or citation which indicates Licensee's or the Center premises' failure to comply with any applicable environmental, health and safety standards.

8.5. To ensure that the highest degree of quality, service, and appearance is maintained, Licensee shall operate the Center in strict conformity with such methods, standards, and specifications as Licensor may from time to time prescribe in writing.

8.5.1. Licensee shall maintain in sufficient supply (as Licensor may prescribe in writing), and use at all times, only such fixtures, furnishings, equipment, signs, products, materials, supplies, invoices and goods as conform to Licensor's standards and specifications, and shall refrain from deviating therefrom by the use of non-conforming items without Licensor's prior, written consent.

FRANCHISE DISCLOSURE DOCUMENT



THE LEARNING EXPERIENCE
SYSTEMS LLC
a Delaware limited liability company
210 Hillsboro Technology Drive
Deerfield Beach, Florida 33441
Telephone: (561) 886-6400
www.thelearningexperience.com

The franchisee (“you”) will operate a childcare center business with the systems, trademarks, procedures and curriculum (“Centers”) that are licensed by The Learning Experience Systems LLC (“we,” “us” or “TLES”) under a franchise agreement with us.

The total investment necessary to begin operation of a Center is between \$590,043 and \$5,467,543 per Center, depending on whether you purchase an existing Center, develop your own Center or retain us to develop your Center (excluding purchase of land). This includes payments that must be paid to the franchisor or affiliate that range from \$525,000 to \$2,625,000 (if you purchase an existing Center), \$162,399 to \$212,399 (if you develop your own Center), and \$267,399 to \$384,899 (if we develop the Center for you).

If you sign a Multiple Franchise Center (MFC) Addendum to develop franchised Centers, then your total expenses will range from \$2,538,172 to \$22,048,172, which includes payments to us in the amounts (and as described above) for each of the four Centers.

This disclosure document summarizes certain provisions of your Franchise Agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar-days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact our Franchise Sales Department at 210 Hillsboro Technology Drive, Deerfield Beach, Florida 33441 (561) 886-6400.

The terms of your contract will govern your franchise relationship. Do not rely on the disclosure document alone to understand your contract. Read your whole contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as “A Consumer’s Guide to Buying a Franchise,” which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC’s home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

Issuance Date: April 28, 2023

TABLE NO. 3
Status of Franchised Outlets
For years 2020 to 2022

State	Year	Outlets at Start of Year	Outlets Opened	Company-Owned Outlets Acquired by Franchisees	Terminations	Non – renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
Arizona	2020	4	2	1	0	0	0	0	7
	2021	7	1	0	0	0	2	0	6
	2022	6	1	0	0	0	0	0	7
California	2020	7	1	0	0	0	1	0	7
	2021	7	1	0	0	0	0	0	8
	2022	8	2	0	0	0	0	0	10
Colorado	2020	9	2	0	0	0	1	1	9
	2021	9	0	0	0	0	0	0	9
	2022	9	2	0	0	0	0	0	11
Connecticut	2020	3	4	0	0	0	0	0	7
	2021	7	3	0	0	0	0	0	10
	2022	10	2	0	0	0	0	0	12
Delaware	2020	0	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	0	1
Florida	2020	23	1	0	0	0	0	0	24
	2021	24	1	0	2	0	0	0	23
	2022	23	5	0	0	0	2	0	26
Georgia	2020	0	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	0	1
Illinois	2020	8	0	0	0	0	2	1	5
	2021	5	2	2	0	0	0	0	9
	2022	9	0	0	0	0	0	0	9
Kansas	2020	0	1	0	0	0	0	0	1
	2021	1	0	0	0	0	1	0	0
	2022	0	0	0	0	0	0	0	0
Maryland	2020	3	0	1	0	0	0	0	4
	2021	4	0	0	0	0	0	0	4
	2022	4	0	0	0	0	0	1	3
Massachusetts	2020	8	2	3	0	0	0	0	13
	2021	13	2	0	0	0	0	0	15

State	Year	Outlets at Start of Year	Outlets Opened	Company-Owned Outlets Acquired by Franchisees	Terminations	Non – renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
	2022	15	0	0	0	0	0	0	15
Michigan	2020	7	0	0	0	0	0	1	6
	2021	6	2	0	0	0	0	0	8
	2022	8	1	0	0	0	0	0	9
Missouri	2020	0	3	0	0	0	0	0	3
	2021	3	1	0	1	0	1	0	2
	2022	2	0	0	0	0	0	0	2
Nevada	2020	0	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	0	1
	2022	1	0	1	0	0	0	0	2
New Jersey	2020	55	3	3	0	0	0	1	60
	2021	60	3	0	0	0	0	0	63
	2022	63	2	0	0	0	0	0	65
New York	2020	17	2	0	0	0	0	1	18
	2021	18	3	0	1	0	0	0	20
	2022	20	6	0	0	0	0	0	26
North Carolina	2020	13	1	0	0	0	0	0	14
	2021	14	2	0	0	0	0	0	16
	2022	16	1	0	0	0	0	0	17
Ohio	2020	3	0	0	0	0	0	0	3
	2021	3	1	0	0	0	0	0	4
	2022	4	2	0	0	0	0	0	6
Pennsylvania	2020	10	1	0	0	0	0	0	11
	2021	11	0	0	0	0	0	0	11
	2022	11	2	0	0	0	0	0	13
Rhode Island	2020	1	0	0	0	0	0	0	1
	2021	1	0	0	0	0	0	0	1
	2022	1	0	0	0	0	0	0	1
South Carolina	2020	1	0	0	0	0	0	0	1
	2021	1	1	0	0	0	0	0	2
	2022	2	0	0	0	0	0	0	2
Tennessee	2020	1	2	0	0	0	0	0	3
	2021	3	1	0	0	0	0	0	4
	2022	4	0	0	0	0	0	0	4
Texas	2020	32	6	0	0	0	0	3	35

3.19 TLE Technology Package. TLE Technology Package means the authorized business management system composed of several third-party and proprietary software programs that have the following functions: Family Data Management, Time Clock System, Reporting and Communication Systems (technical support, continuous upgrades and automated uploading of data or viewing by us), mobile applications, our designed door entry systems and others. We may designate or modify these systems at any time.

3.20 Site. “Site” means the property and building on or in which your approved Center is located.

3.21 Software. “Software” or “Licensed Software” means the computer program that is selected and bundled as a whole (entry, management, uploading, etc.) and all codes, techniques, software tools, formats, designs, concepts, methods and ideas associated with that computer program, and any successor/replacement software programs that we may implement. The term also includes all copies of any part of the Software, as well as the documentation and other printed materials contained in this package or distributed afterwards. The term also includes any computer programs or software associated with the L.E.A.P. Interactive Program (defined in Section 6.18 herein), parent engagement application platforms called Show N Tell and Bubbles and Friends®, and CORE (a center management system).

3.22 System. “System” means the distinctive Center methods, processes, technical knowledge and marketing ideas licensed by us to you under this Agreement, including, but not limited to, the right to use our trade secrets, purchasing arrangements, curriculum, commercial ideas, confidential training manuals, advertising materials, computer software, marketing strategies, information on sources of supply, Center forms, distinctive signage, trade dress, and the architectural design of the Center. You acknowledge the existence and the benefits of the System and its distinctive and unique nature. You also agree to follow the System without deviation.

3.23 Termination. “Termination” means expiration of this Agreement, non-renewal of this Agreement, or termination, under the circumstances described in Section 11 of this Agreement, of the then-current term of this Agreement before its normal expiration date.

3.24 Trade Name. “Trade Name” means the commercial name “The Learning Experience” and “The Learning Experience Academy of Early Education,” or any other names and marks designated by us from time to time to be used at the Centers.

3.25 Transfer. “Transfer” means any one or cumulative sale, gift, or other change in ownership to a transferee of all or any part of the rights and obligations of this Agreement, of an ownership interest in you of at least ten percent (10%), and/or any material assets owned by you. If you are a partnership, Transfer will mean one or more transactions (regardless of whether or not they are related) in which there is a cumulative change in the rights to ten percent (10%) or more of your capital or profits; if you are a corporation, Transfer will mean one or more transactions (regardless of whether or not they are related) in which there is a cumulative change in beneficial ownership of ten percent (10%) or more of your voting stock; if you are a limited liability company, Transfer will mean one or more transactions, related or not, in which there is a change in the membership of ten percent (10%) or more. If there comes a time when you have transferred, through one or a series of transactions, ten percent (10%) or more of your ownership interest in the rights to the capital or profits, then all the transactions making up the ten percent (10%) or more change in ownership, no matter when or how long ago consummated, will be considered a Transfer, subject to the requirements and obligations relating to a Transfer enumerated in this Agreement. If you are a corporation, limited liability company or other form of entity (other than a partnership), “Transfer” also includes the issuance of any voting securities, securities convertible into voting securities, membership interest, and/or other equity interest.

acknowledge that we have advised you to have an attorney review and evaluate the lease and all other documents provided hereunder.

5.5 Ownership and Financing. If you choose to purchase the real property and structure containing your Center, at any time prior to acquisition or subsequently thereafter you or your Affiliates propose to obtain any financing with respect to the site or for your Center or for any of your assets in which any of such items are pledged as collateral to secure your performance under such financing, you must meet certain conditions. The form of any purchase contract with the seller of a site and any related documents, and the form of any loan agreement with or mortgage in favor of any lender and any related documents, must be approved by us before you sign them. Our consent to such documents may be conditioned upon the inclusion of various terms and conditions, including without limitation the following:

(a) a provision which requires any lender or mortgagee concurrently to provide us with a copy of any written notice of deficiency or default under the terms of the loan or mortgage sent to you or your Affiliates or the purchaser;

(b) a provision granting us, at our option, the right (but not the obligation) to cure any deficiency or default under the loan or mortgage (should you fail to do so) within fifteen (15) days after the expiration of a period in which you may cure such default or deficiency;

(c) a provision which expressly states that any default under the loan or mortgage, if not cured within the applicable time period, constitutes grounds for termination of this Agreement, and that any default under this Agreement, if not cured within the applicable time period, also constitutes a default under the loan or mortgage; and

(d) your delivery to us of the form of Agreement to Lease annexed as Attachment 2 to the SC Addendum, which requires you, at our option, to lease the site to us if this Agreement is terminated, assigned, or transferred, in accordance with our standard form of Lease Agreement, a form of which is annexed as Exhibit K to the Disclosure Document.

5.6 Site Criteria. When determining whether a site is in a location that may be suitable for the development and operation of a Center, you must ensure that certain demographic criteria (“Site Criteria”) required by our guidelines is present, as such guidelines and criteria may be changed from time to time.

6. PAYMENTS BY FRANCHISEE

6.1 Franchise Fee. The Franchise Fee for a childcare Center is Sixty Thousand Dollars (\$60,000) and is due and payable to us upon the execution of this Agreement. The Franchise Fee is non-refundable except as expressly stated to the contrary in this Agreement.

6.2 Acquisition Fee for Existing Centers. If you are buying an Existing Center owned by us and/or our Affiliates or by another franchisee of ours, the initial acquisition fee (“Acquisition Fee”) paid to us will be determined in our sole discretion upon several factors, which may include enrollment, tuitions, lease term and market conditions. The Acquisition Fee for this franchise is \$N/A (Filled in if applicable.)

6.3 Royalties.

(a) In consideration for our continuing advice and support of your franchise, on or before the first (1st) day of each month after the Opening Date, you will pay us a monthly royalty (the “Royalty”) in the amount of seven percent (7%). The Royalty is calculated as a percent of the monthly Gross Revenue

of your Center received by you in the immediately preceding month. For the purpose of computing monthly Gross Revenue, any prepaid enrollment fees are deemed attributable to the month in which you receive them. If you do not pay the Royalty in full by the 10th day of the month, you shall be deemed in default of this Agreement and we have the right to require you to pay the Royalties and any other delinquent fees on a weekly basis, without waiving our rights to other remedies contained in this Agreement.

(b) In the event and at any time a governmental agency puts into law that sales taxes must be collected on franchise revenue, you will be required to pay any sales tax levied on any fees payable to us in accordance with this Agreement.

6.4 Brand Awareness Fund Contributions. You agree to pay to the Brand Awareness Fund a monthly contribution of one percent (1%) of Gross Revenue during the previous month. We have the right to increase the Brand Awareness Fund contribution up to two and a half percent (2.5%) of Gross Revenue, but only in amounts charged uniformly to all franchisees. If you default in making payments of any kind to us or our Affiliates, from and after such default, we may require you to pay both your Brand Awareness Fund and Royalty contributions on a weekly basis, without waiving our rights to other remedies contained in this Agreement. The Brand Awareness Fund is not obligated to make expenditures for you or any other franchisee which are equivalent or proportionate to your or another franchisee's contribution, or to ensure that any particular franchisee benefits directly or *pro rata* from the marketing or promotion conducted by the Brand Awareness Fund. The Brand Awareness Fund is not a trust fund. We will not have any fiduciary duty to you or any franchisee in connection with the collections or expenditures of Brand Awareness Fund monies or any other aspect of the Brand Awareness Fund's operations.

6.5 Inspection/Audit. We have the unlimited right during normal working hours to inspect and/or audit all of your books and records, including your business tax returns ("Audit"), without prior notice. The audit may be conducted by us or by our designated third-party auditor. If an inspection or audit reveals any underpayment of Royalties or Brand Awareness Fund contributions payable under this Agreement ("Underpayment"), you must immediately pay these amounts to us, together with late charges and accrued interest on the amount underpaid in accordance with Sections 6.12 and 6.13 below. In addition, if the Underpayment exceeds three percent (3%) of the monthly Royalty and/or Brand Awareness Fund contributions payable for any period covered under the Audit ("Substantial Underpayment"), you must take the following actions: (a) within thirty (30) days from the notice of Substantial Underpayment, you must reimburse us for all expenses that we incur in connection with the Audit, including paying the cost and expenses of our auditor, if applicable; and (b) you must have your annual financial statements audited and certified at your expense. If, however, the Underpayment exceeds five percent (5%) ("Material Underpayment"), we will assess the greater of: (i) a penalty equal to three times (3x) the amount of Material Underpayment, plus expenses; or (ii) a penalty of Five Thousand Dollars (\$5,000) per month until such underpayment, penalties and expenses have been received, and we may terminate your Agreement pursuant to Section 11.2(m). The remedies described in this Section 6.5 are not exclusive and will not deprive us of any other remedies we may have under this Agreement, applicable law or equity.

6.6 Service Election Charge. The cost of your Service Election, and the terms and conditions relating to that cost, are governed by the applicable addendum, which will be either the SDSC Addendum or the SC Addendum (collectively referred to as the "Service Election Addenda"). The complete terms and conditions of the applicable Service Election Addendum are fully incorporated by reference into this Agreement.

6.7 Lease Administration Fee. If you have executed an SDSC Addendum, and consequently we or our Affiliates continue to be liable under a lease after it is assigned or subleased to you, you will pay us or our Affiliates an annual Lease Administration Fee of the greater of: (a) One Dollar and Eighty Cents (\$1.80) per square foot of the Center; or (b) eight percent (8%) of annual Base Rent (as defined in the lease). You must pay the annual Lease Administration Fee on a prorated monthly basis due on the first day of each

FRANCHISE DISCLOSURE DOCUMENT



Class 101 Franchise, LLC,
a Delaware limited liability company
2350 Airport Freeway, Suite 505
Bedford, Texas 76022
866.501.2331
letstalk@class101.com
www.class101.com
www.class101franchise.com

As a franchisee of Class 101, you will operate a business providing advice, guidance and training to high school students and their parents in preparing for, selecting, applying to, and paying for college under the CLASS 101® trademarks and system (each a “Class 101 Business”). The franchises offered are for the operation of an individual Class 101 Business under a franchise agreement or for development of multiple Class 101 Businesses under the development agreement.

The total investment necessary to begin operation of a CLASS 101® franchise is \$69,900 to \$108,900. This includes \$39,900 to \$49,900 that must be paid to us or our affiliates.

We may offer to enter into a development agreement to establish and operate two to three CLASS 101® franchised businesses at specific locations under individual franchise agreements. The total investment necessary under the development agreement for two to three CLASS 101 Businesses is \$77,400 to \$107,400 for the maximum commitment of three Class 101 locations. This includes \$84,400 to \$117,400 that must be paid to us.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no government agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Joshua Wall, Chief Growth Officer, Unleashed Services, LLC, 2350 Airport Freeway, Suite 505, Bedford, Texas 76022, 866.501.2331 or by email at josh.wall@unleashedbrands.com.

The terms of your contract will govern your franchise relationship. Do not rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as “A Consumer’s Guide to Buying a Franchise,” which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1.877.FTC.HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC’s home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

Issuance Date: April 28, 2023, as amended December 5, 2023

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
Georgia	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Idaho	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Indiana	2020	1	0	0	0	0	0	1
	2021	1	1	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Kansas	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
Kentucky	2020	3	0	0	0	0	0	3
	2021	3	1	0	0	0	1	3
	2022	3	0	0	0	0	0	3
Louisiana	2020	1	0	0	0	0	1	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Massachusetts	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
Michigan	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Mississippi	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Missouri	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
New Jersey	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
New York	2020	2	1	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	1	0	0	0	2
North Carolina	2020	1	0	0	0	0	0	1
	2021	1	1	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Ohio	2020	4	0	0	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
Oklahoma	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Pennsylvania	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	1	1

CLASS 101[®]
FRANCHISE AGREEMENT

This FRANCHISE AGREEMENT (“Agreement”) is made and entered into on the Effective Date reflected in the Summary Page by and between Class 101 Franchise, LLC, a Delaware limited liability company with its principal business address at 2350 Airport Freeway, Suite 505, Bedford, Texas 76022 (“we,” “our” or “Franchisor”), and the Franchisee identified on the Summary Page (“you,” “your” or “Franchisee”).

BACKGROUND:

A. Franchisor, as the result of the expenditure of time, skill, effort, and money, has developed a distinctive business system relating to the development, establishment, and operation of businesses that provide advice, guidance and training to high school students and their parents in preparing for, selecting, applying to, and paying for college under the name CLASS 101[®] (generally, the “Class 101 Business”), which are based on and include the Proprietary Products, Proprietary Marks, Indicia, and Standards (“System”).

B. The distinguishing characteristics of the System include, without limitation, our program curricula, services, products, and merchandise, which incorporate Franchisor’s Proprietary Marks, trade secrets, and proprietary information (“Proprietary Products”); distinctive exterior and interior design, decor, color scheme, graphics, fixtures, and furnishings (“Indicia”); standards and specifications for products and supplies; service standards; uniform standards, specifications, and procedures for operations; procedures for inventory and management control; training and assistance; and advertising and promotional programs (“Standards”); all of which may be changed, improved, and further developed by Franchisor from time-to-time.

C. The System is identified and recognized by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin, including, but not limited, to the word mark “Class 101” (the “Brand”) and the list of marks set forth in Attachment A to this Agreement, and such other trade names, service marks, trademarks, logos, emblems, and indicia of origin as Franchisor may hereafter designate in writing for use regarding the System (“Proprietary Marks”).

D. Franchisor and its Affiliates continue to develop, establish, use, and control the use of the Proprietary Products, Proprietary Marks, Indicia, Standards, and System to identify for the public the source of services and products marketed under this Agreement and under the System, and to represent the System’s high standards of quality, appearance, and service.

E. You have applied for the right to operate a business using the System and the Proprietary Products, Proprietary Marks, Indicia, and Standards (the “Franchised Business”), and Franchisor has approved your application in reliance on the representations contained therein, including those concerning your financial resources, your business experience and interests, and the way the Franchised Business will be owned and operated.

AGREEMENT:

IN CONSIDERATION OF the mutual promises contained in this Agreement, including the recitals set forth above, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

1. GRANT OF FRANCHISE

A. Grant.

Subject to the provisions of this Agreement, including without limitation Franchisor’s reservation of rights described in Section 1.B, Franchisor hereby grants you, upon the terms and conditions in this Agreement, the right and limited license (“Franchise”), and Franchisee hereby accepts the right and obligation, to develop and continuously operate the Franchised Business at the site identified (or to be

(4) If the Franchisee is not a Business Entity upon execution of this Agreement, execute Franchisor's then-current assignment and assumption agreement to assign this Agreement to a Business Entity, which must be the same Business Entity that is the tenant on the Lease.

Franchisee shall ensure its operations meet the requirements of the space in which the Franchised Business is operating, whether imposed by a lease, other agreement, or rules imposed by the landlord or other party controlling the space.

C. Pre-Opening Assistance.

Franchisor will provide consultation and advice to you regarding: (1) development and operation of the Franchised Business; (2) building and layout, furnishings, fixtures, and equipment plans and specifications; (3) qualifications and training requirements for various personnel roles required for the operation of the Franchised Business in accordance with the Standards; and (4) purchasing and inventory control; and such other matters as Franchisor deems appropriate. If this Agreement is being signed in conjunction with your development and operation of your first Class 101 business, Franchisor will make available one member of Franchisor's training staff to provide you two to three days of remote or on-site opening assistance. There is no additional fee for such assistance for the first remote Class 101 business you develop, but if such assistance is provided with respect to the first on-site or second or any subsequent Class 101 business developed by you or your Affiliate, or if Franchisor deems necessary or you request that Franchisor provide additional members of its training staff to provide on-site opening assistance (subject to availability of personnel), then in each such case, Franchisor may charge, and you agree to pay, a then-current training fee per day per each individual provided for such on-site assistance, including reimbursement of Franchisor's out of pocket costs it incurs in connection with providing such on-site opening assistance, including travel, accommodations and meals for the trainer(s) providing such assistance.

D. Ongoing Assistance.

Franchisor periodically, as it deems appropriate, will advise and consult with you regarding the operation of your Franchised Business, and provide to you its knowledge and expertise regarding the System and pertinent new developments, techniques, and improvements in business management, sales promotion, service concepts, and other areas. Franchisor may provide these services through visits by Franchisor's representatives to the Franchised Business, the distribution of printed or filmed material, or electronic information, meetings, or seminars, telephone communications, email communications, or other communications.

6. FEES

A. Initial Franchise Fee.

Upon execution of this Agreement, you shall pay Franchisor an Initial Franchise Fee in the amount specified in the Summary Page. Franchisee acknowledges and agrees the Initial Franchise Fee is fully earned by Franchisor when paid and is not refundable. In the event any Initial Franchise Fee discounts were applied because one of the Owners is a veteran, and if the veteran who was the basis of such veteran's incentive is no longer an Owner for any reason, other than death or disability, then, at the fifth anniversary of the Effective Date or upon any transfer, Franchisee shall reimburse Franchisor the entire amount of the discount applied to the Initial Franchise Fee.

The Initial Franchise Fee shall be paid in full upon the execution of this Agreement, subject to any applicable development fees that Franchisee previously paid to Franchisor pursuant to a separate development agreement and which may be applied against the Initial Franchise Fee under the terms of such development agreement.

B. Royalty Fee.

You shall pay to Franchisor a nonrefundable and continuing Royalty Fee in the amount specified in the Summary Page for the right to use the System and the Proprietary Marks, as they may be amended by Franchisor from time to time, at the Franchised Business location and in connection with the operation of the Franchised Business. In each monthly period, the Royalty Fee will be the greater of: (a) 8% of Gross Sales, and (b) \$500 (the “Minimum Royalty”). The Minimum Royalty shall begin on first day of the seventh month following the Opening Date.

C. Administrative Fees.

You are required to pay to Franchisor certain administrative fees each month related to support services provided to the Franchised Business, as follows:

(1) Call Center: If Franchisor establishes or designates a centralized call center for Class 101 businesses operating in the United States (“Call Center”), you must pay Franchisor or the designated provider the then-current fee for Call Center services (the “Call Center Fee”). Both the services and the associated fee may be revised from time to time. The Call Center program may include commissions for scheduling customers for classes and soliciting prospective customers for the Franchised Business. Policies and procedures related to bookings through the Call Center, including your obligations with respect to such bookings and related commissions, will be set forth in the Manual, as it may be amended by Franchisor from time to time. Fees that are collected by Designated Suppliers of services related to the Call Center are established by such Designated Suppliers and will vary depending on the number of licenses provided to your Franchised Business and the overall number of licenses provided to Class 101 businesses operating in the United States.

(2) Membership Program. Franchisor has the right to establish a multi-tier membership program for Class 101 businesses (the “Membership Program”), as further described in Section 11.P. If established, you are obligated to participate in the Membership Program in accordance with the terms set forth in this Agreement and the Manual. All Membership Program fees you collect from members will be included in your Gross Sales and subject to the monthly Royalty Fee.

(3) Technology Fee. You must pay Franchisor a Technology Fee as specified in the Summary Page and Section 11.E below.

(4) Payments to Affiliates. If any of our Affiliates provides products and services to you, whether under a separate agreement or otherwise, you must promptly pay any and all outstanding invoices and other payments to such Affiliate. Late or non-payment of our Affiliate invoices is a breach of this Agreement, and any such overdue and unpaid invoices to our Affiliates become payable and an outstanding obligation under this Agreement, which is subject to default and termination under Article 18.

(5) Referral Fee. In the event one Class 101 franchisee (the “Referring Franchisee”) refers a customer to another franchisee (the “Recipient Franchisee”), the Recipient Franchisee must pay the Referring Franchisee a referral fee of \$400.00 (“Referral Fee”) for each student referred by the Referring Franchisee for whom the Recipient Franchisee enters into a contract to provide Class 101 services. See Section 11.I.

D. National Advertising Fund.

Upon 30 days’ notice to Franchisee, Franchisor may implement, and thereafter will administer and control the National Advertising Fund (“NAF”) for Class 101 businesses in the United States. You will pay to Franchisor a continuing, non-refundable monthly contribution of up to 5% of monthly Gross Sales (“NAF Contribution”) to the NAF. Franchisor reserves the right to suspend collection of the NAF Contribution or increase the NAF Contribution at any time, provided that (i) the NAF Contribution will not exceed 5% of Gross Sales, and (ii) the sum of the NAF Contribution, Advertising Cooperative contribution, and required Local Marketing Expenditure will not exceed 6% of Gross Sales during any 12-month period.

Franchisee shall not implement any change to the System (including the use of any product or supplies not already approved by Franchisor) without Franchisor's prior written consent. Franchisee acknowledges and agrees that, with respect to any change, amendment, or improvement in the System or use of additional product or supplies for which Franchisee requests Franchisor's approval: (i) Franchisor shall have the right to incorporate the proposed change into the System and shall thereupon obtain all right, title, and interest therein without compensation to Franchisee, (ii) Franchisor shall not be obligated to approve or accept any request to implement change, and (iii) Franchisor may from time to time revoke its approval of a particular change or amendment to the System, and upon receipt of written notice of such revocation, Franchisee shall modify its activities in the manner described by Franchisor.

At all times, Franchisee shall update, upgrade, maintain, replenish, replace and recondition Franchisee's supplies, and, if applicable, the premises of the Approved Location, as specified by Franchisor, in the Operations Manual and as modified by Franchisor from time to time. **NOTWITHSTANDING THE FOREGOING, FRANCHISEE EXPRESSLY ACKNOWLEDGES AND AGREES THAT THE FOREGOING RELATES TO BRAND STANDARDS AND SPECIFICATIONS ASSOCIATED WITH THE PROPRIETARY MARKS AND THE SERVICES AND THAT, AT ALL TIMES, FRANCHISEE IS AND SHALL EXCLUSIVELY REMAIN RESPONSIBLE FOR CONDITIONS INVOLVING THE SAFETY OF CUSTOMERS.**

If Franchisee fails or refuses to initiate within 10 days after receipt of notice, and to continue in good faith and with due diligence, a bona fide program to undertake and complete required maintenance or refurbishing of the Approved Location that, in Franchisor's sole discretion, is necessary to prevent a negative impact upon the goodwill associated with the Proprietary Marks and/or the System, or for the safety of customers of the Franchised Business, then Franchisor has the right, but is not obligated, to enter upon the premises of Approved Location and effect maintenance and refurbishing on Franchisee's behalf, and Franchisee must pay the entire cost to Franchisor on demand. In lieu, Franchisor may also require Franchisee to shutter the Franchised Business until such required maintenance or refurbishment is conducted according to Franchisor's specifications.

11. PERFORMANCE REQUIREMENTS

A. Best Efforts

Your Designated Manager (see Section 11.K below) must use full time and best efforts in the operation of the Franchised Business and must personally supervise the day-to-day operation of the Franchised Business. An Owner may be the Designated Manager.

B. Standards, Specifications and Procedures.

You agree to comply with all System specifications, standards, and operating procedures (whether contained in the Manual or any other written communication, or communicated in training) relating to the appearance, operation, customer experience, function, safety and cleanliness of a Class 101 business, including without limitation: (1) the types of programs offered; (2) uniformity, pricing and type of all products and services offered for sale at the Franchised Business; (3) sales and marketing procedures and customer service; (4) advertising and promotional programs; (5) Membership Programs (including compliance with the terms and formats of membership agreements in the form prescribed by Franchisor), customer loyalty programs and gift card programs; (6) layout, décor, and color scheme of the Franchised Business and Approved Location; (7) qualification and training of personnel; (8) submission of requests for approval of brands of products, supplies, and suppliers; (9) use and illumination of signs, posters, displays, standard formats, and similar items; (10) use of audio equipment and type and decibel levels of music; (11) use of video equipment and type and decibel level of television broadcasts (including closed captioning requirements); (12) types of fixtures, furnishings, equipment, computer systems, small wares, and packaging; and (13) the make, type, location, and decibel level of any entertainment or vending machine. Mandatory specifications, standards, and operating procedures, including upgraded or additional equipment

(including Computer Systems, as defined below) that Franchisor prescribes from time-to-time in the Manual or otherwise communicates to you shall constitute provisions of this Agreement as if fully set forth in this Agreement.

Such System specifications may include brand specifications (“Approved Brands”), and to the extent that Approved Brands have been identified, you may purchase and use only the Approved Brands. Franchisor may from time-to-time modify its specifications, and you shall promptly comply with all such modifications.

C. Designated Suppliers and Distributors.

You must purchase from us or from suppliers or distributors we designate (each a “Designated Supplier”) all of your requirements for developing, constructing, and operating the Franchised Business including, but not limited to: (1) fixtures, furniture and other furnishings, equipment, supplies, point-of-sale systems, signs, items of décor, paper products, and architect services; (2) uniforms, shirts, and all merchandise and items intended for retail sale (whether or not bearing our Proprietary Marks); (3) advertising, point-of-purchase materials, and other printed promotional materials; (4) gift certificates and stored value cards; (5) stationery, business cards, contracts, and forms; (6) bags, packaging, and supplies bearing the Proprietary Marks; (7) insurance policies, to the extent permitted by law; (8) local and regional marketing services; (9) reputation management and customer service satisfaction evaluations, and other surveys, (10) real estate brokers, and (11) other products and services that we require. You agree to comply with all such requirements.

Franchisor may, at its sole option, enter into supply contracts either for all Class 101 businesses or a subset of Class 101 businesses situated within one or more geographic regions (each a “Systemwide Supply Contract”). Franchisor may enter into Systemwide Supply Contracts with one or more vendors of products, services, or equipment and may require all company-owned and franchised Class 101 businesses in a geographic area to purchase from or use such vendors. If Franchisor enters into such Systemwide Supply Contracts, then immediately upon notification, you must purchase or use the specified product, service, or equipment, as applicable, only from the Designated Supplier for such Systemwide Supply Contract; provided, however, that if, at the time of such notification, you are already a party to a non-terminable supply contract with another vendor or supplier for the designated product, service, or equipment, then your obligation to purchase from or use Franchisor’s Designated Supplier under the Systemwide Supply Contract will not begin until the scheduled expiration or earlier termination of your pre-existing supply contract. Franchisor makes no representation that it will enter into any Systemwide Supply Contracts or other exclusive supply arrangements or, if it does, that you will not otherwise be able to purchase the same products or services at a lower price from another supplier. Franchisor may add to, modify, substitute or discontinue Systemwide Supply Contracts or exclusive supply arrangements in the exercise of its sole discretion and business judgment. If Franchisor enters into a Systemwide Supply Contract or such other contracts with a Designated Supplier (e.g., point-of-sale systems, music licenses, Membership Programs), then you agree to pay Franchisor on a monthly basis (via ACH or Franchisor’s then-current electronic payment program and on the Due Date for the Royalty Fee collected under this Agreement), or such other basis as reasonably determined by Franchisor, your pro rata share of such payments due to such Designated Supplier under the Systemwide Supply Contract regardless of whether there is a participation agreement or similar agreement in effect to which you are a party.

Franchisor may also establish commissaries and distribution facilities owned and operated by Franchisor or its Affiliate that Franchisor may deem a Designated Supplier. Franchisor may receive money or other benefits, such as rebates or conference sponsorships, from Designated Suppliers based on your purchases; you agree that Franchisor has the right to retain and use all such benefits as it deems appropriate, in its sole discretion.

Franchisor may approve one or more suppliers for any products and services and may approve a supplier only as to certain products and services. Franchisor may concentrate purchases with one or more