FRANCHISE DISCLOSURE DOCUMENT

FWR, LLC d/b/a Verlo
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Milwaukee, Wisconsin
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We grant you the right to operate a VERLO® Mattress Retail Assembly Store or a Retail Only Store. At your Retail Assembly Store, you will assemble and sell at retail custom mattresses and box springs (the "Products") and certain accessory items for the Products (the "Accessories"). At your Retail Only Store, you will sell Products and Accessories.

The total investment necessary to begin operation of a Retail Assembly Store is from $298,700.20 to $750,926.24. This includes $62,500 to $65,500 that must be paid to us and our affiliates. The total initial investment necessary to begin operation of a Retail Only Store is from $197,611.00 to $539,920.00. This includes $36,000 to $59,000 that must be paid to us and 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 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 Emily Espinoza at 301 N. Broadway Street, Suite 300, Milwaukee, Wisconsin 53202, 414-585-8900.

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 21, 2026

How to Use This Franchise Disclosure Document

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about store sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibits D and J.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit C includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised stores.
Will my business be the only VERLO® Mattress business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a VERLO® Mattress franchisee?	Item 20 or Exhibits D and J lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

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.

Special Risks to Consider About *This* Franchise

Certain states require that the following risk(s) be highlighted:

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Wisconsin. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Wisconsin than in your own state.

Certain states may require other risks to be highlighted. Check the "State Specific Addenda" (if any) to see whether your state requires other risks to be highlighted.

NOTICE
REQUIRED BY
STATE OF MICHIGAN

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

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

(a) A prohibition on the right of a franchisee to join an association of franchisees.

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

(c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

NOTE: THE MICHIGAN NOTICE APPLIES ONLY TO FRANCHISEES WHO ARE RESIDENTS OF MICHIGAN OR WHO LOCATE THEIR FRANCHISES IN MICHIGAN.

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

(i) The failure of the proposed transferee to meet the franchisor's then- current reasonable qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

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

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

ADDRESS FOR NOTICES TO THE MICHIGAN ATTORNEY GENERAL:

DEPARTMENT OF THE ATTORNEY
GENERAL CONSUMER PROTECTION
DIVISION FRANCHISE SECTION
G. MENNEN WILLIAMS BUILDING, 7th
FLOOR 525 W. OTTAWA STREET
LANSING, MI 48909
MAIN NUMBER: 517-373-1110
~~facsimile~~ FAX: 517-373-3042

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Item 1. THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

To simplify the language in this disclosure document, "we," "us" or "Verlo" means FWR, LLC d/b/a Verlo Mattress, the franchisor. "You" means the person or entity who buys the franchise. If the franchisee is a corporation, partnership, limited liability company, or other entity, "you" also may mean its owners. When general reference is made to "VERLO® MATTRESS STORES," the reference includes all Retail Assembly Stores and Retail Only Stores.

Our agents for service of process are disclosed in Exhibit A.

The Franchisor, its Predecessor, and Affiliates. We were organized in Wisconsin as a limited liability company in June 2011. We conduct business under the name "Verlo® Mattress" and under the trademark "VERLO®." Our principal business address is 301 N. Broadway Street, Suite 300, Milwaukee, Wisconsin 53202.

We or our predecessors have offered franchises of the same type of business that is offered under this disclosure document since 1989. Our first predecessor is Verlo Mattress Company ("VMC"), an Illinois general partnership formed in 1958. VMC conducted business, including the manufacture and retail sale of mattresses, under the name "Verlo Mattress Company." VMC never offered any franchises. VMC transferred its business to Verlo Mattress Company, Inc. ("VMC, Inc."), our second predecessor, in 1978. From 1989 until October 2000, VMC, Inc. was in the business of franchising VERLO® MATTRESS STORES. In October 2000, VMC, Inc. transferred its franchise operations to Verlo Mattress Factory Stores, LLC ("VMFS"). We purchased the assets of VMFS in December 2011, and our predecessors, who operated in Fort Atkinson, Wisconsin, have ceased conducting business.

Our parent, FWR Holdings, LLC ("FWRH"), is a Wisconsin limited liability company formed on April 7, 2011. Its principal business address is the same as ours. FWRH does not offer and has never offered franchises in any line of business. We may require you to purchase products or services from FWRH.

Our affiliate, FWR Wisconsin, LLC ("FWRW"), is a Wisconsin limited liability company formed on June 2, 2011. FWRW owns and operates VERLO® MATTRESS STORES. Its principal business address is the same as ours. FWRW does not offer and has never offered franchises in any line of business. We may require you to purchase products or services from FWRW.

Our parent and affiliate share our principal business address. Neither we nor any of our predecessors, parent or affiliate has ever offered franchises in any other line of business.

The Franchise. We grant franchises under the trade name "Verlo® Mattress." Franchised locations are granted the right to use our Trademarks (including the Marks, and as further defined in Item 13) and operate at specified locations accepted by us, one or more of the following types of stores:

1. Retail Assembly Store: A "Verlo® Mattress" location at which Products and Accessories are warehoused, assembled, serviced for improved comfort and sold at retail.

2. Retail Only Store: A "Verlo® Mattress" location at which pre-assembled Products and Accessories are sold at retail.

Unless otherwise required by the context, references to your "Store" (or the "Store"), as used throughout this disclosure document, generally applies to a Retail Assembly Store and Retail Only Stores.

The Market and Competition. Our franchisees sell primarily to the public for consumer use, although we do allow certain sales to businesses for commercial use under the VERLO® brand. The market for bedding products is developed, so you will compete with established mattress retailers. Although there is some fluctuation in sales volume throughout the year, our products are not considered seasonal. Your competitors in the retail mattress marketplace will include furniture stores, department stores, and other mattress and box spring Retail Only Stores and sleep shops.

Laws, Licenses and Permits. You must obtain and keep in force all necessary licenses and permits required by public authorities. Further, in addition to laws and regulations that apply to businesses generally, your Store will be subject to various federal, state and local laws and regulations, including those relating to: (1) the manufacture, labeling, disposal, and sale of mattresses and related bedding products (including flammability regulations such as 16 CFR 1632. 16 CFR 1633 the Consumer Products Safety Information Act, and/or other product safety laws), and (2) site location and building construction (such as the Americans with Disabilities Act). We strongly encourage you to investigate these and other laws and regulations that may be applicable to your Store before you purchase the franchise.

Item 2. BUSINESS EXPERIENCE

All individuals are based in Milwaukee, WI unless otherwise noted.

Director – Stephen H. Marcus

Mr. Marcus has been our Director since December 2011. He was Chairman of the Board of The Marcus Corporation in Milwaukee, Wisconsin, from January 1962 until May 2023.

Director – David Marcus

Mr. Marcus has been our President and Director since December 2011. Mr. Marcus also has been the President of Marcus Investments and CEO of Benson's Restaurant Group, formerly, Hospitality Democracy, both in Milwaukee, Wisconsin, since April 2006.

Director – Andrew Marcus

Mr. Marcus has been our Director since December 2011 and has been the President of Buck and Buck, Inc. d/b/a Pixel & Verse in Chicago, Illinois, since December 2006. Andrew Marcus is based out of Chicago, Illinois.

Director – Greg S. Marcus

Mr. Marcus has been our Director since December 2011. Mr. Marcus has held a variety of positions with The Marcus Corporation in Milwaukee, Wisconsin, since 1999, including his current role as President and Chief Executive Officer. Mr. Marcus was named Chairman of the Board of the Marcus Corporation in May 2023.

President – Bobby Cleveland

Mr. Cleveland has served as President since January 2025. From January 2023 through January 2025, he served as Vice President of Franchise Development. Prior to that role, he served as Director of Franchise Development from April 2021 through January 2023.

Director of Marketing – Jana Michaelis.

Jana Michaelis has served as Director of Marketing since September 2025. From September 2021 through September 2025, she led the creative department for the Wisconsin Center District in Milwaukee, Wisconsin. Prior to that role, she was Creative and Marketing Director for The

Bartolotta Restaurants in Milwaukee, Wisconsin from 2000 through 2019.

Vice President Operations – Pat Murray

Pat Murray has served as Vice President of Retail Operations since January 2023. Prior to that role, he served as General Manager and Director of Sales from September 2019 through January 2023.

Director of Operations- Emily Espinoza

Emily Espinoza has served as Director of Operations since March 2026. From January 2023 through March 2026, she served as Director of Franchise Administration. Prior to that role, she served as Franchise Administrator from January 2021 through January 2023. Emily is based in Madison, Wisconsin.

Franchise Business Coach – Darren Brylow

Darren Brylow has served as Franchise Business Coach since March 2025. From November 2023 through March 2025, he served as Product and Logistics Manager. From February 2022 through November 2023, he served as Factory Operations Manager. Prior to that role, he served as Customer Experience Manager from January 2020 through February 2022.

Item 3. LITIGATION

MKD Investment Holdings, LLC v. FWR, LLC dba Verlo Mattress, AAA Case No. 01-24-0009-2406 (the "MKD Arbitration"). On December 19, 2024, MKD Investment Holdings, LLC ("MKD") submitted to the American Arbitration Association ("AAA") a demand for arbitration against Verlo, Dirk Stallmann, Marcus Investments, LLC, and The Marcus Corporation, but the AAA did not commence administration of the matter at that time because the arbitration demand was submitted under the flexible filing fee option. The AAA commenced administration of the MKD Arbitration on or about March 11, 2025, after MKD submitted the proceed fee. The arbitration demand asserted five claims based upon purported misrepresentations during the sale process, including in the Franchise Disclosure Document: (1) Violation of Section 553.41 of the Wisconsin Franchise Investment Law (against Verlo and Mr. Stallmann); (2) Violation of Section 100.18 of the Wisconsin Deceptive Trade Practices Act (against all Respondents); (3) Violation of the Texas Deceptive Trade Practices Act (against all Respondents); (4) Negligent Misrepresentation (against all Respondents); and (5) Intentional Misrepresentation – Fraudulent Inducement and Strict Responsibility (against all Respondents). The arbitration demand seeks rescission of the parties' franchise agreements and damages of $2 million, as well as attorneys' fees, interest, arbitration costs, and exemplary damages. On January 6, 2025, Verlo filed a general denial to MKD's arbitration demand and asserted a counterclaim and third-party claims for anticipatory breach of contract against MKD and its guarantors, Michael Domgard and Korina Domgard ("Guarantors"), based on their threatened premature closure of their Verlo® Mattress Stores, along with an objection to arbitrability as to Respondents Dirk Stallmann, Marcus Investments, LLC, and the Marcus Corporation. On September 24, 2025, Verlo amended its counterclaims and third-party claims based upon MKD's actual closure of its stores. The amended counterclaims and third-party claims seek damages in an amount to be proven at the arbitration hearing, as well as attorneys' fees and costs, arbitration costs, and interest. On September 24, 2025, MKD filed an amended arbitration demand that added one more paragraph of allegations regarding purported overcharges relating to the supply of products and supplies, but did not change the claims it asserted or the relief requested. On February 17, 2026, the

arbitrator entered an Agreed Order staying the MKD Arbitration as to Dirk Stallmann, Marcus Investments, LLC, and The Marcus Corporation pending a determination in the MKD Court Action (discussed below) regarding whether those parties are obligated to arbitrate. The MKD Arbitration is in the discovery phase, and an arbitration hearing date has not yet been scheduled.

The Marcus Corporation, et al. v. MKD Investment Holdings, LLC, Case No. 25-CV-1131-SCD (the "MKD Court Action"). On August 1, 2025, The Marcus Corporation, Marcus Investments, LLC, and Dirk Stallmann (the "Non-Signatories") filed a declaratory judgment action in the U.S. District Court for the Eastern District of Wisconsin. The MKD Court Action seeks a declaration that the Non-Signatories are not obligated to arbitrate with MKD. MKD filed a motion to dismiss on October 27, 2025. On January 26, 2026, the Court denied MKD's motion to dismiss, holding that the Court is the proper decisionmaker to decide whether the Non-Signatories are obligated to arbitrate. On February 23, 2026, MKD filed an answer denying the declaratory judgment claim and asserting counterclaims against the Non-Signatories. MKD's counterclaims against the Non-Signatories are the same as the claims asserted by MKD in the MKD Arbitration, but also include a purported claim for civil theft. On March 6, 2026, the Non-Signatories filed a motion for summary judgment seeking a judgment holding that the Non-Signatories are not obligated to arbitrate in the MKD Arbitration. On March 16, 2026, the Non-Signatories filed a motion to dismiss all of the counterclaims asserted by MKD. Both the motion for summary judgment and the motion to dismiss are in the briefing stage.

North Shore Z's LLC v. FWR, LLC dba Verlo Mattress, AAA Case No. 01-25-0002-1172. On May 1, 2025, North Shore Z's, LLC ("North Shore") filed a demand for arbitration against Verlo, Dirk Stallmann, Bobby Cleveland, Marcus Investments, LLC, and The Marcus Corporation. The arbitration demand asserted the following six claims based upon purported misrepresentations during the sale process, including in the Franchise Disclosure Document, and an alleged breach of contract relating to products and supplies: (1) Violation of Section 553.41 of the Wisconsin Franchise Investment Law (against Verlo, Mr. Stallmann, and Mr. Cleveland); (2) Violation of Section 100.18 of the Wisconsin Deceptive Trade Practices Act (against all Respondents); (3) Violation of the Massachusetts Deceptive Trade Practices Act (against all Respondents); (4) Negligent Misrepresentation (against all Respondents); (5) Fraudulent Inducement (against all Respondents); and (6) Breach of Contract (against Verlo). The arbitration demand seeks rescission of the parties' franchise agreement and damages of $700,000, as well as attorneys' fees, interest, arbitration costs, and exemplary damages. All parties other than Verlo objected to arbitration on the grounds that they did not agree to arbitrate with North Shore. North Shore then sought to add Greg Marcus and David Marcus as respondents. Verlo denied North Shore's claims. After various briefs and motions, all parties other than Verlo were excluded from the arbitration on the grounds that they did not agree to arbitrate and that a court is the proper decisionmaker to determine whether they are obligated to arbitrate. On January 7, 2026, Verlo asserted counterclaims against North Shore and third-party claims against its guarantors, Patrick Bailey and Megan Alexander ("Guarantors"), based upon their unauthorized closure of their Verlo® Mattress Store. The counterclaims and third-party claims seek damages in an amount to be proven at the arbitration hearing, as well as attorneys' fees and costs, arbitration costs, and interest. The arbitration is in the discovery phase and the final arbitration hearing is scheduled to take place from September 14-18, 2026.

NN3 BP Associates, LLC v. Noble Ventures 317, LLC d/b/a Verlo Mattress, Jeremy M.

Knepp, and Tracy M. Knepp v. FWR, LLC dba Verlo Mattress, Cause No. 29D05-2509-PL-010521. On September 19, 2025, NN3 BP Associates, LLC ("NN3 BP"), a landlord, filed a complaint for breach of commercial lease against Noble Ventures 317, LLC, Jeremy M. Knepp, and Tracy M. Knepp (the "Noble Ventures Parties"). The complaint asserts a claim for breach of contract and seeks to recover damages due to breach of the lease, as well as attorney's fees. On January 9, 2026, the Noble Ventures Parties filed an answer denying NN3 BP's allegations and asserting a cross-claim against Verlo. The cross-claim alleges that the Franchise Disclosure Document provided by Verlo contained incorrect, false, misleading, and deceptive information, and that Verlo further provided false, misleading, incorrect, and deceptive information while assisting the Noble Ventures Parties in creating revenue projections. The cross-claim asserts claims for fraudulent inducement, violation of Indiana Code § 23-2-2.5-27, and breach of contract, and it seeks damages in an amount to be determined at trial, plus interest, costs, and attorneys' fees. On February 27, 2026, Verlo filed a motion to compel arbitration as to the claims asserted by the Noble Ventures Parties and sought a stay of the cross-claim against Verlo. On March 9, 2026, the Court granted Verlo's motion, holding that the Noble Ventures Parties are obligated to arbitrate their claims against Verlo and staying the case as to the claims asserted by the Noble Ventures Parties.

Item 4. BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

Item 5. INITIAL FEES

Initial Franchise Fee.

Retail Assembly Store or Retail Only Store

If you elect to open a Retail Assembly Store or Retail Only Store, you must pay us a lump sum Initial Franchise Fee of $50,000 at the time you sign the Franchise Agreement.

During the year ending on December 31, 2025, we did not discount or waive Initial Franchise Fees.

The Initial Franchise Fee for each Store is fully earned by us when you sign the Franchise Agreement. We will not, under any circumstances, refund any portion of these. We will not give you a credit of any Initial Franchise Fee if you relocate a Store, or close and then open a new Store.

Training

If you elect to open a Retail Assembly Store you must pay us a lump sum Initial Training Fee of $5,500 at the scheduling of your training.

Veterans Discount

We offer a $5,000 discount on the Initial Franchise Fee for the Retail Assembly Store to honorably discharged United States military veterans or their spouses who qualify to operate a Verlo® Mattress Store. If the veteran or their spouse is applying to operate the Verlo® Mattress Store as an entity, the veteran or their spouse must own and control at least 51% of such entity. This discount does not apply to the purchase of a Verlo® Mattress Retail Only Store franchise. The veteran or their spouse must provide us with a copy of their or their spouses DD214 demonstrating

their or their spouses' honorable discharge.

First Responder Discount

We offer a $5,000 discount on the Initial Franchise Fee for the Retail Assembly Store to first responders who had 24 months of continuous service as a first responder. We define a first responder to be a person who served as a law enforcement officer, medical doctor, nurse, emergency medical technician or firefighter. If the first responder is applying to operate the Verlo® Mattress Store as an entity, the first responder must own and control at least 51% of such entity. This discount does not apply to the purchase of a Verlo® Mattress Retail Only Store franchise. The first responder must provide us with evidence of at least 24 months of continued service in their respective field.

Employee Discount

We offer a Reduced Initial Franchise Fee of $30,000 for the Retail Assembly Store to employees of Verlo franchisees and the Verlo home office that have been employed for at least two (2) years. We offer a Reduced Initial Franchise Fee of $30,000 for an additional Retail Assembly Store or Retail Only Store to franchisees that have been open for a minimum of two (2) years.

Additional Franchised Stores

If you are an existing franchisee operating a Store (or Stores) in compliance with your Franchise Agreement(s), we may grant you the right to open an additional Store (or Stores) under our Trademarks and using the trade name "Verlo® Mattress" so long as we are still granting franchises for the type of additional Store you wish to open ("Additional Store(s)"). If we approve Additional Store(s), you will be required to execute you will be required to execute a new Franchise Agreement for the additional store(s). If you are approved to open multiple Additional Stores, you will complete the Multi-Unit Development Addendum (attached to this Disclosure Document as Exhibit I). Upon the signing of the Multi-Unit Development Addendum, you will pay us the then-current Initial Franchise Fee for the number of additional stores you agree and are approved to open. The fee schedule for multiple stores is as follows:

- 1 Retail Assembly Store: $50,000
- 1 Retail Assembly Store and 1 Retail Only Store: $90,000
- 1 Retail Assembly Store and 2 Retail Only Stores: $120,000
- Each additional Retail Only Store after 2 will be $30,000.

Item 6. OTHER FEES

Type of Fee	Amount (See Note 1)	Due Date	Remarks
Royalty Fee	5% of monthly Gross Sales	Due and payable no later than the 15th day of each month.	See Note 2
National Marketing Fund Fee	Currently $500 per store per month, up to 2½% of monthly Gross Sales	Due and payable no later than the 15th day of each month.	See Note 3

Technology Access Fee	Currently $500 per store per month, up to 1% of monthly Gross Sales	Due and payable no later than the 15th day of each month.	See Note 9 and Item 11
Local Advertising Contribution	Minimum of 6% of Gross Sales, as measured on an annual basis If you contribute to an advertising cooperative, those contributions (up to 4% of Gross Sales) will be credited towards your local advertising contribution	You must provide us verification of spending as requested by us	If you contribute to an advertising cooperative, those contributions (up to 4% of Gross Sales) will be credited towards your local advertising contribution.
Advertising Cooperative Fee	Up to 4% of Gross Sales, as we determine	Established by us or the cooperative	Contributions to an advertising cooperative (up to 4% of Gross Sales) will be credited towards your local advertising contribution. See Item 11.
Additional Assistance	Our actual costs	As agreed by you and us	Fees will be determined by us and will vary depending upon the type of assistance you request from us.
Site Evaluation Visit	Reasonable cost of visit, not to exceed $1,500	As incurred	Charged if we require an on-site visit by us or our designee to evaluate a proposed store location.
Brand Compliance Walk (Pre-Opening Inspection)	Up to $1,500 per visit	Before opening (and prior to any reinspection)	We may require a pre-opening inspection of your Store (a "Brand Compliance Walk") to confirm that the Store complies with our then-current brand standards. You may not open your Store until we have completed the Brand Compliance Walk and approved the Store.

			We will generally schedule the Brand Compliance Walk following issuance of your certificate of occupancy and will use commercially reasonable efforts to conduct the inspection as promptly as practical. We may, in our discretion, conduct the Brand Compliance Walk in conjunction with on-site training to reduce costs. If your Store does not meet our standards, we may require corrective action and an additional inspection. Each Brand Compliance Walk may cost up to $1,500. In some cases, we may permit you to demonstrate completion of corrective actions through photographs or other documentation in lieu of a reinspection.
Additional Training	Not to exceed $6,500	As incurred	Charged if Franchisee requests additional training or if Franchisor requires additional or remedial training. Franchisee must also pay its personnel's travel, lodging, wages, and related expenses incurred in attending training.
Reinspection/Compliance Audit Fee	Our actual costs	As invoiced	May be charged if Franchisee fails an inspection or compliance audit.

Interest on Late Payments	Lesser of 18% per year or highest applicable interest rate allowed by law (Maximum rate allowed in CA is 10% annually).	Accrues from the due date until paid	Interest will begin to accrue immediately if you fail to pay any Royalty Fees, National Marketing Fund Fees, Technology Access Fees or other amounts by the due date.
Late Fee on Past Due Payments	$50 per day for each day payment is late (subject to applicable law)	As assessed or Upon delinquency	Charged if Royalty Fees, National Marketing Fund Fees, Technology Fees, or other required payments are not received when due
Transfer Fee	$10,000	$5,000 deposit at time you request approval of proposed transferee; balance due upon completion of transfer	See Note 4
Reimbursement of Costs (for maintenance, Refurbishment, lease, insurance, bank transfers)	If we elect to cure certain defaults by you under your lease or under the Franchise Agreement, you must pay our costs in curing the default	Varies depending upon type of default committed by you	See Note 5
Insufficient Funds Fee	$100 plus any bank charges incurred by us due to the failed transfer	Immediately payable upon our written demand	If any electronic funds transfer is not honored due to insufficient funds, you must pay us this fee.
Attorney's Fees	Our actual costs	Immediately payable upon our written demand	The prevailing party in any arbitration or judicial proceeding may recover its costs and expenses, including reasonable accounting and attorneys' fees.
Audit Costs	Our actual costs	Immediately payable upon our written demand	See Note 6

VERLO® sewn cover kits and other Components you must purchase from our approved supplier(s)	Varies	Varies	See Note 7 and Item 8
Renewal Franchise Fees/Charges	$5,000	Upon renewal of Franchise Agreement	See Note 8
Technology Maintenance	Up to $500 annually	As invoiced	
Relocation Fee	Up to $5,000	Upon our approval of your request to relocate your Store	
Convention and Training Fees	Up to $500, annually	Upon registration or non-attendance, if imposed	You will be responsible for any transportation and living expenses incurred by attending the conventions. See Items 7 and 11
Refurbishments	Up to $50,000	Upon our requirement that you upgrade your Store	See Note 10
Product Inspection	Our Actual Costs	As invoiced	No fee is charged for submission of a proposed supplier or product for approval; however, you must reimburse us (or our designee) for all costs incurred in connection with the evaluation, testing, and inspection of the proposed supplier or product. See Item 8.

Notes:

1. All fees are payable to us and/or our designees, are nonrefundable and are uniformly imposed. You must pay any fees due to us by electronic fund transfer or wire transfer. All funds must be transferred and credited to our account by the payment due date. A copy of our current draft authorization form, which you must sign in connection with the Franchise Agreement, is attached as Exhibit H to this disclosure document. We may require you to sign updated forms, periodically.

   All fees are payable regardless of your use of, or access to, services, unless otherwise

expressly stated in the Franchise Agreement.

We may modify, suspend, or limit services or support if you are in default, as described in the Franchise Agreement, and such modification will not affect your obligation to pay any fees.

2. Royalties will be calculated from Gross Sales. "Gross Sales" means the aggregate of all retail sales of every kind, type, or description and all services performed for patrons at the time of the transaction, whether for cash, credit, trade or otherwise, made or provided in connection with your Store, including Internet sales, off-premises sales, monies derived at or away from the Store and any Additional Store developed under your Franchise Agreement pursuant to an Additional Store Addendum. Gross Sales shall not include any taxes imposed by any governmental authority directly on sales and collected from customers, provided that the amount thereof is added to the selling price and paid to the taxing governmental authority.
3. We have the right to increase the monthly National Marketing Fund Fee to up 2½% of monthly Gross Sales for each Store upon 90 days written notice. We have established the National Marketing Fund to fund certain advertising, promotion, public relations, and other marketing programs. Company will not increase the National Marketing Fund Fee by more than 0.5% of your Gross Sales in a calendar year and will give 90 days' notice in the event of an increase.
4. The Transfer Fee is used to defray our expenses in reviewing a request for approval of a prospective transferee, reviewing the documents related to the transfer, and training and supervising the new franchisee. There is no transfer fee if you transfer your franchise to a corporation or other entity that you control within 90 days of the effective date of your Franchise Agreement.
5. We have the right to obtain insurance policies for your business if you fail to do so, in which case you must, at our demand, immediately reimburse us for the insurance costs and premiums. Further, we have the right to maintain, repair, make Refurbishments (see Note 10) or otherwise improve the condition and appearance of your Store(s) if you fail to do so, in which case you must reimburse us for our costs of maintenance, repair or other improvements at the next date upon which your Royalty Fees are due. We also have the right to cure any breach by you under the terms of any Store lease, in which case you must, upon our demand, immediately reimburse us for our costs. We have the right to determine how any payments from you are applied to any of your past due indebtedness to us or our affiliates or any other indebtedness.
6. If an inspection or audit by us reveals an understatement by you of Gross Sales, you must pay us, within 15 days after receiving our inspection or audit report, any fees due on the amount of the understatement, plus interest. Further, if our inspection or audit is due to your failure to furnish (or to timely furnish) reports, supporting records, or other information as required, or if your understatement of Gross Sales is intentional or is greater than 5% of the actual total Gross Sales for the period in question, you must reimburse us for our audit and inspection costs, including the charges of any independent accountants, and the travel and living expenses and compensation of our employees.
7. As further explained in Item 8, you must buy Exclusive Products from us or our designated suppliers. As of the date of this disclosure document, prices for Exclusive Products vary based on size, model and quantities ordered. Prices are subject to change and are uniform for all of our franchisees.

8. In addition to the $5,000 standard renewal fee, you must also pay our costs for providing any services requested by you in connection with renewing your franchise. These may include certain costs related to the modification and refurbishing of your Store(s).
9. Franchisee shall pay the Company, on or before the 15th day of each month, commencing with the calendar month after the Effective Date and continuing each consecutive calendar month, during the term of this Agreement, a technology fee of up to 1% of Franchisee's monthly Gross Sales, currently $500 per store per month, subject to change. If our technology service providers increase license fees, this fee will increase accordingly.
10. We may periodically modify our standards and specifications, which may accommodate regional or local variations as we determine, and any such modifications may obligate you to invest additional capital in the Store and/or incur higher operating costs including to remodel or refurbish the Store ("Refurbishments"). You must make the Refurbishments within the time frame we require. Refurbishments that require you to obtain additional or replace equipment or technology must be made immediately on notice. Refurbishments are in addition to the costs you will incur to develop, open, repair, replace, maintain or refresh your Store, equipment and fixtures from time to time. Refurbishments may include updates, repairs, replacements, or improvements to equipment, furnishings, fixtures, signage, décor, layout, or other elements of the Store required to maintain our then-current standards, and may range from minor updates (such as painting or replacement of décor) to more extensive remodeling or replacement of fixtures, signage, equipment, or other components of the Store. We cannot estimate the cost of any Refurbishments because requirements will vary from Store to Store, and you may make payments in whole or in part to third parties. Refurbishments do not include any expenditures you must, or choose to make, in order to comply with applicable laws, governmental rules or regulations (e.g., ADA compliance).

Item 7. ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT FOR A RETAIL ASSEMBLY STORE

Type of Expenditure	Amount (Note 1)	Method of Payment	When Due	To Whom Payment Is To Be Made
Initial Franchise Fee (Note 2)	$50,000	Lump sum	When you sign the Franchise Agreement	Us
Travel and Living Expenses during Initial Training (Note 16)	$3,922	As incurred	As incurred during training program	Third parties
Initial Training Fee	$6,500 or the then-current fee	Lump Sum	Upon scheduling training	Us
Technology Fee (Note 3)	6000	$500 Mont hly	Monthly	Us
Professional Fees (Note 4)	$0 to $33,250	As incurred	Upon review or lease assignment	Third parties
Leasehold Improvements and Construction Costs (Note 5)	$0 to $230,632	Cash or financed	As arranged	Authorized suppliers and contractors
Brand Compliance Walk (Pre-Opening Inspection) (Note 15)	$0-$3,000	As incurred	As incurred	Us
Prepaid Rent and /or Security Deposits (Note 6)	$5,670 to $19,561	As incurred	Before opening or as otherwise arranged	Lessor, and third-party architects and contractors
Retail FF&E (Note 9)	$44,120 to $61,370	Cash or financed	As arranged	Authorized suppliers and contractors
Assembly FF&E (Note 10)	$51,497.66 to $113,893.24	Cash or financed	As arranged	Authorized suppliers and contractors
Initial Inventory, and Floor Models (Note 7)	$89,000 to $102,000	Cash or financed	As arranged	Authorized suppliers, and contractors,

Pre-Opening Marketing and Advertising (Note 8)	$30,000	As incurred	Before opening or as otherwise arranged	Third parties
Additional Funds: 3 months (Note 11)	$17,741 to $96,298	As incurred	As needed	Third parties
TOTAL (Notes 12 and 13)	$298,700.20 to $750,926.24			

Notes:

(1) The estimated initial investment in this table assumes that you are building out a Retail Assembly Store. All fees that you pay to us are nonrefundable. Third-party lessors, contractors, and suppliers will decide if payments to them are refundable.

(2) All fees that you pay to us are nonrefundable. In addition, depending upon the terms of the Multi-Unit Development Agreement as agreed by you and us (see Item 12 and Exhibit I), you may have to pay one or more Retail Only Store Fees at the same time that you pay the Franchise Fee. Your initial investment for your first Retail Assembly Store is described further below in this Item 7

(3) You will pay the Company, on or before the 15th day of each month, commencing with the calendar month after the Effective Date, and continuing each consecutive calendar month during the term of this Agreement, a technology fee of up to 1% of Franchisee's monthly Gross Sales, currently $500 per store per month, subject to change. If our technology service providers increase license fees, this fee will increase accordingly.

(4) You may pay architecture fees for plans and drawings for your Retail Assembly Store and for the costs of copying and delivering the drawings. This amount may be higher if revisions to completed plans are required, or if your local building code requires engineered mechanical, electrical and plumbing drawings. You may pay for a site visit and initial review of the intended space, for TIA negotiation assistance, for Architecture and Engineering plans, Bid assistance for your build-out, and construction and project management. If you have an attorney review your lease, you will pay legal fees to that attorney. This estimate does not include legal fees.

(5) Our estimate for initial expense for leasehold improvements and construction costs assumes that you will lease the space from which you operate your Verlo Mattress Location. We assume you will receive your location in "Warm, Lit Space" condition. This means we assume the space will have: a finished concrete floor, fully demised, existing HVAC, the adequately sized electrical supply to an internal panel, bathrooms that are ADA and code compliant for Verlo Mattress occupancy and a Site sprinkler system with turned-up heads, Fire alarm and egress in the greater of; front and rear, or minimum required by code. Verlo Mattress locations are in both strip centers and stand-alone buildings. Our standard franchise offering, and corresponding Item 7 Chart estimate for your occupancy costs, assume that the premises of your Retail Assembly space will be around 5,100- 9,000 square feet. Estimate further assumes that you will use our Preferred Supplier to verify and negotiate these conditions.

With regards to the lease for your premises, please note that: (i) landlords may vary the base rental rate and charge rent based on a percentage of gross sales, and (ii) your lease may require

you to pay your pro rata share of (a) common area maintenance charges ("CAM Charges"), (b) the real estate taxes and insurance, and (c) certain other charges. The actual amount you pay under the lease will vary depending on the size of the location, the types of charges that are allocated to tenants under the lease, your ability to negotiate with landlords, and the prevailing rental rates in the geographic region. If you choose to purchase real property on which to build your location, your initial investment will most likely be higher than what we estimate above. If you purchase real property, we cannot estimate how this purchase will affect your total initial investment.

The costs associated with your lease payments, as well as the leasehold improvements involved with modifying the accepted premises so that it can be operated as a Verlo Mattress Location in accordance with our brand standards, will vary widely based upon the property location, population density, economic climate, prevailing interest rates, and other financing costs, conditions of the property and extent of alterations required for the property. You should investigate all these costs in the area where you wish to establish a Verlo Mattress Location. The amount of tenant improvement allowance will vary from deal to deal. This leasehold improvement estimate is based on construction costs less the average tenant improvement allowance franchisees have received to date. We assume in these numbers' franchisees receive approximately $20 per square foot in tenant improvement allowance. In some cases, the tenant improvement allowance you negotiate with your landlord may cover the entire cost of your leasehold improvements and construction costs. Building Permit Fees are fees required to obtain a building permit and to commence construction and are not included in this estimate. This cost will vary from state to state.

(6) Estimated range is derived from lease agreements for Retail Assembly locations executed between May 17, 2023 and January 9, 2025, including locations that are open, in development, or no longer operating; amounts may include security deposits only or security deposits plus prepaid rent, depending on lease terms. Rent is generally non-refundable. Security deposits may be refundable either in full or in part, depending on the terms of your lease or contract.

(7) You will need to assemble your floored mattresses before opening. You will need to obtain the following items before opening: floor samples (~~floored mattresses,~~ foundations, adjustable bases, bed bases), soft goods (sheets, pillows and protectors), raw materials (springs, foam, sewn goods, bed frames/adjustable bases, foundation units, and latex), and finished bedding (in-stock mattresses and foundations). State and local sales taxes on purchases may apply and are not included in these estimates. Shipping costs, if any, are also not included.

(8) We estimate that you will spend approximately $10,000 per month during the three (3) months preceding store opening on pre-opening marketing and promotional activities. These activities may include trade show attendance, community event sponsorships, and digital, print, and other media advertising intended to help establish brand awareness in your market.

(9) Retail FF&E costs include, but are not limited to, required sales fixtures, interior signage, furniture, hospitality area equipment, flooring and lighting fixtures. State and local sales taxes on purchases may apply and are not included in these estimates. Shipping costs, if any, are also not included.

(10)Assembly FF&E equipment costs include, but are not limited to, tape edge machine, bottom cloth rack, build tables, racking, C Ring Gun and C Rings, general hand tools, air compressor and accessories, and lamination equipment. Costs will vary depending upon whether you purchase new or used equipment. These costs do not include the lease/purchase of a forklift

and/or an order picker or a box truck with graphics. State and local sales taxes on purchases may apply and are not included in these estimates. Shipping costs, if any, are also not included.

(11) This is an estimate only of the additional start-up capital needed to operate your Retail Assembly Store during the initial (3) three months after opening. The estimate is based on a range of actual operating expenses from a subset of franchisees whose financial results are included in Item 19, using low and high annual expense levels across a variety of expense categories, including but not limited to occupancy costs, payroll and payroll-related expenses, insurance, professional fees, marketing-related expenses, utilities, and general administrative costs.

Because this estimate is derived from historical financial data from a limited group of franchisees, your actual expenses may differ significantly. Your costs will depend on a number of factors, including local economic conditions, market maturity, labor costs, competition, and your experience and business acumen.

This estimate is not a guarantee of your actual expenses and should be viewed as a minimum suggested range. You may require additional capital, particularly if your Retail Assembly Store does not generate sufficient revenue during the initial months of operation. You should also ensure that you have sufficient funds available for personal living expenses during the start-up phase.

There is no assurance that you will reach break-even or any particular level of profitability within the first (3) three months of operation.

(12) We have relied on the over 50 years of applicable experience of us and our predecessors in compiling these estimates. They are, however, only estimates and include no warranty or representation, express or implied, that the estimated amounts will be sufficient for your specific franchise. You should review these estimates carefully with a business advisor before making any decision to purchase the franchise.

(13) At present, it is our standard policy not to offer financing for any of the above expenditures, other than payment terms for items sold as noted. The availability and terms of financing will depend on factors such as the general availability of financing, your credit-worthiness, other collateral you may have, and policies of lending institutions concerning the type of business you will be operating. The refundability of any payments to third parties must be arranged directly with the third parties.

(14) We may require a pre-opening inspection of your Store (a "Brand Compliance Walk") to confirm compliance with our then current brand standards. Each inspection may cost up to $1,500. If your Store does not meet our standards, we may require a second inspection. In some cases, we may allow you to provide photographic or other documentation to demonstrate completion of corrective actions in lieu of a reinspection.

(15) Estimated cost includes round-trip airfare to Milwaukee, hotel accommodation (6 nights), and meals for two trainees during the 5-day training period; excludes ground transportation.

YOUR ESTIMATED INITIAL INVESTMENT FOR A RETAIL ONLY STORE

Type of Expenditure	Amount (Note 1)	Method of Payment	When Due	To Whom Payment Is To Be Made
Retail Only Store Fee (Note 2)	$30,000 to $50,000	Lump sum	Upon signing the Multi-Unit Development Agreement	Us
Technology Fee (Note 3)	$6,000	$500 Monthly	Monthly	Us
Professional Fees (Note 4)	$0 to $33,250	As incurred	As incurred	Third parties
Leasehold Improvements and Construction Costs (Note 5)	$25,000 to $173,439	Cash or financed	As arranged	Authorized suppliers and contractors
Brand Compliance Walk (Pre-Opening Inspection) (Note 13)	$0-$3,000	As incurred	As incurred	Us
Prepaid Rent and /or Security Deposits (Note 6)	$2,750 to $32,563	As incurred	Before opening or as otherwise arranged	Lessor, and third-party architects and contractors
Retail Only FF&E (Note 9)	$44,120 to $61,370	Cash or financed	As arranged	Authorized suppliers and contractors
Initial Inventory, and Floor Models (Note 7)	$42,000 to $54,000	Cash or financed	As arranged	Authorized suppliers, contractors
Pre-Opening Marketing and Advertising (Note 8)	$30,000	As incurred	Before opening or as otherwise arranged	Third parties
Additional Funds: 3 months (Note 10)	$17,741 to $96,298	As incurred	As needed	Third parties
TOTAL (Note 11 and 12)	$197,611.00 to $539,920.00			

Notes:

(1) The estimated initial investment in this table assumes that you are building out a Retail Only Store. All fees that you pay to us are nonrefundable. Third-party lessors, contractors, and suppliers will decide if payments to them are refundable.

(2) All fees that you pay to us are nonrefundable. In addition, depending upon the terms of the Multi-Unit Development Addendum as agreed by you and us (see Item 12 and Exhibit I), you may have to pay one or more Retail Only Store Fees at the same time that you pay the Franchise Fee. You will receive a discount on your Initial Fee for the purchase of multiple Franchised locations. Your initial investment for your first Retail Only Store is described further below in this Item 7.

(3) You will pay the Company, on or before the 15th day of each month, commencing with the calendar month after the Effective Date, and continuing each consecutive calendar month during the term of this Agreement, a technology fee of up to 1% of Franchisee's monthly Gross Sales, currently $500 per store per month, subject to change. If our technology service providers increase license fees, this fee will increase accordingly.

(4) You may pay architecture fees for plans and drawings for your Retail Only Store and for the costs of copying and delivering the drawings. This amount may be higher if revisions to completed plans are required, or if your local building code requires engineered mechanical, electrical and plumbing drawings. You may pay for a site visit and initial review of the intended space, for TIA negotiation assistance, for Architecture and Engineering plans, Bid assistance for your build-out, and construction and project management. If you have an attorney review your lease, you will pay legal fees to that attorney. This estimate does not include legal fees.

(5) Our estimate for initial expense for real estate and improvements assumes that you will lease the space from which you operate your Verlo Mattress Location. We assume you will receive your location in "Warm, Lit Space" condition. This means we assume the space will have: a finished concrete floor, fully demised, existing HVAC, the adequately sized electrical supply to an internal panel, and bathrooms that are ADA and code compliant for Verlo Mattress occupancy, a Site sprinkler system with turned-up heads, Fire alarm and egress in the greater of; front and rear, or minimum required by code. Verlo Mattress locations are in both strip centers and stand-alone buildings. Our standard franchise offering, and corresponding Item 7 Chart estimate for your occupancy costs, assume that the premises of your Retail Only location will be 2,300-3,500 square feet. This estimate further assumes that you will use our Preferred Supplier to verify and negotiate these conditions.

With regards to the lease for your premises, please note that: (i) landlords may vary the base rental rate and charge rent based on a percentage of gross sales, and (ii) your lease may require you to pay your pro rata share of (a) common area maintenance charges ("CAM Charges"), (b) the real estate taxes and insurance, and (c) certain other charges. The actual amount you pay under the lease will vary depending on the size of the location, the types of charges that are allocated to tenants under the lease, your ability to negotiate with landlords, and the prevailing rental rates in the geographic region. If you choose to purchase real property on which to build your location, your initial investment will most likely be higher than what we estimate above. If you purchase real property, we cannot estimate how this purchase will affect your total initial investment.

The costs associated with your lease payments, as well as the leasehold improvements involved

with modifying the accepted premises so that it can be operated as a Verlo Mattress Location in accordance with our brand standards, will vary widely based upon the property location, population density, economic climate, prevailing interest rates, and other financing costs, conditions of the property and extent of alterations required for the property. You should investigate all of these costs in the area where you wish to establish a Verlo Mattress Location. The amount of tenant improvement allowance will vary from deal to deal. This leasehold improvement estimate is based on construction costs less the average tenant improvement allowance franchisees have received to date. We assume in these numbers' franchisees receive $20 per square foot in tenant improvement allowance. Building Permit Fees are fees required to obtain a building permit and to commence construction. This cost will vary from state to state.

(6) Estimated range is derived from lease agreements for Retail Only locations executed between May 17, 2023 and January 9, 2025, including locations that are open, in development, or no longer operating; amounts may include security deposits only or security deposits plus prepaid rent, depending on lease terms. Rent is generally non-refundable. Security deposits may be refundable either in full or in part, depending on the terms of your lease or contract.

(7) You will need to assemble your floored mattresses before opening. You will need to obtain the following items before opening: floor samples (~~floored mattresses,~~, foundations, adjustable bases, bed bases), soft goods (sheets, pillows and protectors), and finished bedding (in-stock mattresses and foundations).State and local sales taxes on purchases may apply and are not included in these estimates. Shipping costs, if any, are also not included.

(8) We estimate that you will spend approximately $10,000 per month during the three (3) months preceding store opening on pre-opening marketing and promotional activities. These activities may include trade show attendance, community event sponsorships, and digital, print, and other media advertising intended to help establish brand awareness in your market.

(9) Retail Only FF&E costs include, but are not limited to, required sales fixtures, interior signage, furniture, hospitality area equipment, flooring, and lighting fixtures. State and local sales taxes on purchases may apply and are not included in these estimates. Shipping costs, if any, are also not included.

(10) This is an estimate only of the additional start-up capital needed to operate your Retail Only Store during the initial (3) three months after opening. The estimate is based on a range of actual operating expenses from a subset of franchisees whose financial results are included in Item 19, using low and high annual expense levels across a variety of expense categories, including but not limited to occupancy costs, payroll and payroll-related expenses, insurance, professional fees, marketing-related expenses, utilities, and general administrative costs.

Because this estimate is derived from historical financial data from a limited group of franchisees, your actual expenses may differ significantly. Your costs will depend on a number of factors, including local economic conditions, market maturity, labor costs, competition, and your experience and business acumen.

This estimate is not a guarantee of your actual expenses and should be viewed as a minimum suggested range. You may require additional capital, particularly if your Retail Only Store does not generate sufficient revenue during the initial months of operation. You should also

ensure that you have sufficient funds available for personal living expenses during the start-up phase.

There is no assurance that you will reach break-even or any particular level of profitability within the first (3) three months of operation.

(11) We have relied on the over 50 years of applicable experience of us and our predecessors in compiling these estimates. They are, however, only estimates and include no warranty or representation, express or implied, that the estimated amounts will be sufficient for your specific franchise. You should review these estimates carefully with a business advisor before making any decision to purchase the franchise.

(12) At present, it is our standard policy not to offer financing for any of the above expenditures, other than payment terms for items sold as noted. The availability and terms of financing will depend on factors such as the general availability of financing, your credit-worthiness, other collateral you may have, and policies of lending institutions concerning the type of business you will be operating. The refundability of any payments to third parties must be arranged directly with the third parties.

(13) We may require a pre-opening inspection of your Store (a "Brand Compliance Walk") to confirm compliance with our then current brand standards. Each inspection may cost up to $1,500. If your Store does not meet our standards, we may require a second inspection. In some cases, we may allow you to provide photographic or other documentation to demonstrate completion of corrective actions in lieu of a reinspection.

Item 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Our supplier specifications and standards are described in our Electronic Manuals. Suppliers must meet our specifications and standards as to performance, quality, and appearance.

Exclusive Products

While currently we, or our affiliates, are not the only approved suppliers in any area of our products and services, we reserve the right that in some instances, we, or our affiliates, may be approved suppliers or the sole approved suppliers for certain products and services, which may include Products, Components and/or Accessories ("Exclusive Products"). Our list of Exclusive Products and approved suppliers may be designated in the Electronic Manuals or will otherwise be provided to you. We may modify our list of Exclusive Products, suppliers and other products or services in our discretion, and will notify you of any modification by updates or memoranda or by supplements to the Manuals. We have imposed these requirements to assure quality and uniformity of services and products sold to customers.

Products from Approved Suppliers

We currently require you to purchase the following products and services from approved suppliers:

Mattress building components

Foundation building components

Top of bed products

Soft Goods

Furniture

Packaging

Compliance Goods

We may modify our list of approved suppliers and other products or services in our discretion and will notify you of any modification by updates or memoranda or by supplements to the Manuals.

Technology Systems

You must use our (or our designated supplier's) technology systems (the "Technology Systems"), which may include hardware and software items, on-line communication tools and other electronic resources, and/or support services. (See Item 11 for further information on our Technology Systems)

Approval Process

Except with respect to Exclusive Products and the Technology Systems (as described above), you may make written request for the approval of an additional qualified manufacturer or supplier of a specific item of equipment, a Component, an Accessory, Product or for other supplies and materials. In order to receive our initial and continuing approval, the supplier must: (a) demonstrate, to our satisfaction, the ability to meet our standards and specifications, with adequate quality controls and capacity to promptly and reliably supply the VERLO® MATTRESS franchise system (we will consider the supplier's ability and willingness to fill orders for desired quantities of the item, frequency and terms of delivery, and prompt attention to complaints), (b) demonstrate a high credit rating and otherwise demonstrate financial strength, and (c) supply an item that we deem a positive addition to the Products, Components or Accessories. Further, we have the right to condition our approval of a supplier of a particular item on whether we will also have the right to use the supplier for that item and/or grant other franchisees the right to use that supplier for the particular item. In approving a new supplier, we will also consider how approval of the particular supplier will impact our buying strategy of concentrating purchases from one or more suppliers in order to obtain favorable economies of scale and/or advertising support and/or services for any group of VERLO® MATTRESS STORES.

To receive initial approval of a supplier or of any equipment, Components, Accessories, Products or for other supplies and materials not previously approved by us, you must submit a written request to us for approval of the proposed supplier and/or item. Your request must include a precise description of the supplier and/or item, and whatever additional evidence we may require to verify that the item and/or supplier conforms to our standards, specifications and criteria for approval. Upon receiving your request, we have the right to require samples from the proposed supplier for use by us or our designated testing facility in evaluating and testing the item. We also have the right to inspect, or have our designee inspect, the proposed supplier's facilities. Although we do not charge you a fee in considering your request, you (or your proposed supplier) must pay our costs for the evaluation, testing, and inspection of any proposed item and/or supplier. We will notify you in writing of our approval or disapproval of the proposed item and/or supplier within 90 days of receiving your written request for review. You must not purchase any proposed item, or use any proposed supplier, until you receive written approval from us.

We state within our Electronic Manuals, or otherwise in writing (including through our Technology Systems, as described in Item 11, or by other electronic means), our standards and specifications for the equipment, Components, Accessories, Products or for other supplies and materials used in the assembly of the Products. We have the right to periodically modify these

standards and specifications from time to time. Our addition or modification of specifications and standards is generally based on our market studies and product research (including longevity studies, quality studies, and competitive product build studies). We will provide our standards and specifications to approved suppliers upon their request.

We may, on occasion, revoke our approval of a particular item or supplier if we determine the item or supplier no longer meets our criteria for approval, in which case we will notify you in writing of the revocation. Thereafter, you must immediately stop purchasing the item, or using the supplier which we have disapproved of.

Except as otherwise provided above in this Item 8, or as we otherwise designate in writing, you may purchase any other items that are required to operate your business (including vehicles, equipment, computer hardware and software, office furniture, fixtures, tools, and supplies) from any supplier, as long as these items conform to our then-current standards and specifications, including any applicable specifications for the "VERLO®" logos.

Ownership in Suppliers

Steve Marcus and Chris Nolte own material interests in FWRW. Other than the following information, our officers do not own a material interest in any supplier.

Insurance

You are required during the term of the Franchise Agreement to purchase and maintain insurance policies at a current minimum $2 million general aggregate Commercial General limit of liability, minimum $1 million automobile insurance policy, and workers compensation and employers liability insurance minimums, as we designate from time to time in the Electronic Manuals. Your insurance policies must name us and our affiliates, directors, officers, members, managers, employees, independent contractors and agents as an additional insured, and must provide for 30 days advance written notice to us of any material modification, cancellation, or expiration of the policy. We periodically may increase the amounts of coverage required and/or require different or additional kinds of insurance. You must provide us with satisfactory evidence of your insurance coverage.

Revenue Received as a Result of Franchisee Required Purchases

Except as stated below, neither we nor our parent or affiliates received any revenue as a result of franchisees' required purchase or leases of products or services. For the fiscal year ended December 25, 2025 we received $708,236 as a result of franchisee purchases. This amount is approximately 23% of the $3,121,975 in total revenue we received in the fiscal year ended December 25, 2025 according to our audited financial statements attached as Exhibit C to this disclosure document.

The cost of all goods and services that you must purchase or lease from us, our affiliates, from suppliers approved by us, and/or under our specifications will represent approximately 90% to 100% of the total cost of initially establishing your Store and approximately 80% to 90% of the continuing cost of operating your Store each year.

Purchasing Coops

We may negotiate purchase arrangements with our approved suppliers for the benefit of our franchisees. For example, we have in the past successfully negotiated purchase arrangements with certain of our approved suppliers that provide franchisees: (a) longer payment terms than the supplier usually allows; (b) percentage discounts for payment within 10 days; (c) reduced prices and/or free freight for orders that meet or exceed an established minimum weight, size, or value;

and (d) free freight for initial orders placed by newly opened Stores. There are no purchasing or distribution cooperatives in the VERLO® MATTRESS STORES franchise system.

Supplier Rebates

In the fiscal year ended December 25, 2025, we received $242,554 from approved suppliers. We contributed these funds directly to the National Marketing Fund. This program is referred to by us as the "Key Vendor Contribution." Each year, the Key Vendor Contributions are used for marketing, creative development, and supporting materials that are made available to existing VERLO® MATTRESS STORES. We may use this money for regional or national conferences/conventions. We may use this money to defray our operating expenses, regardless of whether the costs are related to the National Marketing Fund.

We have the right in the future to receive fees or payments from third party or affiliated suppliers that may or may not be reasonably related to services we provide to such suppliers. These arrangements may require us to perform services, including administrative, technical, inspection, advisory, data collection, and account guarantees. If imposed, fees and payments from suppliers would most likely range from 0.5% to 10.0% or more of each supplier's sales to our franchisees of products, supplies and equipment used in the operation of VERLO® MATTRESS STORES.

In addition, some vendors give direct rebates to VERLO® MATTRESS STORES franchisees, either by cash payments, or in credits, based on product purchases.

Miscellaneous

You must maintain the condition and appearance of your Store in accordance with our current standards and specifications, as stated in the Electronic Manuals or otherwise communicated by us in writing. All Store modernization, remodeling and improvements must conform to our then-current standards. During the term of this Agreement, we may require you to undertake remodeling or Refurbishments of the Store premises to comply with our then-current standards and specifications.

We do not grant any monetary benefits, special privileges or other material benefits to franchisees for use of designated or approved suppliers. We do, however, consider a variety of factors when determining whether to renew or grant additional franchises, including your compliance with the requirements described above.

Item 9. FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document.

Obligation		Section in Agreement (Note 1)	Disclosure Document Item
a.	Site selection and acquisition/lease	Sections 3, and 10; Addendum to Lease	Items 7 and 11
b.	Pre- purchases/leases	Sections 4 and 10	Items 5, 7, 8 and 11
c.	Site development and other pre-opening requirements	Section 4	Items 5, 7 and 11
d.	Initial and ongoing training	Section 5	Item 11
e.	Opening	Section 4	Item 11

f.	Fees	Sections 5, 8, 10, 11, 14 and 15	Items 5 and 6
g.	Compliance with standards and policies/Operations and Brand Standards Manual	Sections 5, 10, and 13	Item 11
h.	Trademarks and proprietary information	Sections 6 and 9	Items 13 and 14
i.	Restrictions on products/services offered	Section 10	Item 8 and 16
j.	Warranty and customer service requirements	Section 10	Item 8 and 16
k.	Territorial development and sales quotas	Section 3, Multi-Unit Development Addendum	Item 12
l.	Ongoing product/service purchases	Section 10	Items 8
m.	Maintenance, appearance and remodeling requirements	Sections 4 and 10	Item 11
n.	Insurance	Sections 4 and 10	Items 6, 7 and 8
o.	Advertising	Sections 4, 8, 10 and 11	Items 6, 7 and 11
p.	Indemnification	Section 7	
q.	Owner's participation/ management/staffing	Sections 5 and 10	Items 11 and 15
r.	Records/reports	Section 12	Items 6 and 11
s.	Inspections/audits	Section 13	Items 6 and 11
t.	Transfer	Section 14	Items 6 and 17
u.	Renewal	Section 15	Items 6 and 17
v.	Post-termination obligations	Section 17; Paragraph 6 of Guaranty and Assumption of Obligations	Item 17
w.	Non-competition covenants	Sections 9 and 17	Item 17
x.	Dispute Resolution	Section 19; Paragraphs 4 and 7 of Guaranty and Assumption of Obligations	Item 17

(1) Unless otherwise noted, section references are to the Franchise Agreement.

Item 10. FINANCING

We do not currently offer direct or indirect financing. We do not guarantee your note, lease, or obligation.

Item 11. FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING

Except as disclosed below, we are not required to provide you with any assistance.

Pre-Opening Obligations. The Franchise Agreement requires us to provide the following assistance and services to you before you open your Store(s) for business:

1. During the term of the Franchise Agreement, we will provide you with electronic access (through our Technology Systems, as described further below in this Item 11, or otherwise) to our Electronic Manuals (which includes our policies and procedures and the Operations and Brand Standards Manual and various other manuals) (collectively the "Electronic Manuals"). The

Electronic Manuals contain our current mandatory specifications, standards, and operating procedures and policies, including a list of approved suppliers, information regarding your required insurance coverage, and other information about your obligations while operating your Store(s). The Electronic Manuals are confidential and remain our property (Franchise Agreement § 5.C). You may not make any copies of any portion of the Electronic Manuals unless authorized by us (Franchise Agreement §§ 5.C and 9.C(iii)). A copy of the Table of Contents for the Operations and Brand Standards Manual is attached as Exhibit E to this disclosure document.

2. We will provide training for you and, if applicable, your general manager, as described below under the "Training" subsection of this Item 11 (Franchise Agreement § 5.A).

3. We may send one or more representatives to provide you with initial on-site assistance covering such topics as retail and production layout, and Product assembly. (Franchise Agreement § 5.B(i)).

4. We may provide you with guidance and assistance in selecting the site for your Store(s). However, you are responsible for locating a suitable site that meets our standards. You must obtain our prior written acceptance of any proposed site for a Retail Assembly Store or Retail Only Store and of any lease or contract of sale for the premises. We may, at our discretion, require an on-site visit to evaluate a proposed location and determine whether the site meets our standards and is suitable for operation of a Store. If we require such a visit, you must reimburse us for the reasonable cost of the visit (see Item 6).

5. We will provide you with written approval or disapproval of your proposed grand opening advertising and local promotional program within 10 business days of receiving a sample of these materials; otherwise, these materials will be deemed approved by us (Franchise Agreement §§ 4.B and 11.C).

6. We will provide you with our standard plans and/or specifications for construction, remodeling, or development of the premises for your Store(s) (as applicable) and, in addition, review those plans and/or specifications as modified by anyone other than us and provide you with approval or disapproval of the modified plans and/or specifications within a reasonable period of time following their submission by you (Franchise Agreement § 4.A(iii)).

7. The Franchise Agreement does not require us to assist you in lease or purchase negotiations for your Store's premises, conforming your Store's premises to local ordinances and building codes, or obtaining any required permits. The only assistance that the Franchise Agreement requires us to give you with respect to the construction, remodeling, or decorating of your Store's premises is to provide you with our standards, specifications, and plans. The only assistance that the Franchise Agreement requires us to give you with respect to your purchase or lease of your Store's equipment, signs, fixtures, opening inventory and supplies is to provide you with our written standards and specifications and a list of approved suppliers for these items. We may, however, provide you with additional assistance in regard to any of these matters at our option. You must obtain your equipment, signs, fixtures, opening inventory, Components, and supplies from suppliers as described in Item 8. You must arrange for any necessary installation yourself.

We have the right to perform any pre-opening obligation that the Franchise Agreement imposes on us through our designee, employee, or agent, as we may direct.

Continuing Assistance. The Franchise Agreement requires us to provide the following assistance during your ongoing operation of the Store(s), subject to your compliance with the Franchise Agreement. If you are in default, we may modify, suspend, or limit the assistance and services we provide, including through the imposition of interim remedies as described in the

Franchise Agreement.

1. We may send one or more representatives to provide you with additional on-site assistance covering such topics as retail and production layout, and product assembly (Franchise Agreement § 5.B(i)). See Item 6 regarding fees that may apply to certain additional assistance.

2. We will provide you with electronic access to the Electronic Manuals during the term of the Agreement, and may periodically provide additional or updated guidance and written materials, as we deem necessary, concerning matters addressed in the Electronic Manuals which may include, without limitation: (a) methods, standards, specifications, and operating procedures utilized by VERLO® MATTRESS Stores; (b) preparation of Products and development of new Products; (c) purchasing approved equipment, furnishings, fixtures, signs, and supplies; (d) approved suppliers; (e) advertising and promotional programs; and (f) franchisee training (Franchise Agreement §§ 5.B(iii)-(iv) and 5.C.).

3. Upon your reasonable request, and,if applicable and agreed upon by us, payment of an amount mutually agreed upon, we will provide additional guidance and assistance to you through internal staff or external resources (Franchise Agreement § 5.B(iv)).

4. We will periodically advise you of any operating or quality control problems of your Store(s) as disclosed by reports submitted to or inspections of your Store(s) made by us or our designee (Franchise Agreement § 5.B.(ii)). We reserve the right to conduct an evaluation of your Store(s), addressing the internal/external operation and/or process in your Store(s), including operating system requirements; exterior maintenance; signage; building and product specifications; compliance with industry regulations; staff uniforms; efficiencies of assembly/delivery/warehousing systems; efficiencies of assembly/warehouse layouts; point-of-sale hardware/software maintenance; delivery vehicle condition; and general cleanliness.

5. We will provide a training program. We may require a new general manager, retail manager, or production manager hired to work in your Store(s) after it is already open for business to attend and successfully complete our training program (Franchise Agreement § 5.A(iv)), which is described in more detail below.

6. We will provide you our standard plans and/or specifications for your use in remodeling and otherwise maintaining the premises for your Store(s) (as applicable). In addition, we will review those plans and/or specifications as modified by anyone other than us. We will notify you of our approval or disapproval of any plans and/or specifications within a reasonable period of time after you submit them (Franchise Agreement §§ 4.A(iii), 10.A(iii) and (v)).

7. We will either designate or supply the type or format of the financial statement forms, financial statement reports, and customer evaluation forms that we require you to use (Franchise Agreement § 12.B-C and 13.B).

8. We will maintain and administer the National Marketing Fund and furnish you with approved advertising and promotional materials produced by the National Marketing Fund Program on the same terms and conditions as we furnish those materials to our other franchisees (Franchise Agreement § 11.A). The National Marketing Fund Program is described in more detail below.

9. We will strive to maintain the high standards of quality, professionalism, appearance, and service we have established, and to that end will conduct, as and when we deem advisable, inspections of the Store(s) (Franchise Agreement § 13). We have the right to perform any continuing obligation that the Franchise Agreement imposes on us through our designee, employee, or agent, as we may direct.

Interim Remedies; Limited Services:

If you are in default under the Franchise Agreement, we may, at our option, impose interim remedies or limit certain services we provide to you ("Limited Services") instead of immediately terminating your Franchise Agreement. We will provide written notice prior to implementing any Limited Services. Limited Services may include, for example, suspension of access to our systems, programs, support, or training, removal of your store's online presence or e-commerce functionality, or denial of approval for expansion or additional locations. You will remain responsible for all applicable fees during any period of Limited Services. Our exercise of interim remedies or Limited Services does not waive our right to terminate the Franchise Agreement. See the Franchise Agreement for additional details.

Franchise Advisory Committee

We maintain a Franchise Advisory Committee ("FAC") composed of franchisees and representatives of the franchisor. The FAC serves in an advisory capacity only and provides a forum for the exchange of ideas and communication between franchisees and us. The FAC may offer input on system-wide initiatives, operations, marketing, and other matters affecting the franchise system.

Franchisee members of the FAC are generally elected by franchisees, and franchisor representatives are appointed by us. We determine the structure, composition, selection process, and operation of the FAC, and we may modify or discontinue the FAC at any time.

The FAC has no authority to bind us or any franchisee and does not have operational or decision-making power.

Advertising and Promotion/The National Marketing Fund Program. Advertising materials and services are provided to you and our other franchisees through the National Marketing Fund (Franchise Agreement §11.A.(iii)). At present, we use designated outside agencies and freelance agents to create advertising and marketing materials paid for through the National Marketing Fund. We also may conduct public relations campaigns which may indirectly benefit all of our franchisees.

Unless we waive the requirement in writing, you and all other VERLO® franchisees must make monthly contributions, currently $500 per location (and may be increased up to 2½% of Gross Sales), to the National Marketing Fund as described in Item 6. Company will not increase the National Marketing Fund Fee more than 0.5% of your monthly Gross Sales in a calendar year and will give 90 days' notice in the event of an increase. Any VERLO® MATTRESS Store(s) that we or our affiliates own also will make monthly contributions to the National Marketing Fund at the same rate as a majority of VERLO® franchisees. Certain approved suppliers may also make contributions to the National Marketing Fund as participants of the Key Vendor Program described in Item 8 (Franchise Agreement §§ 8.D and 11.A(i) and (v)).

We have the right to determine how to spend amounts contributed to the National Marketing Fund and the methods of marketing, advertising, media employed and contents, terms and conditions of marketing campaigns and promotional programs (Franchise Agreement § 11.A(iii)). We may, for example, use the National Marketing Fund to pay the costs of: conducting marketing surveys and research; compensating employees and contractors who develop, administer, and implement marketing and advertising programs; employing advertising, marketing, and public relations firms; preparing and producing video, audio, and written marketing material; creating, maintaining and updating the Web Site; advising multi-regional marketing programs and employing advertising agencies to assist in the administration of these programs; providing

marketing materials and in-store, point-of-sale materials to VERLO® MATTRESS STORES; ~~and~~, holding conventions and regional meetings for VERLO® franchisees; and other costs related to the development, administration, and implementation of consumer marketing, brand promotion, and system-wide advertising programs. National Marketing Fund monies are not used for advertising that is principally a solicitation for the sale of additional franchises.

We may require you to participate in a local or regional advertising cooperative. We will determine the area covered by a cooperative. We will determine the amount you will contribute to the cooperative (not to exceed 4% of your Store's Gross Sales) and all franchisees will contribute at the same rate. Any VERLO® Mattress that we or our affiliates own also must contribute at the same rate. Cooperative advertising contributions will be credited toward your local advertising spending requirement, as described further below. The cooperative members are responsible for administering the cooperative, but the cooperative must be operated under bylaws and guidelines we establish. We may require that all contributions to the cooperative be deposited with a third party accounting firm we approve that will pay the cooperative's bills, collect contributions and prepare profit and loss statements for a reasonable fee. Cooperatives must prepare annual unaudited financial statements for its members' review. We have the right to form, change or merge a cooperative.

We periodically may arrange for advertising to be conducted among a local or regional group of Franchisees.

The Franchisor has established and may modify at any time, a Marketing Advisory Subcommittee which consists of no more than three (3) Franchisee elected members, no more than two (2) appointed members and one (1) Franchisor Representative. The objective of the subcommittee is to gather and analyze data, provide insights, and deliver actionable recommendations to the Verlo Mattress Franchise Advisory Committee (FAC) on marketing, ensuring that the FAC is empowered to make well-informed recommendations to the Franchisor. This subcommittee serves solely in an advisory capacity, and the Franchisor retains final decision-making authority regarding all System standards, policies, and programs.

During the last fiscal year of the National Marketing Fund (ending December 25, 2025) the National Marketing Fund's income was spent in the following categories (including related administrative expenses, if any): Advertising 18%, PR/SEO/Website 38% Marketing Wages 22%, Dues and Subscriptions 5%, Owner's Conference 9%, and Office 8% Total, 100%.

We have the right to be reimbursed out of the National Marketing Fund for our other activities relating to the National Marketing Fund, including collecting and accounting for contributions to the National Marketing Fund.

In any fiscal year we may spend an amount greater or less than the aggregate contribution of all of the VERLO® MATTRESS STORES to the National Marketing Fund in that year. If there are any National Marketing Fund dollars that are not spent in the fiscal year in which they accrue, the funds will either remain in the National Marketing Fund, or be invested elsewhere by the National Marketing Fund, for use by the National Marketing Fund in upcoming years. If there is a temporary deficit in the National Marketing Fund, the National Marketing Fund may borrow from us to cover the deficit (Franchise Agreement § 11.A(v)).

We will account for the National Marketing Fund separately from our other funds and, at your reasonable written request during the following calendar year, will provide you with an annual financial statement for the National Marketing Fund for the prior calendar year (Franchise Agreement §§ 11.A(iv)).

The National Marketing Fund is intended to be used to develop general public recognition of the Trademarks and increase patronage of VERLO® Mattress in general. We are not obligated: (1) to spend any set amount on advertising in the area where your Store will be located, (2) to ensure that expenditures by the National Marketing Fund in or affecting any geographic area are proportionate or equivalent to the contributions to the National Marketing Fund made by the VERLO® Mattress operating in that or any geographic area, or (3) to ensure that any VERLO® Mattress will benefit directly or in proportion to its contribution to the National Marketing Fund. The National Marketing Fund is not a trust or escrow account and we have no fiduciary duty regarding the National Marketing Fund (Franchise Agreement § 11.A(vi)).

In addition to paying the monthly National Marketing Fund Fee, you must spend at least 6% of your Store's Gross Sales, as measured on an annual basis, on local advertising and promotion of the Products. You may use advertising/marketing materials and local promotion programs developed by the National Marketing Fund or you may develop your own advertising/marketing materials and programs, at your expense (Franchise Agreement § 8.I). Any advertising/marketing materials or local promotion programs you develop must be accurate and true, ethical, and in good taste and otherwise must meet our current specifications (Franchise Agreement § 10.H). You must submit to us, for our review, a sample of all advertising/marketing materials and a description of all local promotion programs not prepared by us and obtain our written approval of the materials or programs before using the materials or programs. If, however, we fail to provide you with either written approval or disapproval of the materials or programs within 10 business days after receipt of the materials or description from you, the materials or programs will be deemed approved. Additionally, we may require that you submit to us an annual local media plan for our approval (Franchise Agreement § 11.C).

Required Technology Systems.

You must purchase and otherwise access our Technology Systems (which may include hardware and software items, on-line communication tools, including web sites, and other electronic resources and/or support services, all meeting our specifications as described in the Electronic Manuals or otherwise in writing). Our Technology Systems requirements include at least one computer, high speed internet access, printers, and other hardware and software that we require. We require that all business communications within the VERLO® MATTRESS STORES system be conducted exclusively through the Company-approved verlo.com email accounts and/or designated systems.

Use of the specified hardware and software allows you the capability of running the designated point-of-sale system and also ensures that your system is compatible with the computer operating systems of the entire organization. You also must pay, commencing with the calendar month after the Effective Date, during the term of this Agreement, a Technology Fee that is currently $500 per store per month, subject to change, as described in Item 6 (Franchise Agreement §§ 8.E and 10.M). In addition, we estimate the annual cost of any additional optional or required maintenance, updating, upgrading, or support contracts will be $500 per year.

The primary function of the required computer and printer is to generate invoices and reports. The primary functions of the point-of-sale software system are customer invoice generation and processing, tracking of type of payment and date payment is received, cost management, accounts receivable management capability, and multiple manipulation of all purchase and customer sales transactions.

Our Technology Systems (including on-line resources) allow data, communication, reports, education and other relevant operational information to be shared electronically with us and/or across the franchise population, and we have independent access to information generated

and stored in these systems. We require that all business communications within the VERLO® MATTRESS STORES system be conducted exclusively through the Company-approved verlo.com email accounts and/or designated systems we designate. You and your employees may not use personal or non-approved email addresses for system, customer, vendor, or internal brand communications. You must participate in the Technology Systems. We will determine the content and use of the Web Site, Technology Systems, or other on-line communications and will establish rules under which you may or will: (a) participate in any Web Site or the Technology Systems, or (b) separately use the Internet or other on-line communications (Franchise Agreement § 6.N). We have the right to access and store any information or reports generated or stored by your Technology Systems, including the point-of-sale software system, for any purpose or use related to our operation and/or management of the VERLO® MATTRESS STORES system (Franchise Agreement § 10.M(i)). In addition, the list or database of customers served at your Stores is our property, which we may utilize or assign to our designee, without any obligation to compensate you in any manner (Franchise Agreement, § 10.M(ii)). We also may use the Technology Systems and/or Internet to maintain and update the point- of-sale software system. Although we have the right to provide these updates to the proprietary software, we have no obligation to provide ongoing maintenance, repairs, upgrades, or updates for the computer hardware or point-of-sale software program (Franchise Agreement § 10.M(iii)). At present, however, our staff does provide general support to our franchisees, at no cost, with respect to the Verlo apps. We encourage our franchisees to take advantage of extended warranty programs offered by third-party suppliers of the hardware and software used in our designated Technology Systems.

Due to the rapid speed at which technology changes, we have the right to modify the Technology Systems and/or to require you to replace any of the components of your Technology Systems (including any hardware and software) if, in the future, we deem the component to be:
(a) undersized or otherwise insufficient for the efficient operation and management of your Store, or (b) incompatible with our Technology Systems. (Franchise Agreement § 10.M(iv)). There are no contractual limitations on our right to require you to replace or update the various components of your Technology Systems, nor are there any contractual limitations on the cost that you may be required to incur as a result of our exercise of this right. We will, however, give consideration to the expense and impact involved.

Site Selection.

We grant franchises for specific locations only (Franchise Agreement §§ 1.D and 3.A). You must obtain our advance, written approval of the site for your Store(s) and the lease for the premises at that site. Although we may assist you in the site selection process, you are solely responsible for locating a site for your Store(s) that meets our approval. Once you have a letter of intent signed for the contract of sale or lease, you must move forward with a site survey to obtain current dimensions and conditions of the store premises. The site survey would be at your cost. We may also require an on-site visit by us or our designee to evaluate the proposed location, and you must reimburse us for the reasonable cost of that visit (see Item 6).

The factors that we consider in accepting or rejecting proposed locations for Retail Assembly Store or Retail Only Store may include the following: size and other physical characteristics of the proposed premises, population density, visibility, ease of access, traffic patterns, parking, the proposed location's proximity to other VERLO® MATTRESS STORES and their competitors, the proximity to certain other types of stores and businesses, marketing and advertising costs at the site, general location and zoning, and lease terms.

You must open your Retail Assembly Store or Retail Only Store, within 365 days of signing the Franchise Agreement. Therefore, if you have not already obtained our approval of a site and lease on the date that you enter into the Franchise Agreement, you must submit to us all information we require regarding the proposed site within 170 days of executing your Franchise Agreement and obtain our approval of your site within 180 days of executing the Franchise Agreement. We rely on franchisees meeting Store opening deadlines and have the right to terminate the Franchise Agreement if you fail, as determined by us, to exercise due diligence in finding a site and lease, or if you fail to open your Store within the required time period. We generally do not own, and in turn lease to you, the premises for your initial Retail Assembly Store or Retail Only Store.

In addition to an initial Retail Assembly Store or Retail Only Store, we may permit you and/or any of our other franchisees to operate Additional Stores. We may grant you this right either at the same time that we grant you the right to operate your initial Store or at any time during the term of the Franchise Agreement. You will be required to execute a Multi-Unit Development Addendum in connection with our approval of any Additional Store(s). (See Exhibit I to this Disclosure Document) We will not consider your request to open additional Stores you are in default on your obligations to us under your Franchise Agreement or otherwise.

Length of Time Between Signing the Agreement and the Beginning of Operations of the Store.

We anticipate that franchisees will typically open for business within 365 days after they sign the Franchise Agreement or pay any consideration for the franchise. This time period may vary substantially, however, depending on a variety of factors, including: whether you have located and we have accepted a specific site for your Store at the time the Franchise Agreement is signed; prevailing real estate market conditions; your ability and the amount of time it takes you to obtain a lease that is acceptable to us; the availability of or your ability to obtain financing for your Store; zoning and local ordinances; delays in obtaining building, occupancy, or other permits; delays in completion of the necessary build- out of the premises; weather conditions; delays in the installation of equipment, fixtures, and signs; and the time available to provide required training to personnel.

Training.

Other than Additional Stores we may allow you to open after your initial Store, you as the owner must attend and successfully complete our VERLO® training program to our satisfaction before opening your Store for business. If you hire a new general manager, retail manager or production manager after your Store is open for business, we may require that he or she must also attend and successfully complete our training program at your expense. Your estimated costs associated with sending your training attendees to our training program are provided in Item 7.

The initial training program is conducted at our training facility in Greenfield, Wisconsin, or another site or platform as we designate. Training may be in person or remote, at the sole discretion of the Franchisor. The training program will vary in length depending on your experience and expertise, but generally runs for a minimum of 5 days. Periodically, staff persons, suppliers, and independent third parties will participate in the training program. We will also require a minimum of 12 hours of additional training that may be conducted virtually.

Training is conducted primarily by or under the direction of Pat Murray, VP of ~~Retail~~ Operations, Darren Brylow, Franchise Business Coach and Jana Michaelis, Director of Marketing.

Patrick Murray, CFE, Vice President of Operations, has his Certified Franchise Executive designation and joined Verlo in 2019. He has been in the mattress and bedding industry since 2019. In the Verlo environment, Patrick works directly with franchisees and their teams to develop, train, and hone the sales processes and customer relations skills they will need to excel in our system. Additionally, Patrick will advise on showroom layout and merchandising best practices.

Before working with Verlo, Patrick's career was focused in the car industry. For six years, he received training in team development and unique sales training techniques from some of the most regarded names in the industry, including Toyota, Mercedes, and Volvo. In addition to sales, these brands are coveted for their efficient processes and customer service.

Darren Brylow, Franchise Business Coach has worked with Verlo for over 23 years in multiple capacities. In Darren's time with Verlo, he has worked as the Customer Experience Manager, National Service Leader, Product and Logistics Manager and led teams for Production and Delivery. Additionally, he has helped train and support current and new Franchisees with the Verlo Point of Sale system and Delivery Routing.

Jana Michaelis has over 20 years of experience in marketing and brand development and joined Verlo in 2025. She has been in the mattress and bedding industry since 2025. At Verlo, she is responsible for overseeing marketing strategy, campaign development, and brand execution. She supports franchisees through marketing programs, promotional planning, and brand guidance. Prior to joining Verlo, Jana held marketing and creative roles in hospitality and large-scale development projects, including work related to the Baird Center expansion in Milwaukee.

The instructional materials used in our training program may include the Electronic Manuals, handouts, sales training booklet, manuals, videos (including videos on sales techniques, accounting, and software use and design) mattress and box spring mock up units, demonstrations, production and retail training areas, on-line education, written and oral presentations, and tests.

In addition to the initial training program described above, we may also provide you with further training at your Store within the 60-day period after your Store opens for business. This training may be in any of the subjects listed above, but the number of hours devoted to training in a particular subject area will vary depending on our training representatives' determination as to the areas in which you most need additional assistance and training.

Although we are not required to do so, we may offer additional, refresher, or remedial training programs from time to time on topics relevant to franchise operations We reserve the right to require you, your managers, or other personnel to attend these programs. additional training is required or requested after your Store opens, you must pay our then-current training fees, if any, and all related travel, lodging, wages, and other expenses incurred by your personnel attending the training. We may determine the location, format, timing, content, and number of attendees for any training program in our discretion, and may offer training virtually.

We may from time to time conduct regional or national conventions, which may or may not include refresher or supplemental training. If you attend, you will be responsible for your transportation and living expenses in attending conventions, along with payment of a registration fee or non-attendance fee, if imposed (see Item 6).

In addition to any training or conventions we may offer, you must provide each of your

managers and employees with any additional training as may be needed to ensure your compliance with all of your obligations under the Franchise Agreement. Further, with respect to any additional Stores that you may develop, as approved by us, you will be responsible for the training and supervision of your Store managers, although we may provide to you, virtually or otherwise, certain training and evaluation tools for your use. Our initial training program is as follows at our training facility, located in Greenfield, Wisconsin or another site or via another platform as we designate. Classroom training includes online training.

TRAINING PROGRAM

Subject	Hours of Core Training	Hours of Follow-Up Training	Location
Componentry, Product & Sales Process	64	8	Training Facility or another site/platform we designate
Production/Production Management	32	8	Training Facility or another site/platform we designate
Marketing & Advertising	16	12	Training Facility or another site/platform we designate
TOTAL	112	28	

Item 12. TERRITORY

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. You will be given a specific geographic area (the "Site Selection Area") within which you must locate a site for your Store. The Site Selection Area is used only for selection of a site for the Store, grants no territorial rights or protection, and, after we grant you a Territory as described below, the Site Selection Area is void and no longer applicable.

You will receive a designated area as your protected territory (the "Territory") for each store you are granted the right to open. You will receive a protected territory (the "Territory") for each Store only after you have opened the number of Stores required under the applicable Multi-Unit Development Addendum. At that time, Company will designate a Territory for each such Store. If you are not developing Stores under a Multi-Unit Development Addendum, Company will designate a Territory for the Store once the Store is opened at an accepted site. During the term of your franchise agreement, and as long as you are in full compliance with the term of your franchise agreement, we will not ourselves operate, nor grant anyone else the right to operate, a Verlo Store in your Territory. This Territory refers to the physical location of the store only and does not grant rights to marketing or limit sales competition in that area. For clarity, we may market and sell products, including competing products and products using the Verlo® marks, in your Territory, provided that we do not ourselves operate, nor grant any third party the right to operate, a physical Verlo Store in the

Territory. You may face competition from other franchisees, from stores that we own, or from other channels of distribution or competitive brands that we control. The Territory will be based on the factors that we deem relevant, which might include population, traffic flow, presence of businesses, location of competitors (including other Verlo Stores), demographics, and other market conditions. Territories will generally be defined by a driving distance of a 4-mile radius from your store location, with the exception of major metropolitan or densely populated areas. The Territory may be defined based on geographic boundaries, streets or other criteria, as we determine appropriate. Once we have defined the Territory, we will determine the Territory and insert a description (including a map) of the Territory in Exhibit 6 of the Franchise Agreement. At that point, you will have no territorial or other rights in those portions of the Site Selection Area that are outside the Territory. Your territorial rights are not based on achieving certain levels of sales. However, we may reduce or eliminate your Territory if you are in material breach of your franchise agreement.

The Franchise Agreement grants you the right to operate one (1) initial Store. The Multi-Unit Development Addendum, attached as Exhibit I, grants you the right to open additional stores if the development timeline is followed. Separate Franchise Agreements must be signed for each additional store once their location is identified and accepted by us. We must accept the location of each of your VERLO® MATTRESS STORES. Further, you may not relocate any Store without remitting payment to us for our then-current relocation fee and obtaining our prior written acceptance (which we will not unreasonably withhold) of the proposed relocation site, relocation plan, and lease for the new site. As of the date of this disclosure document, our relocation fee is $5,000.

The rights granted to you under the Franchise Agreement are limited to the right to develop and operate a VERLO® MATTRESS STORE at an accepted location and does not include: (i) any right to sell Products, Accessories or other items identified by the Trademarks at any location or through any other channels or methods of distribution, including the Internet (or any other existing or future form of electronic commerce), other than at your VERLO® MATTRESS STORE (or any Additional Store approved by us); (ii) any right to sell Products, Accessories, or other items identified by the Trademarks to any person or entity for resale or further distribution; or (iii) except as provided in the next paragraph, any right to limit our development or operation of franchised, company or affiliate- owned stores, whether under the Trademarks (*i.e.*, VERLO® Mattress) or otherwise, at any time or at any location.

We may develop franchised, company-owned or affiliate-owned stores VERLO® MATTRESS STORES or stores operating under trademarks other than the VERLO® Trademarks at any location outside of your Territory (including locations near your Territory). We and our affiliates have the right to manufacture, assemble, distribute (including through alternative channels or methods of distribution, such as the Internet or other forms of electronic commerce), or license the manufacture, assembly or distribution of any products (including the Products, Accessories and Components) or services, regardless of whether the products and services are authorized for sale in VERLO® MATTRESS or whether the products are provided under the Trademarks, or other trademarks, service marks, logos or commercial symbols. These products or services may or may not be similar to the products and services offered at your VERLO® MATTRESS STORES. All of these locations and activities may compete with you, and we do not offer compensation for soliciting or accepting orders that may compete with you.

There is no minimum sales quota you must maintain. We will not grant you any options, rights of first refusal or similar rights to acquire additional franchises within a particular market

area or contiguous area unless expressly set forth in a Multi-Unit Development Addendum attached as Exhibit I.

Item 13. TRADEMARKS

The Franchise Agreement licenses you to use the Marks, as well as certain other trademarks, service marks, trade names and logotypes that are either presently being used or that may later be used in the operation of VERLO® MATTRESS STORES, (collectively referred to in this disclosure document as the "Trademarks"). We claim common law trademark rights for all of our respective Trademarks. Further, we own the registrations to each of the following principal Trademarks and service marks registered on the Principal Register of the United States Patent and Trademark Office:

Mark	Registration No.	Registration Date
VERLO®	Reg. No.: 4,945,220	Reg. Date: April 26, 2016
Verlo Image	Reg. No.: 4,761,996	Reg. Date: June 23, 2015

All required affidavits of use have been filed as necessary to keep the federal registration/application of the Trademarks listed above in full force and effect. The Trademark "VERLO®" is also registered in the State of Wisconsin (Registration Date: October 21, 1987). The Trademarks have not been registered in any other states.

Your use of the Trademarks is subject to the terms of the Franchise Agreement. Further, your use of the Trademarks and any goodwill is to our and our affiliates' exclusive benefit and you retain no rights in the Trademarks. We may change the Trademarks at any time. You are not permitted to make any changes or substitutions of any kind in or to the use of the Trademarks unless we direct in writing. You must comply, at your expense and within a reasonable time, if we notify you to discontinue, modify, substitute or add your use of any Trademark. We will have no liability or obligation as to your discontinuance, modification, substitution or addition of any Trademark.

There are currently no effective material determinations by the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, or any pending infringement, opposition or cancellation proceeding, or any pending material litigation, involving our principal Trademarks. There are currently no agreements in effect that significantly limit our rights to use or license the use of any of our principal Trademarks in any manner material to the franchise. There are no infringing uses or superior prior rights actually known to us that could materially affect your use of our principal Trademarks.

You must immediately notify us of any apparent infringement of or challenge to your use of the Trademarks, any suspected unauthorized use of or claim by any person of any rights in the Trademarks, or any use of or claim by any person of any rights to a trademark confusingly similar to the Trademarks. You must not communicate with any person other than us and our counsel regarding any such infringement, challenge, or claim. We have the sole right to take any action that we, in our judgment, deem appropriate and the right to exclusively control any litigation or other proceedings involving any of the Trademarks, including any settlement. We are not,

however, required to take any action. You must sign any documents, provide any assistance, and do any acts (including becoming a nominal party to any legal action) that we believe is necessary or advisable to protect and maintain our interests in any litigation, administrative, or other proceedings, or to otherwise protect and maintain our interest in the Trademarks. If your use of the Trademarks complies with the terms of the Franchise Agreement, we will reimburse you for your out-of-pocket costs in providing any required assistance or performing any required acts in connection with any trademark litigation or proceeding.

Further, if you have timely notified us of any claim, suit, or proceeding brought against you by a third-party, and, in our sole judgment, you have otherwise complied with the Franchise Agreement, we will indemnify you for any damages for which you are held liable in any suit or proceeding related to your use of any of the Trademarks under the Franchise Agreement, and for any costs which you reasonably incur in the defense of any claim brought against you or in any proceedings in which you are named as a party. If we determine you have not timely notified us of the claim, suit, or proceeding brought against you by a third-party, or you have failed to comply with the Franchise Agreement in your use of the Trademarks or otherwise, you will be responsible for any damages and defense costs that you incur.

Item 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

There are no patents or copyrights currently registered that are material to the franchise, although we do claim copyright ownership and protection for our Franchise Agreement, Technology Systems, Electronic Manuals and for various sales promotional and other materials published from time to time.

There are no currently effective determinations of the Copyright Office (Library of Congress), United States Patent and Trademark Office, Board of Patent Appeals and Interferences, or any court, or any pending infringement, opposition or cancellation proceeding or any pending material litigation involving any patents or copyrights. There are currently no agreements in effect that significantly limit our rights to use or license the use of any patents or copyrights in any manner material to the franchise. There are no infringing uses actually known to us that could materially affect your use of the patents or copyrights.

We are not obligated to protect you against infringement or unfair competition claims arising out of your use of any patents or copyrights, or to participate in your defense or indemnify you. We reserve the right to control any litigation related to any patents and copyrights and we have the sole right to decide to pursue or settle any infringement actions related to our patents or copyrights. You must notify us promptly of any infringement or unauthorized use of the patents or copyrights of which you become aware.

You must keep confidential during and after the term of the Franchise Agreement all proprietary information, including the Electronic Manuals and any other proprietary information or content posted through our Technology Systems, or otherwise communicated to you (whether through electronic or other means of communications). Your use of the proprietary information is subject to the terms of the Franchise Agreement. Upon termination of your Franchise Agreement, you must return to us all proprietary information, including the Electronic Manuals and all other copyright material. You must also discontinue any further access of the Technology Systems or other forms of electronic communications provided by us. If you fail to do so, you must pay us all damages, costs, and expenses (including reasonable attorney's fees) we incur in obtaining injunctive or other relief for the enforcement of any provision of this Section following the termination or expiration of this Agreement. You must notify us immediately if you learn about an unauthorized use of proprietary information. We are not obligated to take any action and

we have the sole right to decide the appropriate response to any unauthorized use of proprietary information. You must comply with all changes to the Electronic Manuals at your cost.

Item 15. OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

You must participate personally in the direct, on-premises operation of any VERLO® Mattress Store that you develop unless we and you otherwise agree in writing. If the franchise will be owned by an individual, he or she will be the on-premises manager of your Store. If the franchise will be owned by a legal entity, one of your owners will be the on-premises manager of your Store.

If we do not require you to personally participate in the direct, on-premises operation of the VERLO® MATTRESS STORE, you must hire a manager to conduct the on-premises supervision of your Store and you (or your owners) must still complete our training program to our satisfaction. In hiring a manager to conduct the required on-premises supervision of the Store, you must comply with all applicable laws and must notify us of the manager's identity. We must approve the general manager and the general manager may be subject to the same evaluation criteria we use to evaluate franchise owners, including background check of criminal and civil litigation history, bankruptcy history and other information. If the general manager fails to meet our standards, violates our policies, or otherwise becomes unacceptable to us, we may require you to remove that individual from the position of manager of the Store and designate a replacement manager acceptable to us. We may require your owners, officers, directors, managers and other employees who will have access to our proprietary information to enter into a confidentiality and non-competition agreement with you in a form we approve. A sample form of confidentiality and non-compete agreement is attached as Exhibit F to this disclosure document. In addition, we may provide you with limited access to our proprietary information before you sign the Franchise Agreement, in which case you must sign the Confidential Disclosure Agreement provided as Exhibit F to this disclosure document. Further, your owners must personally guaranty your obligations under the Franchise Agreement and otherwise. (See Franchise Agreement at Exhibit 3).

Item 16. RESTRICTIONS ON WHAT YOU MAY SELL

You are only authorized to sell or offer for sale those products (including the Products and Accessories) and services that we have expressly approved in advance. You may not, without our written approval, offer any additional or substitute items, accessories, or services that are not authorized by us. To maintain the Store in accordance with our expectations of and desired image, you must adequately stock, display, promote, and sell all types of products and services, as designated by us. You must immediately discontinue stocking, displaying, promoting, and selling any type of product and/or service that we, in our sole judgment, designate as discontinued or no longer approved. To allow us maximum flexibility in responding to the changing marketplace, new technologies, and competition, we have an unlimited right to change the content and composition, method of assembly, types, names, and number of the authorized products and/or services that you are required to stock, display, promote, and sell, and you must comply with the changes we require.

You are allowed to sell the approved products and services only to residential and commercial customers in accordance with the terms of the Franchise Agreement. As more fully explained in Item 12, you may not sell the approved products and services (i) through methods or channels of distribution (including the Internet or any other existing or future form of electronic

commerce), other than at your Retail Assembly Store or Retail Only Store, and (ii) to any person or entity for resale or further distribution. None of the above restrictions regarding the products and services that you are limited to selling, the products and services you must sell, the customers to whom you may sell your products and services, or the channels and methods of distribution that you may use, are conditioned on your meeting certain defined sales quotas, market penetration levels, or other standards of sales performance.

Item 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreement attached to this disclosure document.

Provision	Section in Franchise or Other Agreement	Summary
a. Length of the franchise term	Section 3.E	10 years, unless terminated earlier under Section 16 of the Agreement
b. Renewal or extension of the term	Section 15	For term granted under our then-standard franchise agreement, currently 10 years, subject to requirements summarized below
c. Requirements for you to renew or extend	Section 15	Minimum of 190 days' written notice; compliance with Franchise Agreement; possession of Store premises; renovation of Store premises; signing of then-current franchise agreement, (which may contain materially different provisions than the original Franchise Agreement), ancillary forms and agreements, payment of renewal fee/charges, and general release
d. Termination by you	Section 16.C	30-day cure period upon written notice of material breach; termination effective 60 days from such written notice upon our failure to cure; your post-term obligations generally apply (see "i" below)
e. Termination by us without cause	Not Applicable	
f. Termination by us with cause	Section 16	We may terminate the Agreement for any defaults listed in Section 16
g. "Cause" defined – curable defaults	Section 16.B	Cure periods: 10 days for inaccurate reports or monetary defaults; 3 days for failure to comply with insurance requirements; 30 days for failure to comply with development schedule and for other defaults under the Franchise Agreement

h.	"Cause" defined – non-curable defaults	Section 16.A	Bankruptcy or insolvency; failure to construct or open Store on time; abandonment; material misrepresentations or omissions; failure to complete training; lack of fitness to be a franchisee; failure to obtain our consent as required; conviction of felony or misdemeanor; danger to public health and safety; unauthorized transfer; loss of right to occupy Store premises; termination of other agreement (including franchise agreement or lease) with us; misuse of the Trademarks; unauthorized use or disclosure of the Trade Secrets or Electronic Manuals; failure to provide proper notice of government action or similar litigation; failure to comply with non-compete covenants; false reports or records; offer or sale of unauthorized products; certain repeated defaults even if cured after notice
i.	Your obligations on termination/non-renewal	Section 17	Pay amounts due; de-identification; cessation of use of the Trademarks and Trade Secrets; discontinue access to the Electronic Manuals; post-term covenant not to compete; assignment of lease for Store premises to us; payment of our enforcement costs; assignment of telephone numbers and customer lists; purchase option (see "o" below)
~~j.~~	Assignment of contract by us	Section 14.A	No restrictions on our right to transfer the Franchise Agreement
~~k.~~	"Transfer" by you - defined	Section 14.B-D	Assignment or transfer (including any sale, assignment, pledge, mortgage, or lien) of the Franchise Agreement, Store, franchise, or franchise assets (or any interest in any of these) to another person or entity; voluntary surrender or termination of your franchise in conjunction with our grant of a new franchise for the Store's Authorized Location to another person or entity; transfer of control of your business; or the transfer of equity (including stock) in your business
~~l.~~	Our approval of transfer by you	Section 14.B-D	Our approval of all transfers required; see Section 14.B. for list of grounds for our withholding approval and Sections 14.C and 14.D. for additional requirements that we impose in the case of a transfer to a new entity formed by you or a transfer in the event of death or incapacity

~~m.~~	Conditions for our approval of transfer	Section 14.B-D	Qualified transferee; payment of transfer fee; compliance with Franchise Agreement and other agreements with us; our current standards met at each Store; transferee would not be in violation of non-compete provisions; debts paid; release of claims; old agreement assigned and assumed or new agreement signed; assignment of lease; we approve general terms of transfer; subordination of transferee's obligations to you; training completed; proper Store appearance; and indemnification [Note: special rules apply if transfer is to entity you control (see Section 14.C) or is upon the owner's incapacity or death (Section 14.D)]
~~n.~~	Our right of first refusal to acquire your business	Section 14.E	We have a right of first refusal if you receive an offer for your business or franchise

~~o.~~	Our option to purchase your business	Sections 4.C, 10.K and 17.K	Upon termination we have the right to purchase all the equipment, inventory, and leasehold improvements of your Store at Book Value; we may assume your lease upon termination
~~p.~~	Your death or disability	Section 14.D	Heir or successor-in-interest must satisfy transfer conditions (although transfer fee waived) within 180 days
~~q.~~	Non-competition covenants during the term of the franchise	Section 9.E	No interest in any competing business
~~r.~~	Non-competition covenants after the franchise is terminated or expires	Section 17.E	For two years, no interest in competing business: (a) within 100 miles of your Store(s), (b) within 100 miles of any VERLO® MATTRESS STORES, or (c) that is franchising or licensing stores that offer similar goods
~~s.~~	Modification of the Agreement	Sections 5.C and 19.P	No modification generally but Electronic Manuals and standards and specifications subject to change
~~t.~~	Integration/merger clause	Section 19.K	Only the terms of the Franchise Agreement are binding (subject to state law.) Any promises outside the disclosure document and franchise agreement may not be enforceable.
~~u.~~	Dispute resolution by arbitration or mediation	Section 19.H-I	Mandatory Mediation; Claims subject to arbitration in Madison, Wisconsin, in accordance with American Arbitration Association rules; limited right of judicial appeal from arbitrator's decision.
~~v.~~	Choice of forum	Section 19.G	Litigation must be in Wisconsin (subject to state law)

~~w.~~x Choice of law	Section 19.F	Governed by Wisconsin law, except that any Wisconsin Law relating to franchises, dealerships or business opportunities apply only if the jurisdictional elements of the law are satisfied. (subject to state law)

Item 18. PUBLIC FIGURES

We do not use any public figures to promote our franchise.

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Item 19. FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned stores, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if:
(1) a franchisor provides the actual records of an existing stores you are considering buying; or
(2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

Some stores have sold this much. Your individual results may differ. There is no assurance that you'll sell as much.

As of December 31, 2025, there were 23 Franchisees who own and operate 33 stores. The following tables contain historical financial data for 14 Verlo Mattress franchisees (61% of the total) who operate 20 Stores (60% of the total) that were open and operating continuously from January 1 through December 31, 2025, whose results reflect only locations open for that entire period, who did not undergo ownership transfers or add or acquire locations during the year, and for whom we received complete financial information. Franchisees were excluded if they were not open for the entire period, experienced ownership transfers, acquired or added locations during the year, had locations that were opened or closed during the year, or did not provide complete financial information.

Franchisees or franchisee business entities report financial data, including Net Sales, Cost of Goods, and Gross Profit, to us by aggregating the financial data of all Stores that such franchisee operates. "Net Sales" means the aggregate of all retail sales net of discounts. "Cost of Goods" means cost of materials and not including operating overhead and other fixed expenses. "Gross Profit" means the remaining profit after the Cost of Goods are subtracted from Net Sales. "Labor" includes Direct Labor, Outside Labor, Wages-Salespeople, Commissions-Salespeople, and Wages Delivery. "Labor" excludes Owner Benefits and Office Wages.

We do not directly operate any of these Stores; company-owned Stores are not included because they are operated by our affiliate.

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Table 1.

Franchise	Sales By Franchise	Number of Stores
Franchise A	$3,146,037.06	2
Franchise B	$2,697,551.46	3
Franchise C	$2,485,611.52	2
Franchise D	$1,942,304.04	2
Franchise E	$1,828,687.03	1
Franchise F	$1,236,919.90	1
Franchise G	$1,039,529.61	2
Franchise H	$952,329.69	1
Franchise I	$837,200.43	1
Franchise J	$836,658.85	1
Franchise K	$558,234.81	1
Franchise L	$473,488.80	1
Franchise M	$445,451.74	1
Franchise N	$266,152.28	1

Table 2.

AVERAGE ALL FRANCHISEES (excludes corporate stores)		
Gross Profit		% Sales
Average Net Sales (note 1)	$1,339,011.23	100%
Cost of Goods (note 2)	$410,369.92	31%
Gross Profit (note 3)	$866,731.89	65%
Selected Costs		
Advertising (note 4)	$141,314.54	11%
Labor (note 5)	$189,117.96	14%
Royalties & Fees (note 6)	$76,036.30	6%
Rent (note 7)	$129,197.93	$10%

Notes:

1. Median Net Sales was $995,929.65; High Net Sales was $3,146,037.06; Low Net Sales was

$187,690.12. Five (5) of the franchisees (36% of the 14 reported Franchisees) had Net Sales greater than average.

2. Median Cost of Goods was $340,421.31; High Cost of Goods was $1,000,021.16; Low Cost of Goods was $64,544.54. Six (6) of the franchisees (43% of the 14 reported Franchisees) had Cost of Goods greater than average.

3. Median Gross Profit was $642,657.29; High Gross Profit was $2,146,015.90; Low Gross profit was $123,145.58. Five (5) of the franchisees (36% of the 14 reported Franchisees) had Median Gross Profit greater than average.

4. Median Advertising was $122,211.16; High Advertising was $311,623.58, Low Advertising was $15,440.56. Seven (7) of the franchisees (50% of the 14 reported Franchisees) had Median Gross Profit greater than average.

5. Median Labor was $158,207.34; High Labor was $533,973.61; Low Labor was $0. Five (5) of the franchisees (36% of the 14 reported Franchisees) had Labor greater than average

6. Median Royalties & Fees were $60,607.14; High Royalties & Fees were $158,455.30; Low Royalties & Fees were $12,946.06. Six (6) of the franchisees (43% of the 14 reported Franchisees) had Royalties & Fees greater than average.

7. Median Rent was $114,979.51; High rent was $280,799.59; Low rent was $21,675.00. Six (6) of the franchisees (43% of the 14 reported Franchisees) had Rent greater than average.

Franchise Royalties & Fees are incurred by franchisees and assessed and controlled by us.

Written substantiation for the financial performance representation will be made available to the prospective franchisee upon written request.

Other than the preceding financial performance representation, FWR, LLC does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing store, however, we may provide you with the actual records of that store. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting: Emily Espinoza at 301 N. Broadway, Suite 300, Milwaukee, Wisconsin 53202, 414-585-8900, the Federal Trade Commission, and the appropriate state regulatory agencies.

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Item 20. STORES AND FRANCHISEE INFORMATION

TABLE NUMBER 1
Systemwide Store
Summary For Years 2023-
2025

Store Type	Year	Stores at the Start of the Year	Stores at the End of the Year	Net Change
Franchised	2023	27	28	+1
	2024	28	36	+8
	2025	36	30	-6
Company-Owned	2023	5	6	+1
	2024	6	6	0
	2025	6	6	0
Total Stores	2023	32	34	+2
	2024	34	42	+8
	2025	42	36	-6

(1) The numbers in this chart include Retail Assembly Stores and Retail Only Stores.

TABLE NUMBER 2
Transfers of Stores From Franchisee to New Owners (Other than the Franchisor) (1)
For Years 2023-2025

Year	Number of Transfers
2023	0
2024	0
2025	2

(1) The numbers in this chart include Retail Assembly Stores and Retail Only Stores.

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TABLE NUMBER 3
Status of Franchised Stores (1)
For Years 2023-2025

(1) The numbers in this chart include Retail Assembly Stores and Retail Only Stores.

State	Year	Stores at Start	Stores Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Ops / Other	Stores at End
Arizona	2023	0	0	0	0	0	0	0
Arizona	2024	0	1	0	0	0	0	1
Arizona	2025	1	0	0	0	0	0	1
Arkansas	2023	0	0	0	0	0	0	0
Arkansas	2024	0	1	0	0	0	0	1
Arkansas	2025	1	0	0	0	0	0	1
Colorado	2023	0	0	0	0	0	0	0
Colorado	2024	0	0	0	0	0	0	0
Colorado	2025	0	0	0	0	0	0	0
Georgia	2023	1	0	0	0	0	0	1
Georgia	2024	1	0	0	0	0	0	1
Georgia	2025	1	0	0	0	0	1	0
Florida	2023	1	0	0	0	0	0	1
Florida	2024	1	0	0	0	0	0	1
Florida	2025	1	1	0	0	0	0	2
Idaho	2023	0	0	0	0	0	0	0
Idaho	2024	0	1	0	0	0	0	1
Idaho	2025	1	0	0	0	0	0	1
Illinois	2023	7	1	0	0	0	0	8
Illinois	2024	8	0	0	0	0	1	7
Illinois	2025	7	1	0	0	0	0	8
Iowa	2023	1	0	0	0	0	0	1
Iowa	2024	1	0	0	0	0	0	1
Iowa	2025	1	0	0	0	0	0	1
Kansas	2023	0	0	0	0	0	0	0
Kansas	2024	0	1	0	0	0	0	1
Kansas	2025	1	0	0	0	0	0	1
Massachusetts	2023	0	0	0	0	0	0	0
Massachusetts	2024	0	1	0	0	0	0	1
Massachusetts	2025	1	0	0	0	0	1	0
Missouri	2023	1	0	0	0	0	0	1
Missouri	2024	1	1	0	0	0	0	2
Missouri	2025	2	0	0	0	0	0	2

North Carolina	2023	0	0	0	0	0	0	0
North Carolina	2024	0	0	0	0	0	0	0
North Carolina	2025	0	1	0	0	0	0	1
Texas	2023	0	1	0	0	0	0	1
Texas	2024	1	4	0	0	0	0	5
Texas	2025	5	2	0	0	0	5	2
Wisconsin	2023	16	0	0	0	1	0	15
Wisconsin	2024	15	0	0	0	0	1	14
Wisconsin	2025	14	0	0	0	0	1	14
TOTAL	2023	27	2	0	0	1	0	28
TOTAL	2024	28	10	0	0	0	2	36
TOTAL	2025	36	5	0	0	0	8	33

TABLE NUMBER 4
Status of Company-Owned
Stores For Years 2023-2025

State	Year	Stores at the Start of the Year	Stores Opened	Stores Reacquired From Franchisees	Stores Closed	Stores Sold to Franchisees	Stores at the End of the Year
Wisconsin	2023	5	0	1	0	0	6
	2024	6	0	0	0	0	6
	2025	6	0	0	0	0	6
Total	2023	5	0	1	0	0	6
	2024	6	0	0	0	0	6
	2025	6	0	0	0	0	6

TABLE NUMBER 5
Projected Openings As of December 31, 2025

State	Franchise Agreements Signed But Store Not Opened	Projected New Franchised Stores in the Next Fiscal Year	Projected New Company-Owned Stores in the Next Fiscal Year
Arizona	**6**	**0**	0
Arkansas	**0**	**0**	0
Colorado	**6**	**0**	0
Florida	**2**	**0**	0
Idaho	**1**	**0**	0
Illinois	**2**	**0**	0
Indiana	**1**	**0**	0
Missouri	**1**	**0**	0
North Carolina	**2**	**0**	0
Texas	**6**	**0**	0
TOTAL	**27**	**1**	0

Exhibit J to this disclosure document lists the name and last known city, state and business telephone number (or, if unknown, home telephone number) of every franchisee who has had a store terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this disclosure document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Attached as Exhibit D to this disclosure document is a list of all the names and addresses of our franchised VERLO® MATTRESS STORES as of **December 31, 2025.**

During the last 3 fiscal years, current and former franchisees have signed confidentiality clauses. In some instances, current and former franchisees sign provisions

restricting their ability to

peak openly about their experience with the VERLO® system. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

Item 21. FINANCIAL STATEMENTS

Attached as Exhibit C to this disclosure document are our audited Financial Report as of Attached as Exhibit C to this disclosure document are our audited Financial Report as of December 25, 2025, December 26, 2024, and December 28, 2023, and respectively.

Item 22. CONTRACTS

This disclosure document includes a sample of the following contracts:

Exhibit B - Franchise Agreement (including Authorized Location of Store, Addendum to Lease, Guaranty and Assumption of Obligations, Territory Assignment~~, and E-Commerce Policy~~)

Exhibit F - Confidentiality and Non-Competition

Agreement Exhibit G -Confidential Disclosure Agreement

Exhibit I - Multi-Unit Development

Addendum Exhibit K -State-Specific Addenda

Exhibit L - General Release Form

Item 23. RECEIPTS

Two copies of an acknowledgement of your receipt of this disclosure document are attached as Exhibit N to this disclosure document.

Exhibit A

State Administrators/Agents for Service of Process

STATE	STATE ADMINISTRATOR/AGENT	ADDRESS
California	Commissioner of Financial Protection and Innovation	Department of Financial Protection and Innovation 651 Bannon Street, Suite 300 Sacramento, CA 95834 (866) 275-2677
Hawaii	Commissioner of Securities	335 Merchant Street Room 205 Honolulu, HI 96813
Illinois	Illinois Attorney General	500 South Second Street Springfield, IL 62701
Indiana (State Administrator)	Indiana Securities Commissioner Securities Division	302 West Washington Street, Room E111 Indianapolis, IN 46204
Indiana (Agent)	Indiana Secretary of State	201 State House 200 West Washington Street Indianapolis, IN 46204
Maryland	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202-2020
Michigan (State Administrator)	Michigan Department of Attorney General Consumer Protection Division Attn: Franchise Section	G. Mennen Williams Building, 1st Floor 525 West Ottawa Street Lansing, MI 48909
Michigan (Agent)	Michigan Department of Commerce, Corporations and Securities Bureau	P.O. Box 30054 6546 Mercantile Way Lansing, MI 48909
Minnesota	Commissioner of Commerce Minnesota Department of Commerce	85 7th Place East, Suite 280 St. Paul, MN 55101-2198
New York (State Administrator)	New York State Department of Law Investor Protection Bureau	28 Liberty Street, 21st Floor New York, NY 10005
New York (Agent)	New York Department of State	One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, NY 12231-0001 (518) 473-2492
North Dakota	Securities Commissioner North Dakota Securities Department	600 East Boulevard Avenue State Capitol, Fifth Floor, Dept. 414 Bismarck, ND 58505-0510

Rhode Island	Director, Department of Business Regulation, Securities Division	1511 Pontiac Avenue John O. Pastore Complex – Building 69-1 Cranston, RI 02920
South Dakota	Department of Labor and Regulation Division of Securities	124 E. Euclid, Suite 104
	Franchise Administrator	Pierre, SD 54501
Virginia (State Administrator)	State Corporation Commission Division of Securities and Retail Franchising	1300 East Main Street, 9th Floor Richmond, VA 23219 804-371-9051
Virginia (Agent for Service of Process)	Clerk of the State Corporation Commission	1300 East Main Street, 1st Floor Richmond, VA 23219 804-371-9733
Washington	Department of Financial Institutions Securities Division	150 Israel Road SW Tumwater, WA 98501 360-902-8760 -or- P.O. Box 9033 Olympia, WA 98507 (360) 902-8760
Wisconsin (State Administrator)	Securities and Franchise Registration Wisconsin Department of Financial Institutions	4022 Madison Yards Way, North Tower Madison, WI 53705
Wisconsin (Agent)	Office of the Secretary Wisconsin Department of Financial Institutions	P.O. Box 8861 Madison, WI 53708-8861

Exhibit B

Franchise Agreement

VERLO® MATTRESS FRANCHISE AGREEMENT

between

FWR, LLC d/b/a VERLO Mattress 301 N. Broadway Street, Suite 300
Milwaukee, Wisconsin 53202
(414) 585 8900

and

_____

Name(s) of

Franchisee Street

_____

Address

_____

City State Zip Code

(__) _____

Telephone

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EXHIBITS:
Exhibit 1 – Authorized Location of Initial Store
Exhibit 2 – Addendum to Lease
Exhibit 3 – Guaranty and Assumption of Obligations
Exhibit 4 – Territory Assignment

Glossary of Terms

The following terms are defined in this Agreement in the Paragraphs, Subparagraphs or Exhibits noted:

Accessories 1.A

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Electronic Manuals 5.C

Market Area ..... Development Addendum

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Marketing Fund ..... 11.A(i)

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System 1.A

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EXCLUSIVE PRODUCTS ..... 1.F., 10.C(iii)

VERLO®-exclusive cover kits ..... 10.C(iii)

VERLO® Stores 1.A., 1.F

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the "Agreement") is entered into on _____, ("Effective Date") by and between FWR, LLC d/b/a VERLO Mattress (the "Company"), a Wisconsin limited liability company, with principal offices located at 301 N. Broadway Street, Suite 300, Milwaukee, Wisconsin 53202, and a _____("Franchisee"),whose principal address is _____, and shall become effective as stated in Paragraph 19.S hereof.

1. RECITALS

A. The Company has certain rights to use and license the use of Trade Secrets relating to the development and operation of retail businesses ("VERLO® Stores") selling VERLO® mattresses and foundations (the "Products") and certain related accessory items (the "Accessories") pursuant to a uniform system developed and owned by the Company (the "System"), all of which may be improved, further developed, or otherwise modified by the Company from time to time.

B. The System has been developed as a uniform method and philosophy of operation, merchandising, customer service, marketing, advertising, promotion, publicity, and technical knowledge relative to VERLO® Products and the VERLO® Stores business.

C. In connection with the System, the Company has certain rights to use and license the use of the trade name "VERLO® Mattress," the name and trademark "VERLO®," and the other trade names, trademarks, service marks, commercial symbols, and logotypes now or hereafter used in conjunction with the System (collectively and individually referred to herein as the "Trademarks").

D. The Company grants franchises to establish and operate VERLO® Stores at specified locations and licenses to use the Trade Secrets and Trademarks in connection with the operation and promotion of such VERLO® Stores to persons who meet the Company's qualifications and are willing to undertake the necessary investment and effort.

E. Franchisee desires a franchise to establish and operate a VERLO® Store and the Company is willing to grant such a franchise on the terms and conditions hereinafter stated.

F. As used in this Agreement, the term "VERLO® Stores" includes Retail Assembly Stores and Retail Only Stores, whether owned by a franchisee, an Affiliate of the Company, or the Company. The term "Components" refers to any and all components necessary to assemble the Products pursuant to the Company's standards and specifications, and the term "Exclusive Products" refers to those items which Franchisee is required to purchase exclusively from the Company or its designee (see subparagraph 10.C(iii)).

2. ACKNOWLEDGMENTS

To induce the Company to enter into this Agreement, Franchisee acknowledges and represents the following to the Company:

A. Franchisee: (i) has read the Company's Franchise Disclosure Document and this Agreement, (ii) understands and accepts that the terms, conditions, and covenants contained in this Agreement are reasonably necessary to maintain the Company's standards of quality and service and the uniformity of those standards at all VERLO® Stores, and (iii) understands and accepts that maintenance of such standards and uniformity at all VERLO® Stores is necessary to protect and preserve the goodwill of the Trademarks;

B. Franchisee has conducted an independent investigation of the business contemplated by this Agreement. Franchisee recognizes: (i) that the nature of the business conducted by VERLO® Stores may evolve and change over time, (ii) that investment in a VERLO® Store/franchise involves business risks, and (iii) that the success of the venture depends primarily upon Franchisee's business ability and efforts;

C. Franchisee has not received or relied upon any guaranty regarding the revenues, profits, or success of the business venture contemplated by this Agreement;

D. No representations have been made by the Company or its officers, directors, shareholders, employees, or agents that are contrary to the statements made in the Franchise Disclosure Document received by Franchisee or the terms contained in this Agreement; and

E. In all of their dealings with Franchisee, the officers, directors, employees, and agents of the Company act only in a representative capacity, not in an individual capacity, and that this Agreement and all business dealings between Franchisee and such individuals as a result of this Agreement are solely between Franchisee and the Company.

3. GRANT OF FRANCHISE

A. Franchisee has requested a non-exclusive franchise to own and operate a retail mattress store using the "VERLO®" trade name and Trademarks of the type and at the location (the "Authorized Location") described in Exhibit 1, attached hereto and incorporated herein by reference (hereafter referred to as a "VERLO® Store" or "Store").

B. If Franchisee has not done so prior to signing this Agreement, Franchisee shall (with or without our assistance), within one hundred eighty (180) days of signing this Agreement, locate a premises and obtain Company's written approval of the same. The premises must meet a Company's criteria for demographic characteristics, traffic patterns, parking, character of neighborhood, competition from and proximity to other businesses and other VERLO® Stores, the nature of other businesses in proximity to the premises and other commercial characteristics and the size, appearance and other physical characteristics of the proposed premises, and any other factors or characteristics that Company considers appropriate. Company's criteria, and evaluation of such criteria, may vary periodically and from location to location. Franchisee must send Company a complete premises report (containing the demographic, commercial and other information, photographs and video recordings that Company may reasonably require) for the proposed premises within

sixty (60) days of the Effective Date. Company must accept any proposed Premises for the store and accept any contract of sale or lease for the store premises before it is signed. Once you have a letter of intent signed for the contract of sale or lease, you must move forward with a site survey to obtain current dimensions and conditions of the store premises. The site survey would be at your cost. Company may also require an on-site visit by Company or its designee to evaluate the proposed premises, and Franchisee must reimburse Company for the reasonable costs associated with such visit.

C. Franchisee may not operate its Store from any location other than the Authorized Location without Company's prior written consent. If Company consents to Franchisee relocating its Store, Company shall have the right to charge Franchisee its then-current relocation fee.

D. Franchisee's request for a franchise has been approved by the Company in reliance upon all of the representations made by Franchisee. Subject to this Agreement's provisions, the Company grants Franchisee a non-exclusive franchise (the "Franchise") to operate the VERLO® Store only at the Authorized Location or as otherwise approved in writing by the Company, and to use the Trademarks in the operation thereof.

E. Subject to Section 16, the term of the Agreement, the term of this Agreement commences on the Effective Date and expires on the date that is ten (10) years from the date Franchisee's VERLO® Store at the Authorized Location opens for business ("Term"). If this Agreement is a Renewal Agreement, the term expires on the date that is ten (10) year from the Effective Date ("Term").

F. At Franchisee's request or at the Company's direction, the Company may, in its sole judgment, permit Franchisee to operate additional VERLO® Stores ("Additional Stores"). If Franchisee is approved to operate an Additional Store, Franchisee and Company will execute an addendum to this Agreement (the "Multi-Unit Development Addendum") in the form prescribed by Company. The Company will not consider Franchisee's request for Additional Stores if Franchisee is in default on its obligations to the Company under this Agreement or otherwise. Franchisee's right to develop Additional Stores is governed by the Multi-Unit Development Addendum. For each Additional Store, Franchisee must execute Company's then-current form of Franchise Agreement and any related agreements prior to, or promptly following, the opening of the Additional Store. Each Additional Store will thereafter be operated pursuant to that Franchise Agreement. An additional Initial Franchise Fee will be due for each Additional Store, and the opening deadlines for such stores will be set forth in the Multi-Unit Development Addendum.

G. You will be given a specific geographic area (the "Site Selection Area") within which you must locate a site for your Store. The Site Selection Area is used only for selection of a site for the Store, grants no territorial rights or protection, and, after we grant you a Territory as described below, the Site Selection Area is void and no longer applicable. You will receive a designated area as your protected territory (the "Territory") for each store you are granted the right to open. You will receive a protected territory (the "Territory") for each Store only after you have opened the number of Stores required under the applicable Multi-Unit Development Addendum. At that time, Company will designate a Territory for each such Store. If you are not developing Stores under a Multi-Unit Development Addendum, Company will designate a Territory for the Store once the Store is opened at an accepted site. During the term of this Agreement, and as long as you are in

full compliance with the term of this Agreement, we will not ourselves operate, nor grant anyone else the right to operate, a Verlo Store in your Territory This Territory refers to the physical location of the store only and does not grant rights to marketing or limit sales competition in that area. You may face competition from other franchisees, from stores that we own, or from other channels of distribution or competitive brands that we control. The Territory will be based on the factors that we deem relevant, which might include population, traffic flow, presence of businesses, location of competitors (including other Verlo Stores), demographics, and other market conditions. Territories will generally be defined by a driving distance of a 4-mile radius from your store location, with the exception of major metropolitan or densely populated areas. The Territory may be defined based on geographic boundaries, streets or other criteria, as we determine appropriate. Once we have defined the Territory, we will determine the Territory and insert a description (including a map) of the Territory in Exhibit 6 of the Franchise Agreement. We may reduce or eliminate your Territory if you are in material breach of this Agreement. The rights granted to Franchisee under this Agreement are limited to the right to develop and operate one (1) VERLO® Store at the Authorized Location unless otherwise approved in writing by the Company in a Multi-Unit Development Addendum. Franchisee's rights under this Agreement do not include: (i) any right to sell Products, Accessories or other items identified by the Trademarks at any location or through any other channels or methods of distribution, including the Internet (or any other existing or future form of electronic commerce), other than at the Authorized Location and any locations identified in a Multi-Unit Addendum except as expressly authorized by the Company; (ii) any right to sell Products, Accessories, or other items identified by the Trademarks to any person or entity for resale or further distribution; or (iii) any right to exclude, control or impose conditions on the Company's development or operation of franchised, Company or Affiliate-owned stores, whether under the Trademarks or otherwise, at any time or at any location outside the Territory. Further, Franchisee may not relocate any VERLO® Store without paying to Company its then current relocation fee and obtaining Company's prior written approval of the proposed relocation site, and the proposed relocation plan provided that the Company will not unreasonably withhold its consent to Franchisee's relocation proposal.

H. The Company (or any of its Affiliates) may develop franchised, Company-owned or Affiliate-owned stores (including both VERLO® Mattress Stores and stores operating under trademarks other than the Trademarks) at any location outside the Territory (including locations near the Territory). Further, the Company and its Affiliates have the right to manufacture, assemble, distribute (including through alternative channels or methods of distribution, such as the Internet), or license the manufacture, assembly or distribution of any products (including the Products) or services, regardless of whether the products and services are authorized for sale in VERLO® Stores or whether the products are provided under the Trademarks, or other trademarks, service marks, logos or commercial symbols. These products or services may or may not be similar to the products and services offered at Franchisee's VERLO® Stores. All of these locations and activities may compete with Franchisee.

I. Franchisee agrees at all times to faithfully, honestly, and diligently perform its obligations hereunder, and to continuously exert its best efforts to promote and enhance the business of all of Franchisee's Stores, which collectively shall be referred to as the "Franchised Business."

4. DEVELOPMENT AND OPENING OF THE STORE

A. STORE DEVELOPMENT.

(i) Franchisee shall cause the Store to be constructed, remodeled, or developed at the Authorized Location in accordance with the Company's standard plans and/or specifications for VERLO® Stores, as may be altered and amended from time to time. Franchisee (with approval of the Company as provided in subparagraph 4.A(iii)) may modify the Store to the extent necessary to comply with all applicable ordinances, building codes, permit requirements and other laws and regulations, lease requirements and restrictions, and market considerations. Any construction, remodeling, development, and modifications shall be at Franchisee's expense.

(ii) Franchisee shall employ a licensed contractor to do all required construction, remodeling, or development of the Store premises to the extent required by applicable law or the nature of the work. Notwithstanding the foregoing, installation of equipment, fixtures, or other non-structural elements of the Store (such as display systems or merchandising units) that do not require a licensed contractor may be performed without the use of a licensed contractor, unless otherwise required by applicable law. Franchisee acknowledges and agrees that its selection of the contractor is based on Franchisee's own independent investigation of the suitability of the contractor for the particular project.

(iii) If the plans and/or specifications for the Store furnished by Company to Franchisee are modified by or for Franchisee by anyone other than the Company, Franchisee shall submit final, detailed plans and specifications for the Company's prior written approval before commencing construction, remodeling or development. All construction, remodeling and development must be in strict accordance with plans and/or specifications furnished or approved by the Company.

(iv) Franchisee shall: (a) commence construction, development, or remodeling of the premises for the Store as soon as possible, and expeditiously attend to its completion; (b) purchase and pay for all supplies, Components, and inventory; purchase, pay for, and attend to the installation of all fixtures, equipment, and signs; train all employees; (e) obtain all required insurance, permits, and licenses; and (f) in general, do all that is necessary for the Store to open for business in accordance with Paragraph B of this Section and the pre-opening requirements set forth in the Electronic Manuals (see Paragraph 5.C), and no later than 365 days after the Effective Date.

(v) If Company or its designee conducts an on-site evaluation of a proposed Store location, Franchisee shall pay Company's then-current fee for such evaluation.

B. STORE OPENING. Franchisee shall not open the Store for business until the Company determines that development has been completed in accordance with Paragraph A of this Section 4. Franchisee shall not open the Store for business until the Company has conducted a pre-opening inspection of the Store (a "Brand Compliance

Walk") and confirmed that the Store complies with the Company's then-current brand standards. The Brand Compliance Walk will generally be scheduled following issuance of a certificate of occupancy, and the Company will use commercially reasonable efforts to conduct such inspection as promptly as practical. The Company may, in its discretion, conduct the Brand Compliance Walk in conjunction with on-site training.

If the Store does not meet the Company's standards, the Company may require Franchisee to complete corrective actions and may require an additional inspection; provided, however, that the Company may permit Franchisee to demonstrate completion of corrective actions through photographs or other documentation in lieu of a reinspection. Franchisee shall pay the fees associated with any Brand Compliance Walks as described in the Franchise Disclosure Document.

Additionally, the Franchisee or, if Franchisee will not personally participate in the full-time, direct, on-premises operation of the Store, the general manager of the Store shall have completed must complete the Company's training program to the Company's satisfaction. Franchisee must coordinate with the Company to schedule training with sufficient advance notice. The availability or scheduling of training will not extend the deadline for opening the Store unless the Company agrees in writing. Franchisee shall prepare and submit for the Company's prior approval a grand opening advertising and promotional program for the Store and shall, at Franchisee's expense, implement such program during the grand opening period.

C. FAILURE TO OPEN AS REQUIRED. The Company is relying on Franchisee to open the Store in a timely manner. If Franchisee fails to open the Store for business within 365 days after the Effective Date, and in accordance with Paragraph B of this Section 4 and the pre- opening requirements set forth in the Manual, and the Company elects to terminate this Agreement under Section 16 or any other applicable Section due to such failure, then in addition to its other remedies, the Company shall have the right but not the obligation to purchase from Franchisee any or all of the equipment, inventory, and leasehold improvements of the incomplete Store. The price for such purchase shall be Book Value (as defined in Paragraph 17.K). Upon such purchase, Franchisee shall execute such further documents as the Company deems necessary or appropriate to effect such purchase, and shall deliver free and clear of any party's liens and claims, all equipment, inventory, and leasehold improvements that the Company elects to purchase, or the Company shall be entitled to withhold from the purchase price an amount sufficient to discharge the pending liens and claims.

5. TRAINING AND GUIDANCE

A. TRAINING.

(i) Prior to the Store's opening for business, the Company shall schedule and furnish, an initial training program in the operation of a VERLO® Store. Franchisee, or if Franchisee will not personally participate in the full-time, direct, on-premises operation of the Store, the general manager of Franchisee's Store, must attend and successfully complete the training program to the Company's satisfaction. The training program may be furnished at the Company's training facility in Greenfield, Wisconsin, or at such other location or via such other

platform as the Company designates at its sole discretion. Franchisee must complete the initial training program to the Company's satisfaction prior to the Store opening for business, and the Store may not open until the Company confirms successful completion of the training program.

(ii) Franchisee must pay the Company the then-current per person training fee for this pre-opening training program. The training fee is fully earned, due, and payable to the Company upon the scheduling of the training. In addition, Franchisee shall be responsible for the cost of Franchisee's and any general manager's transportation to the pre-opening training site, and room and board, and for payment of any general manager's salary or wages during training. The Company has the right to charge Franchisee for meals provided by the Company in connection with the initial training program.

(iii) The Company shall have the right, before and during the training program, to evaluate Franchisee's fitness to operate a VERLO® Store under this Agreement. Under subparagraph 16.A(iv), the Company has the right to terminate this Agreement if the Company determines that Franchisee lacks the fitness to operate a VERLO® Store, or that Franchisee has failed, in the Company's sole judgment, to successfully complete the training program. Upon such termination, no fees or portion of fees will be refunded. Upon such termination of the Agreement, the Company (or, at the Company's option, the Company's designee) has the right, , to assume the lease for the Store premises. If Franchisee has leased or purchased equipment with the Company's approval, then upon such termination of the Agreement, the Company (or, at the Company's option, the Company's designee) also has the right to take an assignment of the lease or to purchase from Franchisee such assets at Book Value.

(iv) If Franchisee hires a new general manager, retail manager, or production manager after the Store is open for business, the manager may also be required to attend and successfully complete the Company's initial training program, at Franchisee's expense, including the Company's then-current training fee and the cost of any training materials, transportation, room and board, and salary or wages during training.

(v) The Company may require Franchisee and/or previously trained staff to attend periodic refresher courses at locations designated by Company, or as provided through the Technology Systems (as defined in Paragraph 10.M), telecommunications, or other similar means. If the Company requires the attendance of Franchisee's management personnel, Franchisee shall be responsible for the Company's then-current training fee, if any, and the cost, if applicable, of Franchisee's training attendees' transportation to the training site, room and board, and salaries or wages during training.

(vi) Franchisee or designated staff shall attend any regional or national conventions conducted by the Company (which may also include refresher and/or supplemental training programs). The Company has the right to charge a fee for such conventions or for non-attendance of conventions. Further, Franchisee will be responsible for any transportation and living expenses incurred by Franchisee in attending the conventions.

(vii) In addition to any training provided by the Company to Franchisee and any of Franchisee's managers, Franchisee must provide each of its managers and employees with such additional training as may be needed to enable Franchisee to comply with all of its obligations under this Agreement. Further, with respect to any Retail Only Stores developed by Franchisee, as approved by the Company, Franchisee will be solely responsible for the training and supervision of the Retail Only Store managers, although the Company has the right to provide Franchisee, through the Technology Systems or otherwise, certain training and evaluation tools for use by Franchisee in training Franchisee's managers (including Retail Only Store managers).

(viii) The Company may require Franchisee, Franchisee's managers, or other personnel to attend additional, refresher, or remedial training programs from time to time. In addition, Franchisee may request that additional training be provided for Franchisee or Franchisee's employees. Franchisee must pay the Company's then-current training fees for any such additional training, which may vary depending on the location, format, and personnel involved in the training, and all related travel, lodging, wage, and other expenses incurred by Franchisee's personnel attending the training. The Company may determine the location, format, timing, content, and number of attendees for all training programs in its discretion.

B. GUIDANCE.

(i) During the term of this Agreement, at dates and times designated by the Company, the Company may at its sole discretion, send one or more representatives to your Store to provide on-site assistance to Franchisee. The on-site assistance may include guidance in such areas as retail and production layout and Product assembly.

(ii) The Company shall advise Franchisee from time to time of operating or quality control problems of the Store disclosed by reports submitted to, or inspections made by, the Company or the Company's representatives.

(iii) The Company may, in its sole judgment and upon reasonable request by Franchisee, furnish guidance in connection with: (a) methods, standards, and operating procedures utilized by VERLO® MATTRESS Stores; (b) preparation and assembly of the Products and development of new Products; (c) purchasing approved equipment, furnishings, fixtures, signs, supplies, and Components; (d) advertising and promotional programs; and (e) Franchisee training.

(iv) Guidance shall, in the Company's sole judgment, be furnished in the form of the Company's Electronic Manuals (as defined in Paragraph 5.C below), bulletins, other written and digital materials, electronic or platform based communications, virtual or telephonic consultations, or consultations at the Company's offices or the Store or other methods of communication. If reasonably requested by Franchisee, the Company will furnish additional guidance and assistance at an amount mutually agreed to by Franchisee and the Company.

C. ELECTRONIC MANUALS. During the term of this Agreement, the Company will provide Franchisee with electronic access (through the Technology Systems or

otherwise) to the Company's confidential manuals (which includes the Company's policies and procedures), and various other manuals (collectively the "Electronic Manuals"). The Electronic Manuals may contain, without limitation: (i) the mandatory specifications, standards, and operating procedures and policies prescribed from time to time by the Company for VERLO® Stores; (ii) a list of Company- approved suppliers; (iii) information regarding Franchisee's required insurance coverage; and (iv) other information relative to Franchisee's other obligations hereunder and the operation of the Store. The Electronic Manuals may also contain recommended specifications, standards, and operating procedures. The Company may, by written or electronic means (including through the Technology Systems), modify the Electronic Manuals from time to time to reflect changes in the image, décor, design, format, appearance, methods, standards and specifications, and operating procedures and policies approved for VERLO® Stores. Franchisee must continuously maintain the Franchised Business in compliance with the Company's most recent version of the Electronic Manuals, including all updates to the Electronic Manuals. Franchisee may not, at any time, copy or in any way reproduce any part of the Electronic Manuals. The Electronic Manuals shall, at all times, remain the property of the Company.

6. TRADEMARKS

A. OWNERSHIP AND GOODWILL. Franchisee's right to use the Trademarks is derived solely from this Agreement and is limited to the conduct of business by Franchisee pursuant to and in compliance with this Agreement and all applicable standards, specifications, and operating procedures and policies prescribed by the Company from time to time during the term of the Agreement. Any unauthorized use of the Trademarks by Franchisee shall constitute a breach of this Agreement. All usage of the Trademarks by Franchisee and any goodwill established thereby shall inure solely and exclusively to the Company's benefit. This Agreement confers no goodwill or other interest in the Trademarks upon Franchisee. Upon expiration or termination of this Agreement, no monetary amount shall be assigned as attributable to any goodwill associated with Franchisee's use of the Franchise, the System, or the Trademarks. All provisions of this Agreement applicable to the Trademarks shall apply to any additional proprietary trade and service marks, trade names, logotypes and commercial symbols hereafter authorized for use by and licensed to Franchisee by the Company.

B. LIMITATIONS ON FRANCHISEE'S USE OF THE TRADEMARKS. Franchisee shall use the trade name "VERLO® Mattress" as the sole identification of the Store to the public, except that Franchisee shall identify itself as the independent owner of the Store in the manner prescribed by the Company. Franchisee shall not use any of the Trademarks with any prefix, suffix, or other modifying words, terms, designs, or symbols (other than logos licensed to Franchisee hereunder), or in any modified form, unless expressly authorized in advance, in writing, by the Company. Franchisee shall not use any of the Trademarks in connection with the performance or sale of any unauthorized services or goods or in any other manner not expressly authorized in writing by the Company. Franchisee shall not use the Trademarks in any way that may result in the Company being liable for any of Franchisee's debts or obligations. Franchisee shall not: (i) register or use any domain names that include the word "VERLO" or any of the other Trademarks, (ii) create and maintain its own web site on the Internet using the Trademarks (except as authorized by the Company consistent with the terms of Paragraph 10.N hereof), or (iii) otherwise use the Trademarks on the Internet. Franchisee may not market, advertise or promote Franchisee's initial Factory Retail Only

Store or Retail Only Store or conduct any business on the Internet, including using social and professional networking sites to promote Franchisee's Factory Retail Only Store, except as provided in the Company's written social media policy (if any) or with the Company's prior written approval. Franchisee shall prominently display the Trademarks at the Store, on signs, plastic or paper products, and other supplies and packaging materials designated by the Company, and in connection with advertising and marketing materials. All Trademarks shall be displayed in the manner prescribed by the Company. Franchisee shall not cause or allow any Trademarks to be displayed at any location or Store that are not approved by the Company. Franchisee shall give such notices of trade and service mark registrations as the Company specifies and shall obtain such fictitious or assumed name registrations as may be required under applicable law. Franchisee may not use "VERLO" or a derivative thereof in its corporate, assumed, limited liability company, or other formal name.

C. DISCONTINUANCE OF USE OF TRADEMARKS. If at any time it becomes advisable, in the Company's sole judgment, for the Company and/or Franchisee to modify or discontinue use of any of the Trademarks, and/or to use one or more additional or substitute trade or service marks, Franchisee agrees to comply with the Company's directions to modify, discontinue, add, or substitute the use of the specified Trademark within a reasonable time after notice thereof by the Company. The Company shall not be obligated to compensate Franchisee for any costs incurred by Franchisee in connection with any such modification, discontinuance, addition, or substitution.

D. NOTIFICATION OF INFRINGEMENTS AND CLAIMS. Franchisee shall immediately notify the Company of any apparent infringement of or challenge to Franchisee's use of the Trademarks or claim by any person of any rights in the Trademarks, and Franchisee shall not communicate with any person other than the Company and its counsel in connection with any such infringement, challenge, or claim. The Company has the right to take such action as it deems appropriate and the right to exclusively control any litigation, administrative (including Patent and Trademark Office) or other proceeding arising out of any such infringement, challenge, or claim or otherwise relating to any of the Trademarks. Franchisee agrees to execute any and all instruments and documents, render such assistance, and do such acts and things as may be necessary or advisable, in the opinion of the Company or its counsel, to protect and maintain the interests of the Company in any litigation, administrative, or other proceeding, or to otherwise protect and maintain the interests of the Company in the Trademarks.

E. INDEMNIFICATION OF FRANCHISEE. The Company will indemnify Franchisee against, and reimburse Franchisee for, damages for which Franchisee is held liable in any proceeding arising out of Franchisee's use of any of the Trademarks pursuant to and in compliance with this Agreement, and for costs reasonably incurred by Franchisee in the defense of any such claim brought against Franchisee or in any such proceeding in which Franchisee is named as a party, provided that Franchisee has timely notified the Company of such claim or proceeding and has otherwise complied with this Agreement, including, without limitation, the provisions of Paragraph 6.D. above.

F. NON-EXCLUSIVE RIGHT TO USE TRADEMARKS. Subject to Section 3 of this Agreement, the right to use the Trademarks granted to Franchisee hereunder is non-exclusive, and the Company has the right, without limitation:

(i) to use the Trademarks itself in connection with assembling and/or selling the Products, Accessories, and services;

(ii) to develop and establish other systems for the same or similar products or services utilizing the same or similar Trademarks, and to grant franchises thereto without providing Franchisee any right therein; and

(iii) to develop and establish other systems for the Similar Goods (as defined in Paragraph 9.E below) or similar services under any proprietary marks not now or hereafter designated in writing as part of this Agreement, and to grant franchises thereto without providing Franchisee any right therein.

7. RELATIONSHIP OF THE PARTIES/INDEMNIFICATION

A. RELATIONSHIP OF THE PARTIES.

(i) This Agreement does not create a fiduciary relationship between the parties. The Company and Franchisee shall be independent contractors. Nothing in this Agreement is intended to make either party a general or special agent, joint venturer, partner, employer, or employee of the other for any purpose. Franchisee shall conspicuously identify itself in all dealings with customers, suppliers, public officials, and others as the owner of the Store under a franchise agreement with the Company and shall place such other notices of independent ownership on such forms, supply orders, invoices, business cards, stationery, advertising, and other items and materials as the Company may require from time to time.

(ii) Franchisee shall not employ any of the Trademarks in signing any contract, check, purchase agreement, promissory note, negotiable instrument or other legal obligation, application for any license or permit, or in a manner that may result in liability of the Company for any indebtedness or obligation of Franchisee. Except as expressly authorized by this Agreement, neither the Company nor Franchisee shall incur any debt or make any express or implied agreements, warranties, guarantees, or representations in the name of or on behalf of the other, or represent that their relationship is other than franchisor and franchisee. Neither the Company nor Franchisee shall be obligated by or have any liability under any agreements or representations made by the other that are not expressly authorized hereunder. Subject to Paragraph 6.E, the Company shall not be obligated for any damages to any person or party directly or indirectly arising out of the operation of the Store or Franchisee's business authorized by or conducted pursuant to the Franchise, whether caused by Franchisee's or the Company's negligent or willful action or failure to act. The Company shall have no liability for any sales, use, occupation, excise, gross receipts, income, property, or other taxes, whether levied upon Franchisee, the Store, Franchisee's property, or the Company, in connection with sales made or business conducted by Franchisee or payments to Company pursuant this Agreement.

B. INDEMNIFICATION. Franchisee shall, and hereby agrees to, indemnify and hold the Company, its shareholders, directors, officers, employees, agents, and assignees harmless against any liability for any Claims arising out of, or in connection with, the operation of the Store (regardless, subject to Paragraph 6.E, of cause of any concurrent or contributing fault or negligence of the Company). For purposes of this indemnification, "Claims" means

and includes all obligations (including taxes in connection with sales made or business conducted by Franchisee or payments to the Company pursuant to this Agreement), actual and consequential damages, and costs reasonably incurred in the defense of any cause of action against the Company, including without limitation, accountants', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses. The Company shall have the right to defend any such claim against the Company. This indemnity shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

8. FEES

A. RETAIL ASSEMBLY STORE FEE. In the event Franchisee requests the Company's approval for a Retail Assembly Store, Franchisee shall pay the Company a franchise fee of fifty thousand and no/100 dollars $50,000. (the "Franchise Fee"). This Franchise Fee is fully earned, due, and payable to the Company upon Franchisee's signing of this Agreement. The Franchise Fee includes development of a Retail Assembly Store as agreed upon by Franchisee and Company. The Franchise Fee is non-refundable.

B. RETAIL ONLY STORE. In the event Franchisee requests the Company's approval for a Retail Only Store, and the Company grants such approval, Franchisee shall pay the Company a non- refundable amount equal to fifty thousand and no/100 dollars $50,000. The Retail Only Store Fee is fully earned, due and payable to the Company upon the Franchisee's signing of a Retail Only Store Addendum for that Store, and Franchisee will not commence developing the Store until both Franchisee and the Company have signed the Retail Only Store Addendum and Franchisee has paid the Retail Only Store Fee.

C. ROYALTY FEE. Franchisee shall pay the Company, on or before the 15th day of each month, commencing with the calendar month immediately following the month in which this Agreement is executed, and continuing each consecutive calendar month thereafter during the term of this Agreement, a Royalty Fee in the amount of five percent (5%) of the Store's Gross Sales (as hereinafter defined) for the preceding calendar month, and such payment may be collected by Company via ACH debit pursuant to Franchisee's authorization.

D. MARKETING FUND FEE. Franchisee shall pay the Company, on or before the 15th day of each month, commencing with the calendar month after Franchisee's Store is open for business, and continuing each consecutive calendar month thereafter during the term of this Agreement, a marketing fund fee ("National Marketing Fund Fee") and such payment may be collected by Company via ACH debit pursuant to Franchisee's authorization. Although the monthly National Marketing Fund Fee amount is currently set at $500 per store per month, the Company has the right to increase this amount up to two and one-half percent (2.5%) of Franchisee's monthly Gross Sales upon ninety (90) days written notice. Company will not increase the National Marketing Fund Fee more than .5% of your monthly Gross Sales in a calendar year and will give 90 days' notice in the event of an increase.

E. TECHNOLOGY FEE. Franchisee shall pay the Company, on or before the 15th day of each month, commencing with the Effective Date and continuing each consecutive calendar month thereafter during the term of this Agreement, a technology fee of up to 1% of Franchisee's monthly Gross Sales, currently $500 per store per month,

subject to change, and such payment may be collected by Company via ACH debit pursuant to Franchisee's authorization, the ("Technology Fee"). Company may increase this fee upon sixty (60) days written notice, if the Company determines, in its sole judgment, that the amount of the Technology Fee is insufficient to adequately fund Franchisee's access to any software included as part of the Technology Systems.

F. DEFINITION OF "GROSS SALES." In this Agreement, "Gross Sales" shall mean the aggregate of all retail sales of every kind, type, or description and all services performed for patrons at the time of the transaction, whether for cash, credit, trade or otherwise, made or provided in connection with the Store, including Internet sales, off-premises sales, monies derived at or away from the Store, and for clarity and without limitation, pursuant to Paragraph 19.J, the initial VERLO® Store developed under this Agreement and any of its Retail Only Stores. Gross Sales shall not include any taxes imposed by any governmental authority directly on sales and collected from customers, provided that the amount thereof is added to the selling price and paid to the taxing governmental authority.

G. INTEREST AND LATE FEES. With respect to any outstanding Royalty Fees, National Marketing Fund Fees, Technology Fees, invoices, and other amounts that Franchisee owes to the Company, the Company has the right to require Franchisee to pay interest, accruing from and after the due date, at the lesser of eighteen percent (18%) per annum or the highest applicable rate allowed by law.

If company is unable to obtain any Royalty Fee, Marketing Fund Fee or Technology Fund Fee payment or other payment when due as provided in Paragraph 8.C, 8.D and 8.E above, Company may, in addition to any other remedy available, to charge Franchisee a late fee of Fifty Dollars ($50) for each day such payment remains unpaid. If necessary, the amount of the late fee shall be reduced to the extent required to comply with applicable law.

Any late fee assessed under this Section shall be due and payable immediately upon invoicing.

H. INSUFFICIENT BANK FUNDS CHARGE. If an electronic funds transfer on Franchisee bank, as authorized by Paragraph 8.M below, is not honored due to insufficient funds, Franchisee shall pay the Company a charge of $100, and, in addition, reimburse the Company for the actual amount of any bank charges incurred by the Company as a result thereof.

I. APPLICATION OF PAYMENTS. Notwithstanding any designation by Franchisee, the Company has the right to determine how any payments from Franchisee are applied to any of Franchisee's past due indebtedness for Royalty Fees, National Marketing Fund Fees, Technology Fees, invoices due to the Company, interest, late fees or any other indebtedness.

J. LOCAL ADVERTISING EXPENDITURE. In addition to the National Marketing Fund Fee, Franchisee shall spend each month, commencing with the calendar month immediately following the month in which this Agreement is executed and continuing each calendar month thereafter during the term of this Agreement, at least six percent (6%) of the Store's Gross Sales for the preceding calendar month on local

advertising and promotion of the Store and the Products. Franchisee may use advertising/marketing materials or promotion programs developed by the Marketing Fund or it may develop (subject to Paragraph 11.C) its own advertising/marketing materials or promotion programs, at Franchisee's expense.

K. NON-REFUNDABILITY. None of the fees designated in this Section are refundable, in whole or in part.

L. OTHER FEES. Franchisee may also be required to pay, immediately upon written demand by the Company, other fees and charges (in addition to those described above) as set forth in other Sections of this Agreement.

M. ELECTRONIC PAYMENT. Franchisee must pay electronically all fees due to the Company under this Franchise Agreement. To satisfy a particular fee due date, all funds must be transferred and credited to the Company's account by the due date for that particular fee. Franchisee shall comply with the following electronic payment procedures, as required by Company:

(i) establish a procedure for electronic fund transfer ("EFT"), by which the Company will withdraw payments from Franchisee's bank account on the applicable due dates. Franchisee shall execute such documents as may be required to permit the Company to withdraw from Franchisee's bank account the amounts due the Company pursuant to this Agreement. In addition, Franchisee shall not make any change in its banking relationships, including any change in the account number of its general operating account, or any change in banks, unless Franchisee gives at least 60 days' notice to the Company, and executes all documents and pays the out-of-pocket expenses required to implement the EFT from Franchisee's new bank account; or

(ii) establish a procedure by which the Franchisee will initiate the electronic transfer to the Company of payments due on the applicable due dates ("Wire Transfer"). Franchisee shall be responsible for all costs and charges in connection with Wire Transfers.

9. TRADE SECRETS AND PROPRIETARY INFORMATION

A. The Company possesses certain confidential and/or proprietary information consisting of and/or relating to: (i) the methods of assembling and servicing the Products which are sold at VERLO® Stores; (ii) knowledge of certain test programs, concepts, or results relating to new Products, new Components, or other new items; (iii) advertising and promotional programs; advertising, promotion, and marketing techniques; approved sources or suppliers of Components, supplies, and equipment; (iv) the method of selecting and training Retail Assembly Store and Retail Only Store managers and employees; knowledge of sales and profit performance at any one or more VERLO® Stores; (v) the Company's web site and related Internet rights; (vi) software developed by the Company; (vii) existing or prospective franchise and vendor relationships; and (viii) in general, methods, standards, specifications, techniques, formulas, formats, procedures, policies, information systems, and other knowledge and communications (including, without limitation, communications made through the Technology Systems) used in the development, operation, and franchising of VERLO® Stores. All of the foregoing

are hereinafter referred to as the "Trade Secrets" or "Confidential Information."

B. The Company will disclose the Trade Secrets to Franchisee by furnishing Franchisee with the Company's standard plans or specifications for VERLO® Stores, by providing Franchisee with guidance and assistance in connection with Franchisee's selection of a site for its Retail Assembly Store, by furnishing Franchisee with electronic access to the Electronic Manuals during the term of this Agreement, and by performing the Company's other obligations and exercising its rights under this Agreement.

C. Franchisee shall acquire no interest in the Trade Secrets other than the right to utilize them in the development and operation of the Store during the term of this Agreement. The use or duplication of the Trade Secrets in any other business will constitute an unfair method of competition. The Trade Secrets are proprietary and are disclosed to Franchisee solely on the condition that Franchisee agree, and Franchisee hereby agrees, that Franchisee:

(i) will not use the Trade Secrets in any other business or capacity;

(ii) will maintain the absolute confidentiality of the Trade Secrets during and after the term of this Agreement, with the exception that Franchisee may communicate the Confidential Information to those of its employees (but only to those of its employees) who must have access to it in order to operate the Store in compliance with this Agreement.

(iii) will not make unauthorized copies of any portions of the Trade Secrets disclosed in writing, audiotape, videotape, electronically (including through the Technology Systems), or any other form, including, without limitation, in any plans, any training audio files, video files, or other materials, the Electronic Manuals, and/or any bulletins or supplements and additions thereto; and

(iv) will operate and implement all reasonable procedures prescribed from time to time by the Company to prevent the unauthorized use and disclosure of the Trade Secrets, including, without limitation, restrictions on disclosure thereof to employees of Franchisee and the use of non-disclosure and non-competition clauses as prescribed by the Company in employment agreements (or separate non-disclosure or non-compete agreements) with employees and, if the franchise is owned by a partnership, limited liability company, or a corporation, with the partners, members, shareholders, officers, and/or directors who have access to the Trade Secrets. The covenants shall be in a form satisfactory to the Company, and shall identify the Company as a third-party beneficiary of the covenant with the independent right to enforce them. Franchisee shall promptly deliver executed copies of agreements containing such covenants to the Company. A sample Confidentiality and Non-Competition Agreement which is acceptable to the Company is attached to the disclosure document as Exhibit F. However, the Company does not represent that said Agreement is valid and enforceable under the laws of the state where Franchisee has employees.

D. The foregoing restrictions on Franchisee's disclosure and use of the Trade Secrets shall not apply to: (i) information Franchisee can demonstrate came to Franchisee's attention independent of Franchisee's association with the Company, and prior to the

Company's disclosure of the information in the Electronic Manuals or otherwise; (ii) information that the Company agrees is, or has become, generally known in the public domain, except where public knowledge is the result of unauthorized or other wrongful disclosure (whether or not deliberate or inadvertent); and (iii) disclosure of the Trade Secrets in judicial or administrative proceedings to the extent that Franchisee is legally compelled to disclose such information, provided Franchisee shall have used its best efforts to obtain, and afforded the Company the opportunity to obtain, an appropriate protective order or other assurance satisfactory to the Company of confidential treatment for the information required to be so disclosed.

E. Franchisee acknowledges that the Company could not protect the Trade Secrets against unauthorized use or disclosure and could not achieve a free exchange of ideas and information among owners of VERLO® Stores if Franchisee held interests in any competitive business, as described below. Franchisee further acknowledges that the Company grants the rights to Franchisee set forth herein, in part, in consideration of and in reliance upon Franchisee's agreement to deal exclusively with the Company. Therefore, during the term of this Agreement, neither Franchisee, nor any partner, member, or shareholder of Franchisee (if Franchisee is a partnership, limited liability company, or corporation), shall have any interest, direct or indirect, as an owner, investor, partner, director, officer, manager, employee, consultant, salesperson, representative, or agent, or in any similar capacity in: (i) any store or business selling Similar Goods; or (ii) any entity which is granting franchises or licenses to others to operate stores that sell Similar Goods. "Similar Goods" means mattresses and box springs of any type, of any quality (regardless of whether they are of better or worse quality than VERLO® Products), and at any price (regardless of whether they are sold for a higher or lower price than VERLO® Products). These restrictions shall not apply to ownership of securities listed on a stock exchange or traded on the over-the-counter market that represent one percent (1%) or less of the number of shares of the class of securities issued and outstanding, nor to ownership of other VERLO® Stores or franchises pursuant to other franchise agreements with the Company. The Company has the right to waive all or part of these restrictions. Such waiver may only occur by means of a written instrument attached as a supplement to this Agreement and signed by both parties.

10. STORE IMAGE AND OPERATING STANDARDS

A. CONDITION AND APPEARANCE OF THE STORE. Franchisee agrees:

(i) that its Owners shall devote themselves substantially full-time to the direct, on-premises operation of the Store, or, with the Company's prior written approval, appoint a full-time manager (who is subject to the same evaluation criteria imposed on Owners and has completed the Company's training program to the Company's satisfaction) to operate the Store under Franchisee's supervisions, will not be used for any purpose other than the operation of the Store in compliance with this Agreement;

(ii) to maintain the condition and appearance of the Store in accordance with the Company's standards as specified in the Electronic Manuals or otherwise in writing and consistent with the image of a VERLO® Store as a clean, attractive, and efficiently operated store offering high quality products and courteous service;

(iii) to effect such maintenance of the Store as is required by the Company from time to time to maintain such clean condition, attractive appearance, and efficient operation, including, without limitation:

(a) Continuous and thorough cleaning of the interior and exterior of the Store;

(b) Interior and exterior repair of the Store;

(c) Maintenance of equipment at peak performance;

(d) Replacement of worn out or obsolete improvements, fixtures, furnishings, equipment, and signs with approved improvements, fixtures, furnishings, equipment, and signs; and

(e) Periodic painting and decorating as prescribed by the Company;

(iv) to upgrade and/or remodel the Store to reflect changes in the image, design, format, or operation of VERLO® Stores, as introduced by the Company and required of new VERLO® Store franchisees, subject to the Company's approval of detailed plans and specifications for all construction, repair, or re-fixturing in connection with such upgrading or remodeling. During the term of this Agreement, we may require you to undertake remodeling or Refurbishments of the Store premises to comply with our then-current standards and specifications.; and

(v) to place or display at the Store (interior and exterior) or elsewhere (as approved under this Agreement) only such signs, emblems, lettering, logos, and advertising materials that are approved in writing by the Company from time to time.

If Franchisee does not maintain the condition and appearance of the Store as required herein, the Company may, upon 7 days or more written notice to Franchisee: (a) arrange for the necessary cleaning, repairs, maintenance, remodeling, upgrading, painting, or decorating; and
(b) replace the necessary improvements, fixtures, furnishings, equipment, and signs. Franchisee shall pay the entire costs thereof or reimburse the Company for such expenditures, payable on the next date Royalty Fees are due.

B. ALTERATIONS TO THE STORE. Franchisee shall not make any material replacements of or alterations to the Store or the Store's improvements, layout, fixtures, furnishings, equipment, signs, equipment, or appearance as originally developed without the Company's prior written approval. Franchisee shall not install or have installed in or on the Store premises any vending machines, video games, or similar devices without the Company's prior written approval.

C. EXCLUSIVE PRODUCTS, APPROVED COMPONENTS, SUPPLIES, AND SUPPLIERS.

(i) Franchisee acknowledges that the reputation and goodwill of VERLO® Stores depends on the assembly, sale, presentation, and packaging and delivery of the Products in an attractive manner and in accordance with the

Company's specifications and quality standards. Franchisee therefore agrees that both the assembly and retail operation at the Store will conform to the Company's specifications and quality standards as set forth in the Electronic Manuals or as otherwise established by the Company in writing.

(ii) To assure uniformity in the quality, assembly, presentation, and design of the various Products, the following items must also meet the Company's then-current standards and specifications:

(a) all equipment used in the assembly of the Products (including Franchisee's tape edge machine, "c-ring" guns, glue guns, tacker guns, and nailer guns);

(b) all mattress and box spring Components, materials, or supplies used in the Products or the assembly of the Products (including fabrics, corner guards, air chambers and pumps, foam, insulator pads, upholstery batting, innerspring units, box spring units, product labeling, binding tape, and thread); and

(c) all Accessories to the Products (including bed frames, hook-on bed rails, bolt-on bed rails, hook-on adapter plate and hardware, bolt-on adapter plate and hardware, swing hinges and hardware, link springs, pop-up trundle beds, bunkie boards and other wood build-ups, and futon cushions, futon frames, ornamental beds, pillows, pads, soft goods, futon covers, bunk beds, electric beds).

Franchisee must purchase the equipment, Component, and Accessories listed above solely from suppliers who have been approved by the Company and identified by the Company in the Electronic Manuals or otherwise in writing. The Company has the right under all circumstances to designate a single approved manufacturer, supplier and/or distributor for any of these items.

(iii) Further, to ensure prototype integrity and compliance with the Company's specifications, Franchisee must purchase the "EXCLUSIVE PRODUCTS" which currently consist of key Components used in the assembly of Products, from the Company's designated supplier. Without limiting the preceding sentence, franchisee must purchase the following EXCLUSIVE PRODUCTS solely from our designated Affiliate, or such other supplier as we may designate in the future: (a) "VERLO®- exclusive sewn cover kits" containing VERLO® quilted panels, VERLO® smooth panels, VERLO® borders, and VERLO® box spring caps; and (b) VERLO® binding tape thread. The Company has the right to develop and designate additional products as EXCLUSIVE PRODUCTS in which case Franchisee will be required to purchase such items solely from the Company's designated supplier, which may include our Affiliate.

(iv) Except with respect to the "EXCLUSIVE PRODUCTS" and certain limited computer hardware and/or software items (as described in Paragraph 10.M), Franchisee may make written request for the approval of: (a) an additional qualified

manufacturer or supplier of a specific item of equipment, a Component, any of the Accessories, or for other supplies and materials; or (b) additional items of equipment, Components, supplies, materials, or Accessories. To receive initial and continuing approval of a supplier or other product item, Franchisee must follow the Company's then-current approval procedures as set forth in the Electronic Manuals or otherwise in writing. The Company has the right to revoke its approval (which approval, to be effective, must be provided by the Company in writing) of a particular item or supplier if the Company determines, in its sole judgment, that the item or supplier no longer meets the Company's criteria for approval.

(v) Franchisee may purchase any vehicles, signs, items of equipment, computer hardware and software (subject to Paragraph 10.M), furniture, furnishings, fixtures, tools, clothing/uniforms, and packaging or other supplies that Franchisee is required or needs to purchase in order to operate the Store in compliance with this Agreement and the Electronic Manuals, or as otherwise designated by the Company in writing, and that are not otherwise listed in subparagraphs (ii) and (iii) of Paragraph 10.C., from any supplier as long as the items purchased conform to the Company's standards and specifications, including (when applicable) the Company's specifications for the "VERLO®" and "VERLO® MATTRESS" logos. Franchisee shall not use any items that do not conform to the Company's standards and specifications without the Company's prior written consent.

D. STORE PRODUCTS. Franchisee agrees to adequately stock, display, promote, and sell all of the Products and Accessories as prescribed by the Company, and, in addition, to promote and/or sell all services as prescribed by the Company. If Franchisee desires to add or delete Products, Accessories, or services to be offered or sold at or by the Store, Franchisee must first obtain the Company's written approval. Franchisee shall not, without the Company's prior written approval, offer any Products, Accessories, or services that are not authorized by the Company for VERLO® Stores. Franchisee shall discontinue stocking, displaying, promoting, and selling any Product, Accessory, and/or service that the Company, in its sole judgment, designates as discontinued or no longer approved. All of the Products, Accessories, and services offered or sold at the Store shall meet the Company's standards and specifications, as set forth in the Electronic Manuals or as otherwise established by the Company in writing.

E. RESTRICTION ON SALES. Franchisee agrees that it will sell the Products, Accessories and any approved services only to residential and commercial customers except to the extent the Company otherwise permits in writing. Franchisee agrees that it will not sell the Products, Accessories or approved services: (i) to any retail outlet or any other person or entity for purposes of additional distribution or resale; or (ii) through methods or channels of distribution (including the Internet) other than at the Store.

F. SPECIFICATIONS, STANDARDS AND PROCEDURES.Franchisee acknowledges that the Store's appearance, décor, layout, visual merchandising, and collateral materials, supplies, Product Components, Products, services, and operation are important to the Company and all VERLO® franchisees. Franchisee shall comply with all mandatory specifications, standards, and operating policies and other policies prescribed by the Company, including, but not limited to those relating to the following: (i) the type, quality, and uniformity of the Products sold by the Store; (ii) the layout, décor, and color scheme of

the Store; (iii) the exterior building design and building materials; (iv) uniform specifications; (v) the appearance, cleanliness, standards of service, and operation of the Store; (vi) the submission of requests for approval of Components, materials, supplies, distributors, suppliers, advertising and marketing materials, and contractors; (vii) the hours and days during which the Store will be open for business; (viii) the customer sales and service program set forth in the Electronic Manuals; and purchase and use of computer hardware and software for the Store. Mandatory specifications, standards, and operating policies and procedures (and any amendments thereto or changes therein) may be prescribed from time to time by the Company in the Electronic Manuals, or otherwise communicated to Franchisee in writing or electronically. All references herein to this Agreement shall include all such mandatory specifications, standards, and operating policies and procedures as prescribed from time to time by the Company. Any required standards exist to protect the Company's interests in the System and the Trademarks and not for the purpose of establishing any day-to-day control or duty to take control over those matters that are reserved to Franchisee.

G. HOURS OF BUSINESS. The Store shall be open on the days and hours specified in the Electronic Manuals unless the Company approves other or additional hours recommended by Franchisee.

H. COMPLIANCE WITH LAW AND GOOD BUSINESS PRACTICES.

(i) Franchisee shall secure and maintain in force, in its name, all required licenses, permits, and certificates relating to the operation of the Store, and shall transmit copies of all such required licenses, certificates, and permits to the Company within 10 days of their receipt by Franchisee.

(ii) Franchisee shall operate the Store in full compliance with all applicable laws, ordinances, and regulations, including, without limitation, all government regulations relating to occupational hazards and health, worker's compensation insurance, unemployment insurance, and the withholding and payment of federal and state income taxes, social security taxes, and sales taxes. Further, without limiting the preceding sentence, Franchisee has had an opportunity to obtain legal advice regarding, and currently complies with, all applicable legal requirements that prohibit unfair, fraudulent or corrupt business practices, including U.S. and other legal requirements that are designed to combat terrorism and terrorist activities. In addition, neither Franchisee nor any holder of an ownership interest in Franchisee is named as a "specially designated national" or "blocked person" (or other similar classification) as designated by the United States Department of the Treasury's Office of Foreign Assets Control (or other applicable government agency).

(iii) All advertising, marketing, and promotion by Franchisee shall be factual, ethical, and in good taste in the sole judgment of the Company. In addition, all advertising, marketing, and promotion by Franchisee shall be subject to the Company's approval as provided in Paragraph 11.C. Franchisee shall adhere to the highest standards of honesty, integrity, fair dealing, and ethical conduct in all dealings with its customers, suppliers, the Company, and the public. Franchisee agrees to refrain from any business or advertising practice which, in the subjective opinion of the Company, may be injurious to the business of the Company and/or other VERLO® Stores and the goodwill associated with the Trademarks.

(iv) Within 7 days of Franchisee's receipt of any report, complaint, letter of inquiry, or other official communication from any government agency, Franchisee shall mail a complete copy of such report, complaint, letter of inquiry, or other official communication to the Company. Franchisee shall provide the Company with written notice of the following, within 5 days thereof: (a) the commencement of any action, suit, or proceeding in any court, agency, or other governmental instrumentality which may adversely affect the operation or financial condition of Franchisee or the Store; (b) the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality which may adversely affect the operation or financial condition of Franchisee or the Store; or (c) receipt of any notice of violation of any law, ordinance, or regulation relating to health or sanitation.

(v) Franchisee shall promptly pay when due, all taxes and obligations incurred in the operation of the Store.

I. HIRING, TRAINING AND COMPENSATION OF EMPLOYEES. Franchisee shall hire all of the employees it needs to properly and efficiently operate the Store in compliance with this Agreement, including a general manager if Franchisee will not personally participate in the full-time, direct, on-premises operation of the Store. The general manager must remain acceptable to the Company and must comply with the Company's standards and policies. If the general manager fails to meet the Company's standards or otherwise becomes unacceptable to the Company, the Company may require Franchisee to remove that individual from the position of manager of the Store and designate a replacement manager acceptable to the Company. Franchisee shall comply with all applicable laws in the hiring of its employees, and shall inform the Company of the identity of any proposed general manager prior to actively employing the manager. Franchisee shall be exclusively responsible for: (i) the compensation of all its employees; (ii) the proper training of all its employees in the operation of the Store, except as set forth in Paragraph 5.A; and (iii) all other obligations arising from the employment of its employees. The Company may require Franchisee's general manager, retail manager, and production manager, if any, to successfully complete the Company's training program described in Paragraph 5.A. In addition, Franchisee's general manager, retail manager, and production manager, if any, must sign a written agreement, in a form the Company directs or approves, to maintain the confidentiality of the Company's Trade Secrets described in Section 9 and comply with the non-compete covenants described in Paragraph 17.E.

J. INSURANCE.

(i) During the term of this Agreement, Franchisee shall maintain in force policies of insurance issued by carriers approved by the Company, covering the insurable risks enumerated in the Electronic Manuals for at least the minimum amounts of coverage specified by the Company. The Company may periodically increase the amounts of coverage required under such insurance policies and/or require different or additional kinds of insurance at any time, including excess liability insurance to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards, or other relevant changes in circumstances. All such required insurance policies shall insure both Franchisee and the Company and our affiliates, directors, officers, members, managers, employees, independent contractors and agents and shall provide for 30 days prior written notice to the

Company of any material modification, cancellation, or expiration of the policy. Franchisee shall provide evidence satisfactory to the Company that such required insurance is in full force and effect prior to commencing business at the Store.

(ii) If Franchisee fails or refuses to maintain the required insurance coverage or to furnish satisfactory evidence thereof, the Company may, at its option and in addition to its other rights and remedies hereunder, obtain such insurance coverage on behalf of Franchisee, and Franchisee shall fully cooperate with the Company in its efforts to obtain and maintain such insurance policies, promptly execute all forms or instruments required in order for the Company to obtain and maintain any such insurance, and pay to the Company, on demand, any costs and premiums incurred by the Company.

(iii) Franchisee's obligations to maintain insurance coverage as described herein shall not be affected in any manner by any separate insurance maintained by the Company, nor shall the maintenance of such insurance relieve Franchisee of any obligation under this Agreement. The Company shall not be liable for the sufficiency of any insurance that the Company may obtain.

K. LEASE FOR THE LOCATION.

(i) Franchisee must be the entity that signs the lease. The Company recommends that Franchisee have its own attorney review and negotiate the proposed lease on Franchisee's behalf. If Franchisee and/or one or more of its principals owns the building and/or land on which the Store is proposed to be located, Franchisee shall enter into a lease with said owner of the building and/or land, and the lease shall be subject to all the terms of this Paragraph K.

(ii) Franchisee shall execute an Addendum to Lease, in the form attached as Exhibit 2 to this Agreement, which provides (among other things) that upon Franchisee's default and failure to cure under this Agreement or under the lease for the Store premises, or if this Agreement is terminated, canceled, or not renewed, the Company (or, at the Company's option, the Company's designee) shall have the right, consistent with the terms of the Addendum to Lease, to unilaterally assume Franchisee's rights and obligations under Franchisee's lease for the Store premises.

(iii) Each lease for the Store shall state that the premises shall be used only for a VERLO® Store and contain substantially the following provisions:

> "Anything contained in this lease to the contrary notwithstanding, Lessor agrees that, without its consent, this lease and the right, title and interest of the Lessee thereunder, may be assigned by the Lessee to FWR, LLC d/b/a VERLO Mattress, a Wisconsin limited liability company or its designee, provided that said FWR, LLC d/b/a VERLO Mattress or its designee shall execute such documents evidencing its agreement to thereafter keep and perform, or cause to be kept or performed, all of the obligations of the Lessee arising under this lease from and after the time of such assignment."
>
> "Lessor shall give written notice to FWR, LLC d/b/a VERLO

Mattress, a Wisconsin limited liability company (concurrently with the giving of such notice to Lessee), of any default by Lessee under the lease and the said FWR, LLC d/b/a VERLO Mattress shall have, after the expiration of the period during which the Lessee may cure such default, an additional 30 days to cure, at its sole option, any such default."

(iv) Franchisee shall fully perform all obligations to be performed by Franchisee under the lease for the Store. The Company has the right to cure any breach by Franchisee of the Franchisee's lease for the Store premises. Within 7 days after Franchisee's receipt of any notice of its violation of a lease term from the lessor, Franchisee shall mail a copy of such notice to the Company together with a statement of the steps that Franchisee proposes it will take in response to such notice. Franchisee shall immediately reimburse the Company for all amounts spent by the Company to cure such a breach.

(v) Franchisee shall furnish the Company a copy of the signed lease for its Retail Assembly Store or Retail Only Store premises within 10 days after execution of the lease.

L. PRODUCT GUARANTEE/WARRANTY. Franchisee shall honor the terms of the Product guarantees or warranties as prescribed by the Company from time to time, and be solely responsible for the associated costs.

M. COMPUTER HARDWARE AND SOFTWARE. Franchisee shall purchase and otherwise access in its operation of the Store the "Technology Systems" specified by the Company in the Electronic Manuals, including, but not limited to, hardware and software items, on-line communication tools (including continuous business grade Internet access), and other electronic resources and or support services. Franchisee may be required, in the Company's sole judgment, to purchase certain limited items of computer hardware and/or software from our designated Affiliate, or such other supplier as we may designate in the future.

(i) The Company shall have the right to access and store, for any purpose or use related to the Company's operation and/or management of the System, any information or reports generated (or, if applicable, stored) by the Technology Systems used at the Store. In providing the Company with electronic access to such information and reports and in complying with other related directives of the Company, Franchisee will implement all measures necessary, including satisfaction of any customer notice and consent requirements, to comply with applicable federal, state and local laws, including (if applicable) any privacy laws. Franchisee and its employees must conduct all business communications relating to the Store, the System, customers, vendors, and other franchisees exclusively through Company-designated email accounts. Use of personal or non-approved email accounts for such communications is strictly prohibited.

(ii) Franchisee acknowledges and agrees that the list or database of customers served by Franchisee's VERLO® Stores is the property of the Company, which list or database the Company may utilize or assign to its designee, without any obligation to compensate Franchisee in any manner.

(iii) The Company shall have the right to contract with third parties to update the Technology Systems (including any point of sale software program) from time to time. If updated, the Company may provide Franchisee with online access to updates to the Technology Systems, and Franchisee shall be responsible for properly loading and/or accessing the updated program on its computer in a timely manner. Thereafter, Franchisee shall use the updated Technology Systems in the operation of its Store.

(iv) The Company shall also have the right, without limitation, to modify the Technology Systems and to require Franchisee to replace any of the components of Franchisee's computer system (including any hardware and software) if, in the future, the Company deems the component to be (a) undersized or otherwise insufficient for the efficient operation and management of Franchisee's Store, or (b) incompatible with the Company's Technology Systems.

N. PARTICIPATION IN WEB SITE AND ONLINE COMMUNICATION SYSTEMS. The Company has the right to require Franchisee, at Franchisee's expense, to participate in VERLO® Mattress Technology Systems, or other online communication systems. The Company has the right to determine the content and use of any web sites, Technology Systems, or other online communication systems and may establish the rules under which Franchisee and other franchisees will participate. Franchisee and its employees must conduct all business communications relating to the Store, the System, customers, vendors, and other franchisees exclusively through Company-designated email accounts and/or designated systems. Use of personal or non-approved email accounts or systems for such communications is strictly prohibited. The Company retains all rights relating to any web site, Technology Systems, or other online communication systems and may alter or terminate the web site, Technology Systems, or systems. Franchisee's general conduct on any web site, Technology Systems, or other online communication systems, specifically its use of the Trademarks, domain names or any advertising, is subject to the provisions of this Agreement. Franchisee acknowledges that certain information obtained through its participation in the web site, Technology Systems, or other online communication systems (including access and identification codes) may be considered a part of the Confidential Information. Franchisee's right to participate in any web site, Technology Systems, or other online communication systems or to otherwise use the Trademarks or System on the Internet terminates when this Agreement expires or terminates. The Company reserves the right, in its absolute discretion, to limit access to the Technology System, or other online communication system to Franchisee, Owners and/or key personnel within the Franchised Business.

O. STORE CLOSING. Without limiting subparagraph 16.A(ii), Franchisee shall give the Company at least 30 days written notice prior to closing any VERLO® Store. Failure to give such notice shall be a material breach of this Agreement.

11. MARKETING

A. NATIONAL MARKETING FUND. Recognizing the value of advertising and the importance of the standardization of advertising and promotion to the furtherance of the goodwill and public image of all VERLO® Stores operated pursuant to the System, Franchisee and the Company agree as follows:

(i) Franchisee agrees that the Company has the right to maintain and administer, and shall maintain and administer, a marketing fund (the "Marketing Fund") for such marketing (including advertising, promotion, public relations, and other marketing programs) and promotional purposes as the Company in its sole judgment may deem necessary or appropriate. Consequently, during the term of this Agreement, Franchisee shall contribute to the Marketing Fund a National Marketing Fund Fee according to the terms of Paragraph 8.D. of this Agreement. The Company has the right to waive this requirement, either in whole or in part, by written notice to Franchisee. Franchisee hereby agrees that any increase in the National Marketing Fund Fee, as limited by the terms of Paragraph 8.D. of this Agreement, shall not be considered a substantial change in the competitive circumstances of the Store, the Franchise, or Franchisee.

(ii) Franchisee agrees that the Company has the right to determine the expenditures of the amounts contributed to the Marketing Fund and the methods of marketing, advertising, media employed and contents, terms and conditions of marketing campaigns and promotional programs. The Company shall furnish Franchisee with approved advertising or marketing materials produced with Marketing Fund dollars on the same terms and conditions as the Company furnishes such materials to the Company's other franchisees.

(iii) The Marketing Fund shall be accounted for separately from the other funds of the Company and shall not be used to defray any of the Company's general operating expenses, except for salaries, administrative costs, and overhead that the Company may incur in activities related to the administration of the Marketing Fund and marketing programs financed through the Marketing Fund, including, without limitation, collecting and accounting for contributions to the Marketing Fund. Upon Franchisee's reasonable written request during the ensuing calendar year, the Company will provide Franchisee an unaudited annual financial statement for the Marketing Fund for the prior calendar year.

(iv) In any fiscal year the Company may spend an amount greater or less than the aggregate contribution of all VERLO® Stores to the Marketing Fund that year. In addition, the Marketing Fund may borrow from the Company or others to cover temporary deficits in the Marketing Fund or cause the Marketing Fund to invest any surplus for future use by the Marketing Fund. Franchisee authorizes the Company to have any advertising monies or credits due from any distributor or other supplier of Franchisee and any advertising or other rebates or any discounts from distributors and other suppliers based upon purchase or volume purchases by the Company and its franchisees (including purchase by Franchisee) paid directly to the Marketing Fund. The Company has the right to negotiate with suppliers from time to time to obtain, on the Company's and/or its franchisees' behalf, price reductions, discounts, or rebates based on volume purchases. The Company has the right to cause such suppliers to pay the same directly to the Marketing Fund. Such contributions shall be additional to all other amounts due or contributed under this Agreement. All interest earned on monies contributed to the Marketing Fund will be used to pay marketing costs of the Marketing Fund before other assets of the Marketing Fund are expended.

(v) Franchisee understands and acknowledges that the Marketing Fund

is intended to be used to develop general public recognition of the Trademarks and increase patronage of VERLO® Stores in general. The Company undertakes no obligation to ensure that expenditures by the Marketing Fund in or affecting any geographic area are proportionate or equivalent to contributions to the Marketing Fund by VERLO® Stores operating in that or any geographic area or that any VERLO® Store will benefit directly or in proportion to its contribution to the Marketing Fund from the conduct of marketing programs or the placement of advertising. The Marketing Fund is not a trust or escrow account and the Company has no fiduciary duty regarding the Marketing Fund. Further, except as expressly provided in this Paragraph 11.A., the Company assumes no direct or indirect liability or obligation to Franchisee with respect to the maintenance, direction, or administration of the Marketing Fund.

B. LOCAL ADVERTISING EXPENDITURE. See Paragraph 8.J. regarding local advertising expenditures required in addition to the National Marketing Fund Fee.

C. APPROVAL OF MARKETING MATERIALS AND PROMOTION ACTIVITIES. Samples of all advertising/marketing materials and descriptions of all local promotion programs that Franchisee proposes to use or reuse shall be submitted to the Company for approval prior to their use or reuse by Franchisee or their placement in the public eye. All such advertising/marketing materials or local promotions must be factual, ethical, and in good taste in the sole judgment of the Company. Franchisee agrees to make any revisions, alterations, deletions, or additions to marketing materials and local promotions requested by the Company. If the Company fails to provide Franchisee with either written approval or disapproval of the materials or local promotion programs within 10 business days after the Company's receipt of such materials or description, the materials or programs will be deemed approved. Franchisee shall not use any advertising/marketing materials or local promotion programs that the Company has disapproved. In addition, the Company may require that Franchisee submit to the Company an annual local media plan for our approval.

D. THE COMPANY'S PARTICIPATION IN COOPERATIVE ADVERTISING. The Company has the right to establish and to require Franchisee to participate in advertising groups or cooperatives in designated marketing areas (a "Cooperative"). The Company will determine the amount Franchisee will contribute to a Cooperative, although the contribution will not exceed four percent (4%) of the Store's Gross Sales. Franchisee's contributions to a Cooperative will be credited toward Franchisee's local advertising spending requirement under Paragraph 8.J above. The Cooperative members will administer the Cooperative, but the Cooperative must be operated pursuant to bylaws and guidelines the Company establishes. The Company may require that all contributions to a Cooperative be deposited with a third party accounting firm the Company approves that will pay the Cooperative's bills, collect Cooperative contributions and prepare profit and loss statements for a reasonable administrative fee. Cooperatives must prepare and make available to the Company and the members of the Cooperative annual unaudited financial statements. Franchisee understands and acknowledges that the Company has the right, in its sole judgment, to form, change or merge Cooperatives and that the Company does not have any obligation to participate in the Cooperatives.

E. FRANCHISE ADVISORY COMMITTEE. The Company may, in its sole discretion, establish and maintain a Franchise Advisory Committee ("FAC") composed of franchisees

and Company representatives. The FAC serves in an advisory capacity only and may provide input regarding marketing programs and other system-wide initiatives.

Notwithstanding the foregoing, the Company retains sole discretion over all decisions affecting the System, including, without limitation, the administration of the Marketing Fund, the content and placement of advertising, and all marketing and promotional programs, and the FAC has no authority to bind the Company or any franchisee or to exercise any operational or decision-making authority. The Company may modify or discontinue the FAC at any time.

F. MARKETING ADVISORY SUBCOMMITTEE.
The Company may, in its sole discretion, establish a Marketing Advisory Subcommittee composed of franchisees and Company representatives. The subcommittee serves in an advisory capacity only and may gather and analyze data, provide insights, and deliver recommendations regarding marketing programs and initiatives to the Franchise Advisory Committee.

Notwithstanding the foregoing, the Company retains sole discretion over all decisions affecting the System, including, without limitation, the administration of the Marketing Fund, the content and placement of advertising, and all marketing and promotional programs, and the subcommittee has no authority to bind the Company or any franchisee or to exercise any operational or decision-making authority. The Company may modify or discontinue the subcommittee at any time.

12. ACCOUNTING, REPORTS, AND FINANCIAL STATEMENTS

A. Franchisee shall establish and maintain, at Franchisee's expense, a bookkeeping, accounting, and record keeping system conforming to the requirements prescribed by the Company from time to time, including, without limitation, the preparation and retention of books and records.

B. With respect to the operation and financial condition of the Franchised Business, Franchisee shall furnish to the Company in the form prescribed by the Company: (i) on or before the 30th day of each calendar month, exact copies of all state sales tax returns for the previous month; (ii) within 30 days after the end of each calendar quarter, a balance sheet and year to date profit and loss statement for the Franchised Business;
(iii) within 60 days after the end of Franchisee's fiscal year, a balance sheet and annual profit and loss statement reflecting all year-end adjustments for the Franchised Business; (iv) upon request, the portions of Franchisee's federal and state income tax returns that reflect the operation of the Franchised Business; (v) upon request, a monthly report of Franchisee's local marketing expenditures pursuant to Paragraph 8.J; and (vi) upon occurrence, an accident report of any accident or injury that occurs at any of Franchisee's Stores and any vehicle accidents that involve Franchisee's delivery truck or an employee driving on Store business.

C. Franchisee shall submit each report and financial statement required under this Section 12 on forms designated or supplied by the Company, or in the format designated by the Company. The Company has the right to require Franchisee to submit these reports and statements through the Technology Systems or through other electronic means. Each report and financial statement shall be verified and/or signed by Franchisee in the manner

prescribed by the Company.

D. Franchisee shall provide the Company a current and up-to-date list of its Owners and managerial employees. The Company has the right to require Franchisee to submit this information through the Technology Systems or by other electronic means. Franchisee shall inform the Company in writing of any changes in the persons holding any of these positions within 10 business days from the date of any change.

E. Without limiting any other provision of this Agreement, the Company has the right to use in any appropriate manner all reports, data and other information Franchisee submits to the Company or that the Company obtains through review of Franchisee's books and records or by accessing Franchisee's computer system, which relate to the Store. Specifically, the Company has the right to share such reports, data and other information with third parties, including, but not limited to, consultants and existing and potential franchisees.

13. ANNUAL REVIEWS, INSPECTIONS AND AUDITS

A. ANNUAL REVIEW. Franchisee shall, upon the Company's request, participate in an annual review of the Store's operations, status, and financial performance, at a time, in a manner, and in a format (including in-person, virtual, or other means) determined by the Company in its sole discretion. The Company shall have no obligation to conduct such review or to meet with Franchisee. Franchisee shall be responsible for any costs associated with its participation.

B. THE COMPANY'S RIGHT TO INSPECT THE STORE. To determine whether Franchisee and the Store are complying with this Agreement and with the specifications, standards, and operating procedures prescribed by the Company for the operation of the Store, the Company or its designated agents shall have the right at any reasonable time, and without prior notice to Franchisee, to: (i) inspect the Store, including, but not limited to, its inventory and equipment; (ii) observe Franchisee and any Store managers and other employees of the Store; (iii) interview Store managers and other employees of the Store; and (iv) interview customers of the Store. Franchisee shall present to its customers such customer evaluation forms as are periodically prescribed by the Company and shall participate and/or request that its customers participate in any marketing surveys performed by or on behalf of the Company. If Franchisee fails any Store inspection or compliance audit, including an audit for compliance with industry regulations, the Company may, in its discretion, require Franchisee to pay its then-current fee to conduct a follow-up inspection or compliance audit. The fee will be reasonable and may be based on the Company's costs of conducting the inspection or audit. The foregoing remedies shall be in addition to and not in lieu of all other remedies and rights of the Company hereunder or under applicable law.

C. THE COMPANY'S RIGHT TO AUDIT. The Company shall have the right at any time during business hours, and without prior notice to Franchisee, to inspect and audit, or cause to be inspected and audited, the business records, bookkeeping and accounting records, sales and income tax records and returns (including without limitation all tax returns, books and records of the legal entity holding Franchisee and all personal tax returns for each of the owners of Franchisee), and other records of the Store. Without limiting the preceding sentence, Franchisee shall allow the Company access to all of Franchisee's bank statements, credit card statements, cash receipts and cash disbursements

journals, general ledgers, payroll tax returns, W- 2 (and other similar or related) forms for all employees, and purchase records. Franchisee shall fully cooperate with representatives of the Company and independent accountants hired by the Company to conduct any such inspection or audit. Further, in addition to or in lieu of an on-site audit, the Company has the right to require Franchisee to provide to the Company, at Franchisee's sole expense, copies of all such books and records as requested by the Company. In the event any such inspection or audit shall disclose an understatement of the Gross Sales of the Store, Franchisee shall pay to the Company, within 15 days after receipt of the inspection or audit report, the Royalty Fees, and any other obligations due and owing on the understated amount, plus interest and any applicable late fees (at the rate and on the terms provided in Paragraph 8.G. hereof) from the date originally due until the date of payment. Further, in the event such inspection or audit is made necessary by Franchisee's failure to furnish reports, supporting records, or other information as herein required, or to furnish such reports, records, or information on a timely basis, or if an understatement of Gross Sales for the period of any audit (which shall not be for less than 4 weeks) is intentional or is determined by any such audit or inspection to be greater than five percent (5%) of the actual total Gross Sales for that period, Franchisee shall reimburse the Company for the costs of such audit or inspection (and of any follow-up audit or inspection over the ensuing 24-month period), including, without limitation, the charges of any independent accountants and the travel expenses, room and board, copying and postage costs, and compensation of the employees of the Company. The foregoing remedies shall be in addition to and not in lieu of all other remedies and rights of the Company hereunder or under applicable law, and the Company's right to audit will continue for 24 months following the termination or expiration of this Agreement.

In order to verify any information provided by Franchisee, the Company has the right to reconstruct Franchisee's sales through the inventory construction method or any other reasonable method of analyzing and reconstructing sales. Franchisee agrees to accept any such reconstruction of sales unless Franchisee provides evidence (in a form satisfactory to the Company) of Franchisee's sales within 14 days from the date of any notice of understatement.

14. TRANSFER

A. BY THE COMPANY. This Agreement and the Franchise are fully and freely transferable by the Company and shall inure to the benefit of any Transferee or other legal successor to the interest of the Company.

B. BY FRANCHISEE.

(i) Franchisee May Not Transfer Without Approval of the Company. Franchisee understands and acknowledges that the rights and duties created by this Agreement are personal to Franchisee (and its Owners) and that the Company has granted the Franchise to Franchisee (and its Owners) in reliance upon the individual or collective character, skill, aptitude, attitude, business ability and financial capacity of Franchisee (and its Owners). Accordingly, neither this Agreement nor the Franchise (or any interest therein), nor any part or all of the ownership of Franchisee or of the assets of Franchisee or the Store (or any interest therein) may be transferred, sold, assigned, pledged, mortgaged or liened without the prior written approval of the Company, and any Transfer without such approval shall constitute a breach hereof and convey no rights to or interests in this Agreement, the Franchise, Franchisee, the

Store or its assets.

(ii) Conditions for Approval of Transfer. If Franchisee and its Owners are in full compliance with this Agreement (including, without limitation, Paragraph 14.E), the Company shall not unreasonably withhold its approval of a Transfer (as defined below) that meets all the applicable requirements of this Paragraph. The proposed transferee and its Owners (collectively "Transferee") must meet the Company's then applicable standards for VERLO® Mattress franchisees. The Company shall interview and evaluate the proposed Transferee at the Company's principal place of business or at such other location that the Company designates. A transfer of ownership in the Store may only be made in conjunction with a transfer of this Agreement. All of the following conditions must be met prior to or concurrently with the effective date of any Transfer (unless otherwise specified in this Agreement):

(a) the Transferee demonstrates, to the Company's satisfaction, that the Transferee meets the Company's then-current requirements for transferees, including without limitation those relating to financial qualification, management and operation experience, business reputation, and aptitude for the operation of a VERLO® Store;

(b) Franchisee shall pay to the Company a "Transfer Fee" equal to ten thousand and no/100 dollars ($10,000.00). Franchisee shall pay a non-refundable deposit of $5,000 at the time Franchisee requests approval of the proposed Transferee, and the remaining balance if and when the Transfer is consummated;

(c) Franchisee shall not be in default under this Agreement, or any other Franchise Agreement, with the Company;

(d) each of Franchisee's VERLO® Stores shall meet the Company's then-current standards and requirements;

(e) the Transferee shall not be engaged in any activity which would be prohibited by Paragraphs 9.E or 17.E. of this Agreement;

(f) Franchisee shall have paid all outstanding debts and obligations to the Company (including all Royalty Fees, National Marketing Fund Fees and Technology Fees) and to all other suppliers;

(g) Franchisee and its Owners shall execute a release of any and all claims against the Company, and the Company's officers, directors, agents, employees and Affiliates, arising out of or related to this Agreement, as well as claims arising out of or related to the relationship of the parties created under this Agreement, which release shall contain language and be of the form prescribed by the Company;

(h) the Transferee (and its Owners) shall, at the Company's option, have executed and agreed to be bound by: (i) an assignment and assumption agreement satisfactory to the Company, whereby the Transferee assumes the obligations of Franchisee under this Agreement; or (ii) the

Company's then- current form of franchise agreement, for a term equal to the remaining term of the franchise, but which may provide for a different rate of Royalty Fees, National Marketing Fund Fees and Technology Fees than the corresponding rate required hereunder; provided that under either option (i) or (ii), each of Transferee's owners will execute the Company's then-current form of personal guaranty;

(i) if required, the lessor of the premises of the Store shall have consented to Franchisee's assignment or sublease of the premises to the proposed Transferee;

(j) the Company shall have the right to approve the general terms of the proposed Transfer agreement;

(k) Franchisee shall agree to subordinate to the Company any obligations of the Transferee to Franchisee;

(l) the Transferee shall complete to the Company's satisfaction, at Transferee's expense and upon such terms and conditions as the Company may reasonably require, any training programs then in effect for franchisees at such time and place/platform designated by the Company;

(m) Franchisee shall have complied with the provisions of Paragraph 10.A of this Agreement; and

(n) Franchisee and the Transferee must agree to indemnify the Company, in a form of indemnification satisfactory to the Company.

(iii) For purposes of this Agreement, the word "Transfer" includes: (a) Franchisee's assignment or transfer (including any sale, assignment, pledge, mortgage, or lien) of this Agreement, the Store, the Franchise, or the Franchise assets (or any interest in any of these) to another person or entity; (b) Franchisee's voluntary surrender or termination of its Franchise in conjunction with the Company's grant of a new franchise for the Store's Authorized Location to another person or entity; (c) the transfer of control of Franchisee's business; or (d) the transfer of any of the equity (including stock) in Franchisee's business.

(iv) The word "Transferee" (see subparagraph 14.B(ii) above) includes the person or entity to whom: (a) Franchisee (or any of its partners, members, or shareholders) assigns or transfers this Agreement, the Store, or the Franchise; (b) a new franchise for the Store's Authorized Location is granted in conjunction with Franchisee's voluntary surrender or termination of the Franchise granted by this Agreement; (c) control of Franchisee's business is transferred; or (d) any of the equity (including stock) of Franchisee's business is transferred.

C. BY FRANCHISEE TO ENTITY FORMED BY FRANCHISEE. In the event that the proposed Transfer is to an entity formed by Franchisee for the convenience of ownership, the Company's consent to such Transfer may, in addition to the requirements set forth in Paragraph 14.B. above (including subparagraph 14.B(ii)(h)), be conditioned upon Franchisee's Owners owning all voting stock of the Transferee entity, having the same proportionate ownership interest in the Transferee entity as the Owners had in Franchisee

prior to the Transfer. The Company agrees that if a Transfer under this Paragraph 14.C is completed within 90 days of the Effective Date, the Company will waive the Transfer Fee otherwise required under subparagraph 14.B(ii)(b), and the additional requirements provided under subparagraphs 14.B(ii)(g), (l) and (m).

D. ON DEATH OR INCAPACITY OF FRANCHISEE. If any Owner dies or becomes disabled or incapacitated and the decedent's or disabled or incapacitated person's heir or successor-in-interest wishes to continue as an Owner, the heir or successor-in-interest (whether a person or entity) must apply for the Company's consent under subparagraph 14.B(i), and satisfy the other Transfer conditions under subparagraph 14.B(ii) (including the payment of a Transfer Fee and the successful completion of training requirements), as in any other case of a proposed Transfer, all within 180 days of the death or event of disability or incapacity. If the heir or successor-in-interest fails to meet these conditions within 180 days, the Company may terminate the deceased or incapacitated Owner's rights and interest under this Agreement. During any transition period to an heir or successor-in-interest, the Store still must be operated in accordance with the terms and conditions of this Agreement. If the assignee of the decedent or disabled or incapacitated person is the spouse or child of such person, no Transfer Fee will be payable to the Company and the Company will not have a right of first refusal as set forth in Paragraph 14.E.

E. THE COMPANY'S RIGHT OF FIRST REFUSAL. If Franchisee or its Owners shall at any time determine to sell an interest in this Agreement, the Store, the Franchise, the Franchise assets, or an ownership interest in Franchisee, Franchisee or its Owners shall immediately notify the Company and shall obtain a bona fide, executed written offer from a responsible and fully disclosed purchaser and shall immediately submit an exact copy of the offer to the Company. The Company shall have the right, exercisable by written notice delivered to Franchisee or its Owners within 30 days from the date of delivery of an exact copy of such offer to the Company, to purchase such interest for the price and on the terms and conditions contained in such offer, provided that: (i) the Company may substitute cash for any form of payment proposed in such offer; and (ii) if such offer is in the form of a proposed stock purchase (or other similar equity transfer) transaction, the Company will have the right to convert such offer to an asset purchase transaction of an equivalent value. The Company's credit shall be deemed equal to the credit of any proposed purchaser. The Company shall have not less than 60 days from the date of exercise of its right of first refusal to prepare for closing. The Company shall be entitled to purchase such interest subject to all customary representations and warranties given by the seller of the assets of a business or voting stock of an incorporated business, as applicable, including without limitation, representations and warranties as to ownership, condition and title to stock and/or assets. If the Company does not exercise its right of first refusal, Franchisee or its Owners may complete the sale to such purchaser pursuant to and on the exact terms of such offer, subject to the Company's approval of the Transfer, as provided in Paragraph 14.B. If the sale to such purchaser is not completed within 90 days after delivery of such offer to the Company, or if there is a material change in the terms of the sale, the Company shall have an additional right of first refusal for 30 days on the same terms and conditions as are applicable to the initial right of first refusal.

15. RENEWAL FRANCHISE

A. ACQUISITION. Upon expiration of this Agreement, subject to the conditions of this Section, Franchisee will have the right to acquire a renewal

franchise to operate the Store, and any additional Stores operating pursuant to an Addendum to this Agreement, if applicable, for the term granted by the Company's then standard franchise agreement for the operation of VERLO® Stores if:

(i) Franchisee maintains possession of and agrees to remodel and/or expand the Store, add or replace improvements, equipment and signs and otherwise modify the Store as Company requires within such timeframes as the Company reasonably specifies, to bring it into compliance with specifications and standards then applicable for VERLO® Stores; or, if Franchisee is unable to maintain possession of the Store, or if in Company's sole judgment the Store should be relocated, Franchisee secures substitute premises Company accepts, develops such premises in compliance with specifications and standards then applicable for VERLO® Stores and continues to operate the existing Store until operations are transferred to the substitute premises;

(ii) No breach of this Agreement, which would have entitled Company to terminate this Agreement, has occurred and no breach of any provision of this Agreement shall be unremedied at the time of Franchisee provides Company with notice of its intent to renew their franchise or the agreement date of the renewal franchise agreement;

(iii) Franchisee's Store and its operations must fully comply with all specifications and standards then-applicable for new Stores and with the Electronic Manual by the expiration of this Agreement;

(iv) Franchisee (and each affiliate of Franchisee) must have paid all amounts owed to Company and/or any of Company's affiliates;

(v) Franchisee has performed its obligations under this Agreement to Company's reasonable satisfaction;

(vi) Franchisee must have executed Company's then-current form of franchise agreement and related documents then customarily used by Company (with appropriate modifications to reflect the fact that the franchise agreement to be awarded relates to a renewal franchise as contemplated by this Agreement). Company's then current form of franchise agreement will contain different terms to those in this Agreement but the changes will not be such that it would be commercially impossible for Franchisee to operate its Store. Company will not be required to provide Franchisee any site location, initial training or other “start-up” services in connection with the award of any renewal franchise;

(vii) Franchisee must have complied with Company's then-current training requirements. Company can require Franchisee's personnel and, if Franchisee is a Business Entity, Franchisee's owner, to successfully complete any retraining program(s), at such times and locations as Company then specifies. There may be a charge for any retraining program(s), and Franchisee will be responsible for all travel, meals, lodging and other expenses of Franchisee's personnel;

(viii) Franchisee and if Franchisee is a Business Entity, each owner of

Franchisee, must have executed a General Release, except for any claims exclusively related to the renewal franchise;

(ix) Franchisee must have paid Company's then-current renewal fee; and

(x) Franchisee will have undertaken a full refurbishment of the Store (in accordance with Company's requirements) to ensure compliance with Company's latest style, designs and specifications to include new Store branding, equipment and layout as determined by Company.

Failure by Franchisee and/or its owners to complete such requirements in accordance with the timeline specified by Company, in its sole discretion, will be deemed a decision by Franchisee not to obtain the renewal franchise. If Franchisee continues to operate its Store after the expiration of the term of this Agreement and has not entered into a renewal franchise agreement, Franchisee will be bound by the terms of this Agreement subject to either party being entitled to give the other one (1) month's notice of termination at any time and, for the avoidance of doubt, any post termination non-compete covenants will apply from the date of expiration of the one (1) month's notice or such earlier date as Company may specify.

B. GRANT. Franchisee must give Company written notice of its election to acquire a renewal franchise not more than nine (9) months, but not less than one hundred ninety (190) days before the expiration of the Term of this Agreement. It is Franchisee's responsibility to monitor these time limits because Company will not notify Franchisee. Company will respond ("Response Notice"), within ninety (90) days after it receives Franchisee's notice, of its decision, either:

(i) to grant Franchisee a renewal franchise;

(ii) to grant Franchisee a renewal franchise on the condition that deficiencies of the Store, or in Franchisee's operation of the Store, are corrected; or

(iii) not to grant Franchisee a renewal franchise based on Company's determination, in its sole business judgment, that Franchisee and its owners have not substantially complied with this Agreement during its Term.

If applicable, Company's Response Notice will:

(a) describe the remodeling and/or expansion of the Store and other improvements or modifications required to bring the Store into compliance with then applicable specifications and standards for VERLO® Stores; and

(b) state the actions Franchisee must take to correct operating deficiencies and the time period in which such deficiencies must be corrected.

If Company elects not to grant a renewal franchise, the Response Notice will describe the reasons for its decision. Franchisee's right to acquire a renewal franchise is subject to Franchisee's continued compliance with all of the terms and conditions of this

Agreement through the date of its expiration, in addition to Franchisee's compliance with the obligations described in the Response Notice. If Company fails to send Franchisee a Response Notice within such ninety (90) day period, Franchisee's request for a renewal franchise shall be deemed rejected.

C. SUBSEQUENT RENEWAL FRANCHISES. The fees and other conditions for any later granting of subsequent renewal franchises will be governed by the renewal franchise agreement (as described above).

D. REASONABLE TERMS. Franchisee agrees that the provisions of this Section 15 are commercially reasonable Franchisee understands and acknowledges that both Franchisee and Company have the option not to proceed with a renewal franchise.

16. TERMINATION OF THE FRANCHISE

A. TERMINATION BY THE COMPANY WITH NOTICE AND NO OPPORTUNITY TO CURE. This Agreement shall immediately terminate upon the occurrence of one or more of the non-curable events of default described below and the Company's delivery of notice of termination to Franchisee. A non-curable event of default has occurred if Franchisee or its Owner:

(i) is declared bankrupt or judicially determined to be insolvent, or all or a substantial part of such person's assets are assigned to or for the benefit of any creditor, or such person admits inability to pay his or its debts as they come due or actually fails to pay such debts, or such person has an involuntary petition in bankruptcy filed against him or it, or intending voluntarily to commence a bankruptcy case, such person prepares or causes the preparation of and signs a petition in bankruptcy;

(ii) fails to construct and/or open the Store for business within the time limits specified in this Agreement or at any time abandons the Franchise by failing to operate for:

(a) three (3) consecutive business days; or

(b) for any shorter period that, under the circumstances, renders reasonable the conclusion that Franchisee does not intend to continue operating the Franchise,

provided that this provision will not apply if Franchisee's failure to operate is due to disaster or similar reasons beyond Franchisee's control;

(iii) has made any material misrepresentation or omission in connection with the grant of the Franchise;

(iv) fails to successfully complete Franchisee's initial training requirements to the satisfaction of the Company or is determined by the Company to lack the fitness to be a franchisee;

(v) fails, refuses, or neglects to obtain the Company's prior written approval or consent as required by this Agreement;

(vi) is convicted by a trial court of, or pleads no contest to, a felony or misdemeanor, or otherwise engages in conduct, that reflects materially and unfavorably upon the operation and reputation of the Company, the Franchise, the Store, the Trademarks, or the System;

(vii) Franchisee's operation of the Store would result in a threat or danger to the public health and safety;

(viii) attempts or purports to make, or makes, a Transfer, without complying with the requirements of Section 14;

(ix) has the lease or other right to occupy the Store's premises terminated, either voluntarily or involuntarily, or allows the lease or other right to occupy the Store's premises expire, and fails to reacquire access to the Store's premises (or other premises, as accepted by the Company) within 60 days;

(x) is a party to any other franchise agreement with the Company that is terminated by the Company for Franchisee's breach (and, if applicable, failure to cure) under the franchise agreement;

(xi) is a party to any lease or other agreement with the Company that is terminated by the Company for Franchisee's breach (and, if applicable, failure to cure) under the agreement;

(xii) misuses or makes any unauthorized use of the Trademarks or otherwise materially impairs the goodwill associated with the Trademarks associated therewith or the Company's rights therein;

(xiii) engages in any business or markets any goods or services under a name or mark which, in the Company's opinion, is confusingly similar to the Trademarks.

(xiv) makes any unauthorized use or disclosure of any Trade Secrets or uses, duplicates, or discloses any portion of the Electronic Manuals in violation of this Agreement;

(xv) fails to notify, in writing, to the Company, within 7 days of receipt, any report, complaint, letter of inquiry, or other official communication from any government agency in connection with the Store; or fails to notify the Company, in writing, of the commencement of certain legal actions, the issuance of certain court or administrative orders, or the notice of violation of certain laws as described in and required by subparagraph 10.H(iv), within 5 days of the commencement, the issuance, or the receipt of the notice;

(xvi) fails to comply with the in-term covenants not to compete in Paragraph 9.E.;

(xvii) knowingly maintains false books or records, or submits any false reports to the Company (including without limitation any underreporting of Gross Sales);

(xviii) fails on 3 or more separate occasions, within any consecutive 12-month period:

(a) to submit, when due, accurate reports or other data, information, or supporting records; (b) to pay, when due, the Royalty Fees, National Marketing Fund Fees, Technology Fees, or other payments due to the Company or its Affiliates; or (c) to otherwise comply with this Agreement, whether or not such failures to comply are corrected after notice thereof is delivered to Franchisee;

(xix) markets or sells unauthorized products; or

(xx) after curing a default pursuant to Paragraph 16.B. hereof, commits the same default again within 6 months of the prior default, whether or not cured after notice;

B. TERMINATION BY THE COMPANY WITH NOTICE AND OPPORTUNITY TO CURE. This Agreement shall terminate or be subject to the Company rejecting Franchisee's request for a renewal franchise upon Franchisee's or its Owner's failure to cure one or more of the following events of default within the stated cure period:

(i) Franchisee's failure to submit reports or to make payments of any amounts due the Company for Royalty Fees, National Marketing Fund Fees, Technology Fees, or any other amounts due to the Company hereunder, or under any other agreement with the Company, within 10 days after written notice of such failure is delivered to Franchisee;

(ii) Franchisee's failure to obtain or maintain policies of insurance as required by Paragraph 10.J hereof, or failure to furnish satisfactory evidence to the Company that such insurance is in full force and effect, within 3 days after written notice of such failure is delivered to Franchisee;

(iii) Franchisee's noncompliance with any lawful requirement in this Agreement or prescribed by the Company pursuant to this Agreement, other than a default enumerated under Paragraph 16.A. above, and failure to cure within 30 days after notice thereof is delivered to Franchisee or, if such failure cannot reasonably be corrected within 30 days after written notice of such failure is delivered to Franchisee, Franchisee's failure to undertake diligent efforts to comply and to furnish proof acceptable to the Company of such efforts and the expected date of compliance within 10 days after written notice is delivered to Franchisee; and

(iv) Franchisee's failure to cure any default in payments owed to any third party creditors, including but not limited to Affiliates of the Company, within 10 days after written notice of such failure is delivered (whether by the Company or the third-party creditor) to Franchisee.

C. TERMINATION BY FRANCHISEE. Franchisee may terminate this Agreement as a result of a breach by the Company of a material provision of this Agreement provided that:
(i) Franchisee provides the Company with written notice of the breach that identifies the grounds for the breach; and (ii) the Company fails to cure the breach within 30 days after the Company's receipt of the written notice. If the Company fails to cure the breach, the termination will be effective 60 days after the Company's receipt of Franchisee's written notice of breach.

Franchisee's termination of this Agreement under this Paragraph 16.C will not release or modify Franchisee's post-term obligations under Section 17 of this Agreement.

D. INTERIM REMEDIES; LIMITED SERVICES If you are in default of any provision of this Agreement, we may, at our option, elect to impose interim remedies and/or limit services provided to your Store(s) ("Limited Services") rather than terminate this Agreement. We will provide written notice to you prior to implementing Limited Services.

If you are in default and your Store(s) is placed on Limited Services, we may terminate this Agreement at any time if you fail to cure the default within any applicable cure period.

Our exercise of interim remedies or imposition of Limited Services will not waive, limit, or otherwise affect our right to terminate this Agreement under Section 16.B or any other provision of this Agreement.

Limited Services may include, without limitation and as determined by us in our discretion:

(i) Suspension of access to franchisor-designated systems

(ii) Suspension of access to services, programs, or benefits provided by us (including those funded by the Marketing Fund), provided that you will remain obligated to pay all applicable fees

(iii) Suspension of access to franchisor-provided support, consulting, or training

(iv) Removal of the Store's landing page and/or disabling e-commerce functionality

(v) Suspension or denial of approval for expansion or additional locations

17. RIGHTS AND OBLIGATIONS OF THE COMPANY AND FRANCHISEE UPON TERMINATION OR EXPIRATION OF THE FRANCHISE

A. PAYMENT OF AMOUNTS OWED TO THE COMPANY. Franchisee agrees to pay, within 15 days after the effective date of termination or expiration of the Franchise, or such later date that the amounts due are determined: (i) to the Company, all Royalty Fees, National Marketing Fund Fees and Technology Fees, and any other amounts owed for purchases by Franchisee from the Company, and interest due on any of the foregoing; and (ii) to the Company and its Affiliates, all other amounts then owing and unpaid.

B. TRADEMARKS. Franchisee agrees that after the termination or expiration of the Franchise, Franchisee will not, either directly or indirectly, at any time or in any manner: identify itself or any business as a current or former VERLO® Store, or as a present or former franchisee or licensee of, or as otherwise associated with, the Company (other than under other effective franchise agreements with the Company), or use any Trademark, any colorable imitation thereof, or other indicia of a VERLO® Store in any manner or for any purpose, or

utilize for any purpose any corporate or trade name, trade or service mark, or other commercial symbol that suggests or indicates a connection or association with the Company. Upon termination or expiration of the Franchise, or upon the vacating or closing of any VERLO® Store, Franchisee shall, at its expense:
(i) remove all signs, sign faces, and indicia of the Company's trade dress, and return to the Company all marketing materials and other materials containing any Trademark or otherwise identifying or relating to VERLO® Stores; (ii) remove all Trademarks affixed to uniforms;
(iii) take such action as may be required to cancel all fictitious or assumed name or equivalent registrations relating to Franchisee's use of any Trademark; and (iv) furnish to the Company, within 30 days after the effective date of termination or expiration, evidence satisfactory to the Company of Franchisee's compliance with the foregoing obligations.

C. MODIFICATION OF STORE DESIGN AND DÉCOR. Upon termination or expiration of the Franchise, Franchisee shall modify the design, décor, and color scheme of the Store, in a manner acceptable to the Company, so that the Store no longer suggests or indicates a connection or affiliation with VERLO® Stores.

D. TRADE SECRETS. Upon termination or expiration of the Franchise, Franchisee shall immediately cease to use, in any business or otherwise, any Trade Secret of the Company disclosed to Franchisee pursuant to this Agreement, and shall immediately discontinue all access to the Electronic Manuals (through the Technology Systems or otherwise), and will return to the Company, any other confidential materials that the Company had lent to Franchisee.

E. COVENANT NOT TO COMPETE. Franchisee acknowledges that during the time this Agreement is in effect, Franchisee will receive Confidential Information and Trade Secrets as described in Section 9 and elsewhere in this Agreement. Franchisee further acknowledges that the Company is providing this information to Franchisee based on Franchisee's agreement to retain this information in confidence and not to use the information to compete against the Company and its other franchisees. Therefore, for a period of two years following the termination or expiration of this Agreement, or the date Franchisee ceases to conduct business as a VERLO® franchisee, whichever is later, neither Franchisee, nor any Owner, shall have any interest, direct or indirect, as an owner, investor, partner, director, officer, manager, employee, consultant, salesperson, representative, or agent, or in any similar capacity, in: (i) any store or business, within 100 miles of the Retail Assembly Store or its Retail Only Stores, selling Similar Goods; or (ii) any store or business, within 100 miles of any VERLO® Store or VERLO® distributor store that is open for business or is the subject of a franchise or distributor agreement on the date this Agreement expires or is terminated, selling Similar Goods; or (iii) any entity which is granting franchises or licenses to others to operate stores that sell Similar Goods. "Similar Goods" means mattresses and box springs of any type, of any quality (regardless of whether they are of better or worse quality than VERLO® Products), and at any price (regardless of whether they are sold for a higher or lower price than VERLO® Products). These restrictions shall not apply to ownership of securities listed on a stock exchange or traded on the over-the- counter market that represent one percent (1%) or less of the number of shares of the class of securities issued outstanding, nor to ownership of other VERLO® Stores or franchises pursuant to other franchise agreements with the Company. The Company reserves the right, in the Company's sole judgment, to waive by a written

instrument signed by the parties, all or part of these restrictions.

F. CONTINUING OBLIGATIONS. All obligations of the Company and Franchisee that expressly or by nature survive the expiration or termination of this Agreement shall continue in full force and effect subsequent to and notwithstanding its expiration or termination until they are satisfied in full or by nature expire.

G. LEASES. Franchisee shall, at the Company's option, cooperate with the Company in the Company's (or the Company's designee's) assumption of the interest which Franchisee has in any lease or sublease for the premises of the Store or equipment contained therein. In the event the Company does not elect to exercise its option to assume (or to appoint a designee to assume) the lease or sublease for the premises of the Store upon termination or expiration of this Agreement, Franchisee shall immediately make such modifications or alterations to the premises operated hereunder (including without limitation the changing of the telephone number) as may be necessary to distinguish the appearance of said premises from that of other VERLO® Stores operated under the System, and shall make such specific additional changes thereto as the Company may reasonably request for this purpose. In the event Franchisee fails or refuses to comply with the requirements of this Paragraph, the Company shall have the right to enter upon the premises of Franchisee's Store, without being guilty of trespass or any other tort, for the purposes of making or causing to be made, at the expense of Franchisee, such changes as may be required. Franchisee agrees to pay the Company's expenses upon the Company's demand.

H. DAMAGES, COSTS AND EXPENSES. Franchisee shall pay the Company all damages, costs, and expenses (including reasonable attorney's fees) incurred by the Company in obtaining injunctive or other relief for the enforcement of any provision of this Section.

I. ASSIGNMENT OR CANCELLATION OF TELEPHONE NUMBER. Franchisee shall, at the Company's direction, either cancel or assign to the Company or its designee, any and all telephone numbers and all telephone directory listings associated with Franchisee's VERLO® Stores or the Trademarks.

J. CUSTOMER LIST AND CONTRACTS. Without limiting subparagraph 10.M(ii), upon termination or expiration of this Agreement, Franchisee shall immediately assign to the Company or the Company's designee, any list (whether electronically stored or otherwise) of customers served by Franchisee's Stores, and all existing and pending contracts with customers and prospective customers. Thereafter, Franchisee will not use such information for any activity that would violate Franchisee's covenants or post-term obligations (including Paragraph 17.E above) under this Agreement.

K. THE COMPANY'S OPTION TO PURCHASE.

(i) If this Agreement expires (without Franchisee being granted a renewal franchise) or is terminated by the Company in accordance with its provisions or by Franchisee without cause, then the Company shall have the option, exercisable by giving written notice thereof within 60 days from the date of such expiration or termination, to purchase from Franchisee all the tangible assets (including, without limitation, inventory of saleable products, equipment, fixtures, furniture, signs, cash registers, computers, leasehold improvements and any other

assets of the Store owned by Franchisee, but excluding any unamortized portion of the initial franchise fee, cash, goodwill, short-term investments and accounts receivable) of the Store (collectively, the "Purchased Assets") and to an assignment of Franchisee's lease for (a) the premises of the Store (or, if an assignment is prohibited, a sublease for the full remaining term and on the same terms and conditions as Franchisee's lease) and (b) any other tangible assets used in connection with the Store. The Company shall have the unrestricted right to assign this option to purchase and assignment of leases separate and apart from the remainder of this Agreement.

(ii) The purchase price for the Purchased Assets shall be their Book Value (as defined below). "Book Value" shall mean the net book value of the Purchased Assets, as disclosed by the balance sheet of the last monthly statement of the Store required to have been submitted to the Company pursuant to Paragraph 12.B. hereof prior to such termination or expiration, provided, however, that: (a) each depreciable asset shall be valued as if it had been depreciated on a "straight-line" basis from the date of its acquisition over its useful life without provision for salvage value; and (b) the Company may exclude from the Purchased Assets any fixtures, equipment, furniture, signs, products, materials or supplies of the Store that have not been acquired in compliance with this Agreement. No value shall be attributed to goodwill or to the assignment of lease (or sublease) for the premises of the Store or the assignment of any lease for any other tangible assets used in connection with the Store, and the Company shall not be required to pay any separate consideration for any such assignment or sublease.

(iii) If the Company is not satisfied, for whatever reason, with the accuracy or fairness of any such financial statements, or none shall have been submitted, Book Value shall be determined by an audit to be conducted by a qualified appraiser selected by the parties. The cost of such audit will be borne equally by the Company and Franchisee, and the results of the audit shall be final and binding on both parties. If the parties cannot agree upon the selection of such an appraiser, one shall be appointed by a Judge of the United States District Court for the District in which the Authorized Location is located upon petition of either party.

(iv) The purchase price, as determined above, shall be paid in cash at the closing of the purchase, which shall take place no later than 60 days after the delivery of the Company's notice of its (or its designee's) election to purchase the Store, at which time Franchisee shall: (a) deliver to the Company or its designee instruments transferring good and merchantable title to the Purchased Assets, free and clear of all liens, encumbrances and liabilities to the Company or its designee, with all sales and other transfer taxes paid by Franchisee; (b) assign to the Company or its designee all licenses or permits which may be assigned or transferred; (c) assign to the Company or its designee Franchisee's leasehold interest in the premises of the Store or, if an assignment is prohibited, sublease same to the Company or its designee for the full remaining term and on the same terms and conditions as Franchisee's lease, including renewal and/or purchase options; and (d) assign to the Company or its designee any leases for any other tangible assets used in connection with the Store. In the event that Franchisee cannot deliver clear title to all of the Purchased Assets as aforesaid, or in the event there shall be other unresolved issues, the closing of the sale shall, at the Company's option, be accomplished through an escrow. Further, Franchisee and the Company shall, prior to closing, comply with the Bulk Sales provisions of the Uniform

Commercial Code as enacted or previously in force in the state where the Store is located. The Company shall have the right to set off against and reduce the purchase price by any and all amounts owed by Franchisee to the Company. In addition, unless otherwise agreed to in writing by Company and Franchisee, the transaction documents, which will be approved (and, at Company's option, prepared) by Company, will be those customary for this type of transaction and shall include representations and warranties then customary for this type of transaction.

(v) If the Company exercises the foregoing option to purchase the Store, the Company shall have the right, pending the closing of such purchase, to appoint a manager to maintain the operation of the Store and to charge Franchisee a reasonable management fee during the period in which the Company manages the Store. Alternatively, the Company may require Franchisee to close the Store during such time period without removing any of the Purchased Assets.

18. NOTICES AND PAYMENTS

A. All payments and reports required or permitted to be delivered by the provisions of this Agreement or the provisions of the Electronic Manuals shall be deemed delivered (i) at the time and on the date delivered by hand or transmitted by telegraph, ~~facsimile~~ fax machine, or other electronic system; (ii) one business day after being placed in the hands of a commercial courier service for overnight delivery; or (iii) three business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed to the parties as follows:

The Company:	301 N. Broadway Street, Suite 300 Milwaukee, Wisconsin 53202
Franchisee:	_____

or at a party's most current principal business address of which the other, notifying party has been notified. Any required notice, payment, or report not actually received by the Company during regular business hours on the date due (or postmarked by postal authorities at least 3 days prior thereto) shall be deemed delinquent.

19. ENFORCEMENT

A. ADDITIONAL DOCUMENTS AND ASSURANCES. Franchisee shall, at its expense, promptly and duly execute and deliver to the Company, such further documents and assurances and take such further action as the Company may from time to time request in order to carry out the intent and purpose of this Agreement more effectively and so as to establish and protect the rights, interests, and remedies intended to be created in favor of the Company.

B. SEVERABILITY AND SUBSTITUTION OF VALID PROVISIONS. Except as expressly provided to the contrary herein, each Section, Paragraph, subparagraph, term, and provision of this Agreement, and any portion thereof, shall be considered severable. If,

for any reason, any such provision of this Agreement is held to be invalid, contrary to, or in conflict with any applicable present or future law or regulation in a final, unappealable ruling issued by any court, agency, or tribunal with competent jurisdiction in a proceeding to which the Company is a party, that ruling shall not impair the operation of, or have any other effect upon, such other portions of this Agreement as may remain otherwise intelligible and which shall continue to be given full force and effect and bind the parties hereto. Any portion held to be invalid shall be deemed not to be a part of this Agreement from the date the time for appeal expires, if Franchisee is a party thereto, otherwise upon Franchisee's receipt of a notice of non-enforcement thereof from the Company. To the extent that Paragraph 9.E or Paragraph 17.E., or any clause thereof, is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited, and/or length of time, but could be enforceable by reducing any or all thereof, Franchisee and the Company agree that the same shall be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction in which enforcement is sought. If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of or refusal to renew this Agreement than is required hereunder, or the extension of additional cure rights or the taking of some other action not required hereunder, or if any provision of this Agreement or any specification, standard, or operating procedure prescribed by the Company is invalid or unenforceable under any applicable and binding law or rule of any jurisdiction, the prior notice, cure rights and/or other action required by such law or rule shall be substituted for the comparable provisions hereof and the Company shall have the right, in its sole judgment, to modify such invalid or unenforceable provision, specification, standard, or operating procedure to the extent required to make it valid and enforceable. Franchisee agrees to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision hereof, as though it were separately articulated in and made a part of this Agreement, that may result either from striking from any of the provisions hereof (or any specification, standard, or operating procedure or policy prescribed by the Company) any portion or portions which a court may hold to be unenforceable in a final decision to which the Company is a party or from reducing the scope of any promise or covenant to the extent required to comply with such a court order. Such modifications to this Agreement shall be effective only in such jurisdiction unless the Company elects to give them greater applicability, and shall be enforced as originally made and entered into in all other jurisdictions.

C. WAIVER OF OBLIGATIONS. The Company or Franchisee may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement, effective upon delivery of written notice thereof to the other or upon such other effective date stated in the notice of waiver. Any waiver granted by the Company shall be without prejudice to any other rights the Company may have, will be subject to continuing review by the Company, and may be revoked, in the Company's sole judgment, at any time and for any reason, effective upon delivery to Franchisee of 10 days prior written notice. The Company and Franchisee shall not be deemed to have waived or impaired any right, power, or option reserved by this Agreement (including, without limitation, the Company's right to demand exact compliance with every term, condition, and covenant herein or to declare any breach thereof to be a default and to terminate the Franchise prior to the expiration of its term) by virtue of: any custom or practice of the parties at variance with the terms hereof; any failure, refusal, or neglect of the Company or Franchisee to exercise any right under this Agreement or to insist upon exact compliance by the other with its obligations hereunder, including, without limitation, any mandatory specification,

standard, or operating procedure or policy; any waiver, forbearance, delay, failure, or omission by the Company to exercise any right, power, or option, whether of the same, similar, or different nature with respect to other VERLO® Stores; or the acceptance by the Company of any payments due from Franchisee after any breach of this Agreement. Neither the Company nor Franchisee shall be liable for loss or damage or deemed to be in breach of this Agreement if its failure to perform its obligations results from: (i) transportation shortage, strikes, inadequate supply of equipment, merchandise, supplies, material, or energy, or the voluntary foregoing of the right to acquire or use any of the foregoing in order to accommodate or comply with the orders, requests, regulations, recommendations, or instructions of any federal, state, or municipal government or any department or agency thereof (except where any of the foregoing impediments are the direct result of an act or omission by Franchisee); (ii) compliance with any law, ruling, order, regulation, requirement, or instruction of any federal, state, or municipal government or any department or agency thereof (other than a ruling, order, requirement, or instruction arising out of a violation of law by Franchisee); (iii) acts of God; and (iv) acts or omissions of the other party hereunder. Any delay resulting from any of said causes shall extend performance accordingly or excuse performance, in whole or in part, as may be reasonable, except that said causes shall not excuse payments of amounts owed at the time of such occurrence or payment of Royalty Fees and/or National Marketing Fund Fees due on any sales thereafter.

D. SPECIFIC PERFORMANCE/INJUNCTIVE RELIEF. Nothing in this Agreement shall bar the Company's or Franchisee's right to obtain specific performance of the provisions of this Agreement and injunctive relief against threatened conduct that will cause either party loss or damage, under customary equity rules, including applicable rules for obtaining restraining orders and preliminary injunctions. Franchisee agrees that the Company may have such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and that the sole remedy of Franchisee, in the event of the entry of such injunction, shall be the dissolution of such injunction, if warranted, upon hearing duly had (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby).

E. RIGHTS OF PARTIES ARE CUMULATIVE. The rights of the Company and Franchisee hereunder are cumulative, and no exercise or enforcement by the Company or Franchisee of any right or remedy hereunder shall preclude the exercise or enforcement by the Company or Franchisee of any other right or remedy hereunder or which the Company or Franchisee is entitled by law to enforce.

F. GOVERNING LAW. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Section 1051 et seq.), and the Federal Arbitration Act (9 U.S.C. § 1, et seq.), this Agreement and the Franchise will be governed by, and construed according to, the laws of the State of Wisconsin; provided that nothing in this Paragraph 19.F shall be construed as requiring the application of any Wisconsin franchise, dealership or other similar law to an individual, franchise or business that does not satisfy the jurisdictional elements of such law.

G. FORUM SELECTION. The parties hereto agree that any action brought by either party against the other in any court (subject to Paragraph 19.H), whether federal or state, shall be brought within the State of Wisconsin in the judicial district in which the Company has its principal place of business. For the purpose of carrying out and applying this provision, the parties hereby waive: (i) all questions of personal jurisdiction or venue; (ii) any right to a

jury trial; and (iii) any right to an award of punitive damages.

H. MANDATORY MEDIATION During the Term, certain disputes may arise between you and us that may be resolvable through mediation. To facilitate such resolution, you and we agree that each party must, before commencing any arbitration proceeding, submit the dispute for non-binding mediation at a mutually agreeable location (if you and we cannot agree on a location, the mediation will be conducted at our headquarters) to 1 mediator, appointed under the American Arbitration Association's ("AAA") Commercial Mediation Rules. The mediator will conduct mediation in accordance with such rules. You and we agree that any statements made by either you or us in any such mediation proceeding will not be admissible in any subsequent arbitration or other legal proceedings. Each party will bear its own costs and expenses of conducting the mediation and share equally the costs of any third parties who are required to participate. Nevertheless, both you and we have the right in a proper case to obtain temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction. However, the parties must immediately and contemporaneously submit the dispute for non-binding mediation. If any dispute between the parties cannot be resolved through mediation within 60 days following the appointment of a mediator, the parties must submit the dispute to arbitration subject to the following terms and conditions.

I. MANDATORY ARBITRATION.

(i) Subject to the mandatory mediation provisions set forth above, all disputes, controversies or claims arising out of or relating to this Agreement, the parties' relationship, or the Store, shall be submitted for arbitration, under the authority of the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.), in accordance with the then-current rules and procedures and under the auspices of the AAA. The locale of the arbitration proceedings shall be Milwaukee, Wisconsin and the proceedings shall be heard by one or more arbitrators as set forth in the AAA Rules.

(ii) The arbitrator shall have the right to award or include in his award any relief which he or she deems proper in the circumstances, including, without limitation, money damages (with interest on unpaid amounts from the date due), specific performance, injunctive relief and attorneys' fees and costs, in accordance with Paragraph 19.M, provided that the arbitrator shall not have the authority or jurisdiction: (a) to award exemplary or punitive damages; (b) to hear any dispute relating the ownership, validity or registration of any name or Trademark licensed hereunder; (c) to stay the effectiveness of any pending termination or expiration of this Agreement; or (d) to make an award which extends, modifies, or suspends any lawful term of this Agreement or any reasonable standard of business performance set by the Company. The arbitrator must issue a reasoned award, including findings of fact and conclusions of law. Subject to subparagraph 19.H(v) below, the decision of the arbitrator shall be conclusive and binding upon all parties hereto and judgment upon the award may be entered in any court of competent jurisdiction. The parties agree to be bound by the provisions of any limitation on the period of time by which claims must be brought. The parties further agree that, in connection with any such arbitration proceeding, each party shall submit or file any claim which would constitute a compulsory counterclaim (as defined by rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any such claim which is not submitted or filed in such proceeding shall be barred.

(iii) The Company and Franchisee agree that arbitration shall be conducted on an individual, not a class-wide, basis and that an arbitration proceeding or claim between the Company and Franchisee shall not be joined or consolidated with any other arbitration proceeding or claim involving the Company and any other person or entity.

(iv) This provision shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

(v) Notwithstanding anything in this Paragraph 19.H to the contrary: (a) the Company shall have the right to apply directly to a court of competent jurisdiction for a temporary restraining order, preliminary injunction or other emergency relief which may be available to protect the name, Trademarks or System licensed hereunder, without the necessity of first filing an arbitration demand; and (b) both the Company and Franchisee shall have the right, subject to Paragraph 19.G, to apply directly to a court of competent jurisdiction to appeal any final decision of an arbitrator involving an award in excess of
$10,000, as issued in a proceeding authorized under this Paragraph 19.H, provided that any appeal under this subparagraph must be filed within 21 days of the date the appealing party receives written notice of the arbitrator's final decision. In any judicial proceeding under clause (ii) of this subparagraph, the arbitrator's findings of fact will be upheld unless clearly erroneous and the arbitrator's conclusions of law will be subject to de novo review.

J. BINDING EFFECT. This Agreement is binding upon the parties hereto and their respective executors, administrators, personal representatives, heirs, assigns, and successors in interest, and shall not be modified except by written agreement signed by both Franchisee and the Company. Notwithstanding the preceding sentence, the Company may modify the Electronic Manuals pursuant to Paragraph 5.C. and 19.O.

K. CONSTRUCTION. The preambles, recitals, acknowledgments, exhibit, and addendum applicable to the state in which the franchise will be located are incorporated herein by reference and constitute a part of this Agreement. This Agreement constitutes the entire agreement of the parties and there are no other oral or written understandings or agreements between the Company and Franchisee relating to the subject matter of this Agreement. Nothing in the Agreement is intended to disclaim the representations the Company made in the Franchise Disclosure Document that the Company furnished to Franchisee. Further, nothing in this Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any person or legal entity not a party hereto. The headings of the several Sections and Paragraphs hereof are for convenience only and do not define, limit, or construe the contents of such Sections or Paragraphs. The term "Affiliate" as used herein is applicable to any company directly or indirectly owned or controlled by, controlling, or under common control with the Company that sells goods or services to Franchisee or otherwise transacts business with Franchisee. The term "Franchisee" as used herein is applicable to one or more persons, or a legal entity, as the case may be. Unless the context requires otherwise, the singular usage shall include the plural and vice versa, and the masculine and neuter usages shall include the other and the feminine. If two or more persons are at any time Franchisee hereunder, whether or not as partners or joint venturers, their obligations and liabilities to the Company shall be joint and several. References to "Franchisee," "Owner," and "Transferee" which are applicable to an individual or individuals shall refer to any person owning of record

any of the equity or voting power of the legal entity acting as Franchisee (if any), or to any person who is a beneficiary of a trust or estate owning such an interest. Unless the context requires otherwise, any references to the "Store" mean and include the Retail Assembly Store developed under this Agreement and each of its Retail Only Stores. This Agreement shall be executed in multiple copies, each of which shall be deemed an original.

L. COMPANY'S RIGHTS AND REASONABLE BUSINESS JUDGMENT. Whenever this Agreement provides that the Company has a certain right, that right is absolute and the parties intend that the Company's exercise of that right will not be subject to any limitation or review. The Company has the right to operate, administrate, develop, and change the System in any manner that is not specifically precluded by the provisions of this Agreement. Whenever the Company reserves or is deemed to have reserved discretion in a particular area or where the Company agrees or is deemed to be required to exercise its rights reasonably or in good faith, the Company will satisfy its obligations whenever it exercises Reasonable Business Judgment in making its decision or exercising its rights. A decision or action by the Company will be deemed to be the result of Reasonable Business Judgment, even if other reasonable or even arguably preferable alternatives are available, if the Company's decision or action is intended, in whole or significant part, to promote or benefit the VERLO® MATTRESS system generally even if the decision or action also promotes a financial or other individual interest of the Company. Examples of items that will promote or benefit the VERLO® MATTRESS system include, without limitation, enhancing the value of the Trademarks, improving customer service and satisfaction, improving product quality, improving uniformity, enhancing or encouraging modernization, and improving the competitive position of the VERLO® MATTRESS system. Neither Licensee nor any third party (including, without limitation, a trier of fact), shall substitute its judgment for Company's Reasonable Business Judgment.

M. LIMITATIONS OF CLAIMS. Any and all claims arising out of or relating to this Agreement or the relationship among the parties hereto, the Company's operation of the VERLO® MATTRESS franchise system, and Franchisee's operation of the Store, shall be barred unless an action or legal or arbitration proceeding is commenced before the expiration of the earlier of:

> (i) the time period for bringing an action under any applicable state or federal statute of limitations; (ii) one (1) year after the date upon which a party discovered, or should have discovered, the facts giving rise to an alleged claim; or (iii) two years after the first act or omission giving rise to an alleged claim. Notwithstanding anything in this paragraph to the contrary, claims of the Company attributable to Franchisee's underreporting of gross revenue, claims of the parties for indemnification, and claims of the Company related to its rights under any of the Trademarks will be subject only to the applicable state or federal statute of limitations.

N. COSTS AND ATTORNEYS' FEES. If a claim for amounts owed by Franchisee to the Company is asserted in any arbitration or judicial proceeding or appeal thereof, or if the Company or Franchisee is required to enforce or defend its rights under this Agreement (including any aspect of the parties' relationship hereunder) in an arbitration or judicial proceeding or appeal thereof (including through an interim motion to the arbitrator or judge), the party prevailing in such proceeding (including an interim motion) shall be entitled to reimbursement of its total (or interim) costs and expenses including, but not limited to, reasonable accounting, legal and attorneys' fees.

O. TIME OF THE ESSENCE. Time is of the essence of this Agreement.

P. MODIFICATION. This Agreement shall not be modified except by written agreement signed by both Franchisee and the Company. Notwithstanding the preceding sentence, Franchisee acknowledges that the Company may modify its standard and specifications set forth in its Electronic Manuals unilaterally under any conditions and to the extent in which the Company, in its sole judgment, deems necessary to protect, promote, or improve the Trademarks and the quality of the System. Franchisee agrees to accept and utilize any such changes or modifications which are reasonably requested as if they were part of this Agreement. Nothing in this Agreement is intended to disclaim the representations the Company made in the VERLO® MATTRESS Franchise Disclosure Document the Company provided to Franchisee.

Q. NO SET-OFF. Franchisee agrees to consult with the Company with respect to any alleged nonperformance by the Company, and Franchisee will not, on the grounds of any alleged nonperformance by the Company of its obligations hereunder, withhold payment of any Royalty Fees, National Marketing Fund Fees, Technology Fees, or other amounts payable by Franchisee under this Agreement.

R. DESIGNATED AGENT OF FRANCHISEE; UNDERTAKINGAND GUARANTY. In the event Franchisee is a legal entity having more than one Owner, all the Owners of Franchisee shall designate a person who is authorized to represent and bind the Franchisee in all matters. Such designation shall be noted in the applicable space in the form of Guaranty and Assumption of Obligations that is attached as Exhibit 3 to this Agreement. Further, all Owners of Franchisee shall execute the Guaranty and Assumption of Obligations. Any person or entity that at any time after the date of this Agreement becomes an Owner of Franchisee pursuant to the provisions of Section 14 or otherwise shall, as a condition of becoming an Owner, execute the Guaranty and Assumption of Obligations, or if otherwise, the Company's then-current form of personal guaranty.

S. NOTICE OF POTENTIAL COMPANY PROFIT. The Company hereby advises Franchisee that the Company and/or the Company's Affiliates may from time to time make available to Franchisee goods, products and/or services for use in Franchisee's Store on the sale of which the Company and/or the Company's Affiliates may make a profit. The Company further advises Franchisee that the Company and/or the Company's Affiliates may from time to time receive consideration from suppliers and/or manufacturers in respect to sales of goods, product or services to Franchisee or in consideration of services rendered or rights licensed to such persons. The consideration may or may not be related to services performed. Franchisee agrees that the Company and/or the Company's Affiliates shall be entitled to said profits and/or consideration.

T. EFFECTIVE DATE. The Effective Date shall be the date listed on page one of this agreement, referred to as "effective date".

U. RECEIPT OF DOCUMENTS. In addition to the acknowledgments set forth in Paragraph 2 of this Agreement, Franchisee hereby acknowledges that, except for fill in the blank provisions or for negotiated changes that Franchisee initiated, it received a copy of this Agreement at least 7 calendar days prior to the date on which this Agreement was executed. Franchisee further acknowledges that it has received a VERLO® MATTRESS Franchise Disclosure Document at least 14 calendar days prior to the date on which this Agreement

was executed.

V. COUNTERPARTS; ELECTRONIC SIGNATURE. This Agreement may be executed in separate counterparts (including by ~~facsimile~~ fax, PDF or electronic signature), each of which when so executed shall be an original, but all of which shall constitute one and the same agreement. Executed copies of this Agreement via DocuSign or similar software shall be deemed to be effective as original signatures.

20. FORCE MAJEURE

A. Notwithstanding anything contained in this Agreement to the contrary, no party (as applicable, the "Impacted Party") shall be liable or responsible to the other party, nor be deemed to have defaulted under or breached this Agreement, for any failure or delay in fulfilling or performing any term of this Agreement, when and to the extent such failure or delay is caused by or results from one or more of the following force majeure events ("Force Majeure Event(s)"): (a) acts of God; (b) flood, fire, earthquake, pandemics, or explosion; (c) war, invasion, hostilities (whether war is declared or not), terrorist threats or acts, riot or other civil unrest; (d) government order, law, or actions including but not limited to government ordered shutdowns; (e) embargoes or blockades in effect on or after the date of this Agreement; (f) national or regional emergency; (g) strikes, labor stoppages or slowdowns, or other industrial disturbances; (h) shortage of adequate power or transportation facilities."

[signature blocks are included on the following page]

In witness whereof, the parties hereto have executed and delivered this Agreement to be Effective as provided in Paragraph 19.S.

___ Franchisee is a Legal Entity:_____

Entity Name (type on line above)

By: _____

Name: _____

Title: _____

Date: _____

Franchisee is a legal entity and the following represents the signatures of all Owners of Franchisee and their respective percentages of equity ownership in Franchisee. Each of the undersigned Owners agrees to be bound by the provisions of this Agreement both as Owners of the entity named above and as individuals.

Percentage of Equity Ownership
Owners:

X_____ __%

Name: FRANCHISEE

X_____ __%

Name: FRANCHISEE

Franchisor's Acceptance:
Approved and executed on _____

FWR, LLC d/b/a Verlo Mattress
a Wisconsin Limited Liability Company

Attest: _____By: _____

Name Name:
Title: Title:

Exhibit 1

Type of Store
(place an x on the line)

_____Retail Assembly Store Retail Only Store

Authorized Location of Store

Pursuant to Paragraph 3.A of the Franchise Agreement, the Authorized Location of Franchisee's

_____

_____

_____

Acknowledged and agreed by the parties as of _____.

Franchisor: **FWR, LLC d/b/a VERLO Mattress**	**Franchisee:**
By: _____	By: _____
Print Name: _____	Print Name: _____
Title: _____	Title: _____

Exhibit 2

Addendum to Lease

THIS ADDENDUM TO LEASE (hereinafter referred to as the "Addendum") is made and entered into as of _____, by and between _____ ("Tenant"), _____("Landlord"), and FWR, LLC d/b/a VERLO Mattress ("Franchisor").

RECITALS

A. Tenant and Landlord have entered into a Lease dated _____ with respect to the Premises commonly known as: _____

_____

(the "Premises").

B. Tenant is a franchisee of Franchisor. The Franchise Agreement between Tenant and Franchisor requires Tenant to enter into a lease for its business premises and for such lease to contain certain provisions protecting Franchisor in the event of Tenant's default under either the lease or the Franchise Agreement.

C. The parties have entered into this Addendum in order to clarify certain rights and obligations of the parties in connection with the Premises.

NOW, THEREFORE, in consideration of the covenants between the parties and for other valuable consideration, the receipt of which is hereby acknowledged, the parties agree as follows:

1. During the term of the Lease, the Premises shall be used only for a VERLO® Mattress Store.

2. Anything contained in the Lease to the contrary notwithstanding, Landlord agrees that, upon Tenant's default and failure to cure under the Lease or Franchise Agreement or upon the expiration, termination or nonrenewal of the Franchise Agreement, Franchisor (or, at Franchisor's option, Franchisor's designee) has the right (but not the obligation) to unilaterally assume the Lease and the right, title, and interest of Tenant thereunder, provided that Franchisor (or its designee) will execute such documents evidencing its agreement to thereafter keep and perform, or cause to be kept or performed, all of the obligations of Tenant arising under the Lease from and after the time of such assumption. If Franchisor assumes the Lease, Franchisor shall not be responsible for any of Tenant's debts or obligations to Landlord that Tenant incurred before the date of the assumption by Franchisor and Landlord shall waive any administrative, assignment, or transfer fee that the Lease may otherwise require following an assignment or assumption.

3. Landlord shall give written notice to Franchisor (concurrently with the giving of such notice to Tenant), of any default by Tenant under the Lease and Franchisor shall have, after expiration of the period during which Tenant may cure such default, an additional 30 days to cure, at its sole option, any such default.

4. During the term of the Lease, Landlord agrees to sign and deliver to Tenant or Franchisor, within 10 days after a request from Tenant or Franchisor, an estoppel certificate certifying the following: that the Lease is in full force and effect; that the Lease is unmodified, or if modified, describing the modifications; that there are no defaults under the Lease, or if there are defaults claimed, describing the claimed defaults; the dates to which all rentals have been paid; and any other matters reasonably requested by Tenant or Franchisor.

5. During the term of the Lease and any extensions, Landlord grants Tenant the exclusive right to sell mattresses and box springs in the shopping center in which the Premises are located.

6. Landlord consents to Tenant's use of the required colors, dimensions, and design for the "VERLO® Mattress" trade name/logo that Tenant is required to use on the Premises' exterior and interior signs.

7. Tenant is prohibited from subletting or assigning (except to Franchisor) all or any part of Tenant's occupancy rights under the Lease, extending the term of the Lease, or renewing the Lease without Franchisor's prior written consent.

8. Franchisor or its appointed representatives shall have the right to enter the Premises to make any modification necessary to protect the Franchisor's trademarks or to cure any default under the Franchise Agreement or the Lease.

9. All notices to be given under the Lease shall be in writing and delivered personally or deposited in the United States Mail, certified or registered mail with return receipt requested, postage prepaid, addressed as follows:

Landlord: _____ Attention: _____
_____
_____

Tenant: _____
Attention: _____
_____
_____

Franchisor: FWR, LLC d/b/a VERLO Mattress Attention: Emily Espinoza

301 N. Broadway Street, Suite 300
Milwaukee, Wisconsin 53202

or to such other person or such other address designated by notice sent by Landlord, Tenant, or Franchisor. Notice delivered personally shall be effective upon delivery and notice by mail shall be deemed to be effective on the second day following the date on which the notice was deposited in the United States Mail as provided in this Paragraph.
In the event of any conflict between this Addendum and the Lease, the terms and conditions of this Addendum shall supersede and control.

10. This Addendum may be executed in separate counterparts (including by ~~facsimile~~ fax, PDF or electronic signature), each of which when so executed shall be an original, but all of which shall constitute one and the same agreement. Executed copies of this Addendum via DocuSign or similar software shall be deemed to be effective as original signatures.

IN WITNESS WHEREOF, the parties have executed this Addendum as of the date first above written.

LANDLORD:

_____

By: _____

Print name: _____

Title: _____

TENANT:

_____

By: _____

Print name: _____

Title: _____

FRANCHISOR:
FWR, LLC d/b/a VERLO MATTRESS

By: _____

Print name: _____

Title: _____

Exhibit 3

Guaranty and Assumption of Obligations (with Designation of Authorized Representative)

NOTE: IF FRANCHISEE IS A CORPORATION, LIMITED LIABILITY COMPANY, PARTNERSHIP, OR OTHER ENTITY, EACH OF ITS OWNERS MUST EXECUTE THE FOLLOWING GUARANTY AND ASSUMPTION OF OBLIGATIONS AS AN INDIVIDUAL AND NOT AS AN OWNER OR OFFICER, MANAGER, OR PARTNER OF THE ENTITY.

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS is given _____, by_____

_____

(the "Owners").

(List each of the Owners of "Franchisee," as defined in Section 1 below)

1. In consideration of, and to induce FWR, LLC d/b/a VERLO Mattress ("Company") to enter into a VERLO® MATTRESS franchise agreement dated __(the "Franchise Agreement"), with _____("Franchisee"), each of the undersigned Owners hereby personally and unconditionally (a) guarantees to Company, and its affiliates, successors and assigns, for the term of the Franchise Agreement and thereafter as provided in the Franchise Agreement, that Franchisee will punctually pay and perform each and every undertaking, agreement and covenant set forth in the Franchise Agreement; and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Franchise Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities, including without limitation the provisions of Paragraph 9.E. and 17.E. (all of which shall be referred to as the "Obligations").

2. Each of the undersigned Owners waives: (1) acceptance and notice of acceptance by Company (and its affiliates) of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or nonperformance of any Obligations hereby guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of Obligations hereby guaranteed; (4) any right the Owner may have to require that an action be brought against Franchisee or any other person as a condition of liability; (5) any and all other notices and legal or equitable defenses to which the Owner may be entitled; and (6) any right to disclosures from Company (or its affiliates) regarding the financial condition of Franchisee or any guarantor of Franchisee.

3. Each of the undersigned Owners consents and agrees that: (1) the Owner's direct and immediate liability under this guaranty shall be joint and several; (2) the Owner shall promptly render any payment or performance required under the Franchise Agreement upon demand by Company (or any of its affiliates) if Franchisee fails or refuses punctually to do so; (3) such liability shall not be contingent or conditioned upon pursuit by Company (or, as applicable, its affiliate) of any remedies against Franchisee or any other person; (4) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit

or other indulgence which Company (or any of its affiliates) may from time to time grant to Franchisee or to any other person, including without limitation the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend his guaranty, which shall be continuing and irrevocable during the term of the Franchise Agreement; and (5) no claim, including a claim for contribution or subrogation, which any of the undersigned may have against a co-guarantor of any of the Obligations or Franchisee shall be enforced nor any payment accepted until the Obligations are paid in full and the payments are not subject to any right of recovery.

4. With respect to the Obligations, Company (or any of its affiliates) may from time to time, without notice to any of the undersigned Owners and without affecting the liability of any of the Owners: (a) surrender, release, impair, sell or dispose of any security or collateral for the Obligations, (b) surrender, release or not agree to sue any guarantor or surety, (c) fail to perfect a security interest in or realize upon any security or collateral, (d) fail to realize upon any of the Obligations or to proceed against Franchisee or any guarantor or surety, (e) renew or extend the time for payment, (f) accept additional security or collateral, (g) determine the allocation and application of payments and credits and accept partial payments, (h) determine what, if anything, may at any time be done with reference to any security or collateral, and (i) settle or compromise the amount due or owing or claimed to be due or owing. Each of the undersigned Owners expressly consents to and waives notice of all of the above. Company (and its affiliates) may collect the Obligations from any of the undersigned without first trying to collect from Franchisee or another of the guarantors of the Obligations. To the extent not prohibited by law, each of the undersigned consents that venue of any legal proceedings relating to the collection of the Guaranty shall be, at Company's (or, as applicable, its affiliate's) option, in Milwaukee County, Wisconsin.

5. Each of the undersigned Owners: (a) acknowledges and agrees that Company (and each of its affiliates) has not made any representations or warranties with respect to, does not assume any responsibility to any of the undersigned for, and has no duty to provide information to any of the undersigned regarding the collectability or enforceability of any of the Obligations or the financial condition of Franchisee or any guarantor; (b) has independently determined the credit worthiness of Franchisee and the collectability and enforceability of the Obligations; and (c) until the Obligations are paid in full, will independently and without reliance on Company (or any of its affiliates) continue to make the determinations described in 5(b).

6. This is a continuing guaranty and shall remain in full force and effect so long as the Franchise Agreement is in effect, and thereafter so long as any Obligations remain in effect and not satisfied.

7. The validity, construction and enforcement of this Guaranty and Assumption of Obligations are governed by the internal laws of Wisconsin. All terms not otherwise defined have the meanings assigned to them by the Wisconsin Uniform Commercial Code. The invalidity of any provision of this Guaranty shall not affect the validity of any other provision.

8. Without limiting any other provision of this Guaranty and Assumption of Obligations, each of the Owners, individually, jointly and severally, hereby agree to be personally bound by each and every condition and term contained in the Franchise Agreement as though each of the Owners had executed a franchise agreement containing the identical terms and

conditions of the Franchise Agreement, including without limitation the dispute resolution, confidentiality and noncompetition provisions, and any amendments, extensions, or other modifications to the Franchise Agreement.

9. Designation of Authorized Representative. The Owners hereby designate the following individual as the authorized representative of Franchisee, to whom and with whom Company (and any of its affiliates) may give notice and communicate, without giving notice to or communicating with any other person. The undersigned expressly consent and agree that notice to and/or communication with the following individual by Company (or any of its affiliates) shall constitute notice to and/or communication with each of the undersigned:

Authorized Representative of Franchisee:

Name: _____

Address: _____

_____

Telephone #: _____

Email Address: _____

10. This Guaranty and Assumption of Obligations may be executed in separate counterparts (including by ~~facsimile~~ fax, PDF or electronic signature), each of which when so executed shall be an original, but all of which shall constitute one and the same agreement. Executed copies of this Guaranty and Assumption of Obligations via DocuSign or similar software shall be deemed to be effective as original signatures.

In witness whereof, each of the undersigned Owners has executed this Guaranty and Assumption of Obligations (with Designation of Authorized Representative), on the date set across from his or her respective signature.

Percentage
Ownership of
Franchisee

_____	_____	**X**_____
	Date	Guarantor:
_____	_____	**X**_____
	Date	Guarantor:

_____ _____ **X**_____

Date Guarantor:

_____ _____ **X**_____

Date Guarantor:

_____ Total (**must total 100%)**

NOTE: IF ANY OWNER OF FRANCHISEE IS A LEGAL ENTITY, THE CONTROLLING OWNER OF THAT ENTITY MUST SIGN THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS ON BEHALF OF THAT OWNER.

Exhibit 4

Territory Assignment between FWR, LLC d/b/a Verlo Mattress and _____.

Dated _____

TERRITORY

The "**Territory**" is comprised of the following geographic area:

_____

_____

_____

The Territory is further delineated on the map that appears below or is attached hereto.

Company:

FWR, LLC d/b/a VERLO Mattress

By: _____

Name: _____

_____

Franchisee:

_____

By: _____ Print

Print Name: _____ Title:

Title: _____

Exhibit C

Financial Statements

FWR, LLC DBA: VERLO MATTRESS

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 25, 2025 AND DECEMBER 26, 2024



CPAs | CONSULTANTS | WEALTH ADVISORS

CLAconnect.com

FWR, LLC DBA: VERLO MATTRESS
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YEARS ENDED DECEMBER 25, 2025 AND DECEMBER 26, 2024

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CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
FWR, LLC dba: Verlo Mattress
Milwaukee, Wisconsin

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of FWR, LLC dba: Verlo Mattress, which comprise the balance sheets as of December 25, 2025 and December 26, 2024, and the related statements of operations and members' deficit, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of FWR, LLC dba: Verlo Mattress as of December 25, 2025 and December 26, 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of FWR, LLC dba: Verlo Mattress and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

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Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Milwaukee, Wisconsin
March 5, 2026

FWR, LLC DBA: VERLO MATTRESS
BALANCE SHEETS
DECEMBER 25, 2025 AND DECEMBER 26, 2024

	2025	2024
ASSETS		
CURRENT ASSETS		
Cash	$ 130,838	$ 134,153
Restricted Cash	41,641	56,929
Accounts Receivable, Net of Allowance for Credit Losses of $6,500 and $-0- in 2025 and 2024, Respectively.	202,046	163,383
Accounts Receivable, Related Party	33,715	86,484
Prepaid Software	31,472	20,862
Prepaid Insurance	23,285	15,048
Other Prepaid Expenses	45,687	36,678
Total Current Assets	508,684	513,537
PROPERTY AND EQUIPMENT		
Furniture and Equipment	34,890	34,890
Computer Hardware and Software	117,064	104,949
Leasehold Improvements	78,882	78,882
Total	230,836	218,721
Less: Accumulated Depreciation	127,781	115,105
Net Property and Equipment	103,055	103,616
OTHER ASSETS		
Intangible Assets, Net	2,768,809	2,768,809
Deferred Franchise Costs	1,073,601	1,773,260
Related Party Notes Receivable	432,553	425,362
Other Assets	14,622	21,162
Total Other Assets	4,289,585	4,988,593
Total Assets	$ 4,901,324	$ 5,605,746

See accompanying Notes to Financial Statements.

FWR, LLC DBA: VERLO MATTRESS
BALANCE SHEETS (CONTINUED)
DECEMBER 25, 2025 AND DECEMBER 26, 2024

	2025	2024
LIABILITIES AND MEMBERS' DEFICIT		
CURRENT LIABILITIES		
Line of Credit - Related Party	$ 2,565,734	$ 1,479,369
Accounts Payable	286,177	41,509
Related Party Payable	306,404	259,216
Accrued Expenses	414,307	119,474
Current Portion of Deferred Revenues	45,339	52,570
Total Current Liabilities	3,617,961	1,952,138
LONG-TERM LIABILITIES		
Related Party Notes Payable, Less Current Portion	3,186,775	3,056,816
Deferred Revenues, Less Current Portion	1,231,002	2,030,612
Total Long-Term Liabilities	4,417,777	5,087,428
Total Liabilities	8,035,738	7,039,566
MEMBERS' DEFICIT	(3,134,414)	(1,433,820)
Total Liabilities and Members' Deficit	$ 4,901,324	$ 5,605,746

See accompanying Notes to Financial Statements.

FWR, LLC DBA: VERLO MATTRESS
STATEMENTS OF OPERATIONS AND MEMBERS' DEFICIT
YEARS ENDED DECEMBER 25, 2025 AND DECEMBER 26, 2024

	2025	2024
REVENUE		
Royalties	$ 1,543,376	$ 1,506,004
Information Technology Fees	230,750	210,500
Other Operating Revenue	816,245	182,925
Marketing Revenue:		
Marketing Fees	232,050	210,500
Vendor Commissions	242,554	319,383
Conference Sponsorships	57,000	78,750
Total Revenue	3,121,975	2,508,062
OPERATING EXPENSES		
General and Administrative	3,604,794	3,172,473
Marketing	574,121	628,175
Total Operating Expenses	4,178,915	3,800,648
LOSS FROM OPERATIONS	(1,056,940)	(1,292,586)
OTHER INCOME (EXPENSE)		
Interest Income	7,191	7,072
Interest Expense	(441,324)	(257,135)
Miscellaneous Income	21	470
Net Other Expense	(434,112)	(249,593)
NET LOSS	(1,491,052)	(1,542,179)
Members' Equity (Deficit) - Beginning of Year	(1,433,820)	108,359
Distributions	(209,542)	-
MEMBERS' DEFICIT - END OF YEAR	$ (3,134,414)	$ (1,433,820)

See accompanying Notes to Financial Statements.

FWR, LLC DBA: VERLO MATTRESS
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 25, 2025 AND DECEMBER 26, 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss	$ (1,491,052)	$ (1,542,179)
Adjustments to Reconcile Net Loss to Net Cash Used by Operating Activities:		
Depreciation and Amortization	12,676	10,361
Current Expected Credit Losses	6,500	(35,000)
Payments In-Kind Interest, Net	441,324	257,135
Change in Operating Assets and Liabilities:		
Accounts Receivable, Net of Allowance for Credit Losses of $6,500 and $-0- in 2025 and 2024, Respectively.	(45,163)	9,599
Accounts Receivable, Related Party	(156,773)	(52,376)
Prepaid Software	(10,610)	79,119
Prepaid Insurance	(8,237)	(189)
Other Prepaid Expenses	(9,009)	(276)
Deferred Franchise Costs	699,659	2,656
Other Assets	6,540	(4,745)
Accounts Payable	244,668	(136,471)
Related Party Payables	47,188	105,906
Accrued Expenses	294,833	33,358
Deferred Revenue	(806,841)	(25,626)
Net Cash Used by Operating Activities	(774,297)	(1,298,728)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(12,115)	(9,505)
Payments from (Advances to) Related Parties	(7,191)	(7,072)
Net Cash Used by Investing Activities	(19,306)	(16,577)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Line of Credit - Related Party	775,000	1,350,000
Net Cash Flows Provided by Financing Activities	775,000	1,350,000
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	(18,603)	34,695
Cash and Restricted Cash - Beginning of Year	191,082	156,387
CASH AND RESTRICTED CASH - END OF YEAR	$ 172,479	$ 191,082
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Refinanced Related-Party Notes Payable	$ -	$ 1,278,385
Distributions Paid by Reducing Related-Party Receivables	$ 209,542	$ -

See accompanying Notes to Financial Statements.

NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

FWR, LLC dba: Verlo Mattress (the Company) is a franchisor which awards the franchises in exchange for an initial franchise fee and provides marketing, technology, and various other support services to its franchisee's stores in exchange for royalties and other fees. Currently all franchisee stores are located in 11 states within the continental United States and the Company has franchise agreements signed to open stores in two additional states.

Fiscal Year

Effective January 1, 2017, the Company elected to have a fiscal year that ends on the Thursday nearest; each year customarily consists of four 13-week quarters totaling 52 weeks. Every sixth year includes 53 weeks. The Company's 2025 fiscal year ended December 25, 2025, the 2024 fiscal year ended on December 26, 2024 and were 52-week years, each.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Restricted Cash

Substantially all cash is deposited in one financial institution. At times, amounts on deposit may be in excess of the Federal Deposit Insurance Corporation insurance limit.

Restricted cash consists of amounts reserved for the use in advertising and marketing activities and related costs to benefit the franchisees. Cash is composed of the following at year-end:

	2025	2024
Cash	$ 130,838	$ 134,153
Restricted Cash	41,641	56,929
Total Cash	$ 172,479	$ 191,082

Accounts Receivable

Accounts receivable are based on franchise agreements. The Company provides an allowance for credit losses based on a review of outstanding receivables, historical collection information, and current economic conditions. The Company performs periodic credit evaluations of its customers' financial condition and generally grants credit on an unsecured basis. Past due receivables are written off after management has used reasonable collection efforts based on individual credit evaluations and specific customer circumstances.

The Company grants credit to customers, all of whom are located in the United States of America. The current expected credit losses were $6,500 at December 25, 2025 and $-0- at December 26, 2024.

NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable (Continued)

Accounts receivable are composed of the following at year-end:

	2025	2024
Royalty and Technology Receivables	$ 130,970	$ 114,881
Marketing Fee Receivables	70,013	34,949
Other Receivables	7,563	13,553
Less: Current Expected Credit Losses	(6,500)	-
Total Accounts Receivable, Net	$ 202,046	$ 163,383

Property, Equipment, and Depreciation

Property and equipment are stated at cost. Expenditures for additions and improvements are capitalized while replacements, maintenance and repairs, which do not improve or extend the lives of the respective assets are expensed as incurred. Properties sold or otherwise disposed of are removed from the property accounts, with gains or losses on disposal credited or charged to the results of operations.

Estimated useful lives are as follows:

Furniture and Equipment	5 to 7 Years
Computer Hardware and Software	5 to 15 Years
Leasehold Improvements	39 Years

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method for financial reporting purposes, and, in general, accelerated methods for income tax purposes. Total depreciation expense was $12,676 and $10,361 for the years ended December 25, 2025 and December 26, 2024, respectively.

Leasehold improvements are depreciated over a period longer than the related party lease agreement. The unamortized portion of leasehold improvements as of December 25, 2025 was $69,274.

Impairment of Long-Lived Assets

The Company reviews property and equipment for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when estimated future cash flows from the use of the asset are less than the carrying amount of that asset. No such losses were recognized for the years ended December 25, 2025 or December 26, 2024.

NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible Assets

Intangible assets consist of the following at year-end:

	2025	2024
Intangibles Not Subject to Amortization:		
Trademarks	$ 2,728,120	$ 2,728,120
Patents and Copyrights	40,689	40,689
Total	$ 2,768,809	$ 2,768,809

Intangible assets subject to amortization were fully amortized as of December 25, 2025 and December 26, 2024.

Income Taxes

The Company is treated as a limited liability company (LLC) for federal and state tax purposes. As such, the Company's income, losses, and credits are included in the income tax returns of its members.

The Company follows the accounting standard for income taxes in evaluating uncertain tax positions and has determined that no uncertain tax positions exist as of December 25, 2025 and December 26, 2024.

Revenue Recognition

ASC 606 eliminates industry-specific guidance and provides a single revenue recognition model for recognizing revenue contracts with customers. The core principle of ASC 606 is that a reporting entity should recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the reporting entity expects to be entitled in exchange for the those goods or services.

The Company's revenues consist primarily of royalties, initial and renewal franchise fees, transfer fees, information technology fees, retail sales, marketing fees, and commission income.

The Company's primary performance obligation under the franchise license is granting certain rights to use the Company's intellectual property, and all of the other services that the Company provides under a franchise agreement are highly interrelated, not distinct within the contract, and therefore accounted for under ASC 606 as a single performance obligation, which is satisfied by granting certain rights to use the Company intellectual property over the term of each franchise agreement.

The Company receives royalty payments from franchisees over the course of the term of the franchise agreement. The royalties are calculated as a percentage of franchisee revenues over the term of the franchise agreement. Royalties are sales-based royalties that relate entirely to the Company performance obligation under the franchise agreement and are recognized as sales occur at the franchisee level.

NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Initial and renewal franchise fees are payable by the franchisee upon executing a new franchise agreement or renewal of an existing franchise agreement, and transfer fees are paid to the Company when one franchisee transfers a franchise agreement to a different franchisee. Under ASC 606, initial and renewal franchise fees, as well as transfer fees, are recognized as revenue on a straight-line basis over the term of the respective agreement which is typically 10 years. Under the Previous Standards, initial and renewal franchise fees, and transfer fees were recognized as revenue when the related franchisees executed the new or renewal franchise agreement.

The Company collects information technology fees from franchisees. The information technology fees are a flat fee charge per franchisee location per month over the term of the franchise agreement. The Company recognizes revenue on a straight-line basis over the course of the franchise agreement.

Retail sales consist of orders received on the Company's website. If the order is received from a location where a franchisee exists, the franchisee is given the first option to fulfill the order. If a franchisee does not fulfill the order, the Company will process the order. Revenue is recognized when control of the product has transferred to the customer. Control is deemed to have transferred to the customer at the point in time the product is available for fulfillment and the customer has the right to direct the asset and the ability to benefit from the risk and rewards.

The Company recognizes incremental costs incurred to obtain contracts, which primarily represent commissions paid to a broker network over the life of the contract.

The Company has established a general marketing fund to promote the brand for the common benefit of the franchisees. The purpose of the fund is to pay the costs of the system wide advertising, marketing, and promotional programs using marketing fees collected from the franchisees over the term of the franchise agreement. The marketing fees are a flat fee charge per franchisee location per month over the term of the franchise agreement. The Company recognizes revenue on a straight-line basis over the course of the franchise agreement.

The Company recognizes commission income from certain of its franchisees' use of certain preferred vendor arrangements. Under the arrangements, the Company receives a payment from the preferred vendors based on predetermined percentages of total franchisee purchases for the month. Commissions are recognized in the period from which the initial purchase was made by the franchisee.

NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

The timing of revenue recognition, billings and cash collections results in receivables, contract assets and contract liabilities. Accounts receivable are recorded when the right to consideration becomes unconditional and are presented separately in the balance sheet. Contract assets relate to incremental costs incurred to obtain contracts, which primarily represent commissions paid to a broker network over the term of the agreement. Contract liabilities relate to deferred revenue on initial and renewal franchise fees deferred over the term of the agreement. Accounts receivable, contract assets, and contract liabilities from contracts with franchisees were as follows:

Accounts Receivable:	
December 28, 2023	$172,090
December 26, 2024	$249,867
December 25, 2025	$235,761
Contract Assets:	
December 28, 2023	$1,775,916
December 26, 2024	$1,773,260
December 25, 2025	$1,073,601
Contract Liabilities:	
December 28, 2023	$2,108,808
December 26, 2024	$2,083,182
December 25, 2025	$1,276,341

The Company has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by customer type, line of business, and geographic locations.

Subsequent Events

In preparing the financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through March 5, 2026, the date the financial statements were available to be issued.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Adoption of New Accounting Standards

At the beginning of fiscal year 2025, the Company adopted FASB ASU 2025-05, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets*. This standard introduces a practical expedient that all allows entities to assume that current conditions persist over the life of the asset, and an election permitting consideration of post-balance-sheet cash collections when estimating expected credit losses.

NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards (Continued)

As a result, the Company no longer incorporates forward looking macroeconomic forecasts into its credit loss estimate for outstanding accounts receivable and contract assets. Instead, the Company relies on historical loss experience and current conditions as of the reporting date. Additionally, the Company considers subsequent cash collections received prior to issuance of the financial statements when evaluating collectability.

NOTE 2 ADVERTISING AND MARKETING ACTIVITIES

In accordance with the franchisee agreement, franchisees pay to the Company a fixed fee for the specific use of marketing and advertising efforts intended to benefit their stores. The Company maintains an external record of assets, liabilities, revenues, and expenses that directly relate to marketing and advertising efforts and the associated costs, here forward referred to as the Marketing Accounts.

Marketing Accounts included in the balance sheets as of December 25, 2025 and December 26, 2024 consisted of:

	2025	2024
Balance Sheets:		
Restricted Cash	$ 41,641	$ 56,929
Accounts Receivable	70,013	72,159
Prepaid Expenses	4,320	9,153
Property and Equipment, Net	2,924	4,937
Accounts Payable	(84,241)	(26,396)
Accrued Expenses	-	(10,795)
Due to FWR, LLC	(105,632)	(134,445)
Net Liabilities in Excess of Assets	$ (70,975)	$ (28,458)

NOTE 3 LINE OF CREDIT – RELATED PARTY

The Company has a revolving line of credit with a related party that allows for maximum principal borrowings of $2,125,000. The agreement expires on January 10, 2029. The total principal and interest outstanding on the line of credit is $2,565,734 and $1,479,369 at December 25, 2025 and December 26, 2024, respectively. Interest is payable at the expiration date and compounds annually at a rate of 15%.

NOTE 4 LONG-TERM AND RELATED PARTY DEBT

The Company has several notes due to related parties with compounding interest rates varying from 3.67% to 5.0% that are secured by substantially all of the Company's assets. No interest or principal payments are required until maturity; annual interest is capitalized into a new note with varying maturity dates. Notes payable – related party consist of the following at December 31:

Description	2025	2024
Note Payable - Related Party:		
Due December 31, 2027, with adjustable interest rate (4.46% as of December 25, 2025 and 4.76% as of December 26, 2024)	$ 356,804	$ 341,324
Due June 30, 2028, interest at 5%	304,880	290,041
Due September 30, 2028, with adjustable interest rate (3.83% as of December 25, 2025 and 3.67% as of December 26, 2024)	1,135,587	1,094,229
Due May 1, 2033, with adjustable interest rate (4.06% as of December 25, 2025 and 4.37% as of December 26, 2024)	1,389,504	1,331,222
Total Debt	3,186,775	3,056,816
Less: Current Maturities	-	-
Net Long-Term Debt	$ 3,186,775	$ 3,056,816

As of December 26, 2025, future maturities and required principal payments are as follows:

Year	Amount
2026	$ -
2027	356,804
2028	1,440,467
2029	-
2030	-
Thereafter	1,389,504
Total	$ 3,186,775

NOTE 5 LETTER OF COMMITMENT

Over the course of the last year, ownership has provided the Company a line of credit outlined in Note 3. In addition, subsequent to year end, a letter of commitment from the majority member to fund the working capital and operations of the Company as needs arise in the future for at least the next year was obtained.

NOTE 6 EMPLOYEE BENEFIT PLAN

The Company has a retirement plan which is administered in accordance with the provisions of Section 401(k) of the Internal Revenue Code and which covers substantially all of its employees. The Company offers a match of employee contributions equal to 100% up to 3% and 50% up to an additional 2%. For the years ended December 25, 2025 and December 26, 2024, the Company matching contribution was $25,788 and $33,087, respectively.

NOTE 7 RELATED PARTIES

The Company has an agreement with an entity under common ownership for management and professional services. During 2025 and 2024, the Company incurred management fees of $204,000 and $193,200, respectively. The Company also has a sublease agreement on a month-to-month basis with a different related entity under common ownership, related party lease expense was $84,000 for the years ended December 25, 2025 and December 26, 2024.

The Company receives franchise royalty fees as well as information technology and marketing fees from a related entity under common ownership. During 2025, these revenues totaled $245,924 and $72,000, respectively. During 2024, these revenues totaled $255,720 and $72,000, respectively.

The Company has notes receivable from related parties under common ownership in the amount of $321,711 and $110,842 as of December 25, 2025 and $316,363 and $108,999 as of December 26, 2024. These notes accrue interest at 1.68% compounded quarterly and mature August 31, 2029 and December 31, 2029, respectively.

As of December 25, 2025 and December 26, 2024, the Company had receivables due from related parties under common ownership in the amount of $33,715 and $86,484, respectively.

The Company had payables due to related parties under common ownership in the amount of $306,404 and $259,216 for the years ended December 25, 2025 and December 26, 2024, respectively.

Related-party interest income and expense for the fiscal year-ends were as follows:

	2025	2024
Interest Income	$ 7,191	$ 7,072
Interest Expense	(441,324)	(257,135)
Net Related Party Interest	$ (434,133)	$ (250,063)

NOTE 8 SUMMARY OF FRANCHISE STORES

For the year ended December 25, 2025, the Company had 40 franchise stores. Of these stores, six were stores commonly owned by a related party under common ownership. During 2025, there were five new locations opened and four store closures.

For the year ended December 26, 2024, the Company had 39 franchise stores. Of these stores, six were stores commonly owned by a related party under common ownership. During 2024, there were ten new locations opened and five store closures.

NOTE 9 LOSS CONTINGENCY

The Company is the defendant in litigation involving three separate franchisees and their guarantors related to the Franchise Disclosure Document. The Company believes that the claims are without merit and intends to vigorously defend its position. There has been no conclusion as to the likelihood of the outcome as either being probable or remote. As such, the estimated loss related to the claims ranges from $-0- - $3,600,000. However, in management's opinion, the likelihood of a material adverse outcome is remote. Accordingly, adjustments, if any, might result from the resolution of this matter have not been reflected in the financial statements.



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FWR, LLC DBA: VERLO MATTRESS

SPECIFIED ELEMENTS OF THE FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 25, 2025 AND DECEMBER 26, 2024



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FWR, LLC DBA: VERLO MATTRESS
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INDEPENDENT AUDITORS' REPORT

Board of Directors
FWR, LLC dba: Verlo Mattress
Milwaukee, Wisconsin

Report on the Audit of the Specified Elements of the Financial Statements

Opinion

We have audited the specified elements of the financial statements of FWR, LLC dba: Verlo Mattress, which comprise the balance sheets as of December 25, 2025 and December 26, 2024, and the related schedules of specified revenues and expenses and net deficit, and restricted cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of FWR, LLC dba: Verlo Mattress as of December 25, 2025 and December 26, 2024, and the results of its specified operations and its specified cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of FWR, LLC dba: Verlo Mattress and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

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Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Milwaukee, Wisconsin
March 5, 2026

FWR, LLC DBA: VERLO MATTRESS
SCHEDULES OF SPECIFIED ASSETS AND LIABILITIES
DECEMBER 25, 2025 AND DECEMBER 26, 2024

	2025	2024
SPECIFIED CURRENT ASSETS		
Restricted Cash	$ 41,641	$ 56,929
Accounts Receivable	70,013	37,749
Accounts Receivable - Related Party	-	34,410
Prepaid Expenses	4,320	9,153
Total Specified Current Assets	115,974	138,241
SPECIFIED PROPERTY AND EQUIPMENT		
Computer Hardware and Software	14,845	14,845
Less: Accumulated Depreciation	11,921	9,908
Net Property and Equipment	2,924	4,937
Total Specified Assets	118,898	143,178
SPECIFIED CURRENT LIABILITIES		
Accounts Payable	84,210	1,018
Accounts Payable - Related Party	31	25,378
Accrued Liabilities	-	10,795
Due to FWR, LLC	105,632	134,445
Total Specified Current Liabilities	189,873	171,636
TOTAL SPECIFIED LIABILITIES IN EXCESS OF SPECIFIED ASSETS	$ (70,975)	$ (28,458)

See accompanying Notes to Specified Elements of the Financial Statements.

FWR, LLC DBA: VERLO MATTRESS
SCHEDULES OF SPECIFIED REVENUES AND EXPENSES AND NET DEFICIT
YEARS ENDED DECEMBER 25, 2025 AND DECEMBER 26, 2024

	2025	2024
SPECIFIED REVENUE		
Marketing Fees	$ 232,050	$ 210,500
Commissions	242,554	319,383
Conference Sponsorships	57,000	78,750
Total Specified Revenue	531,604	608,633
SPECIFIED OPERATING EXPENSES		
Accounting and Tax	14,794	10,295
Bad Debts	2,500	-
Bank Charges	244	42
Creative Production	85,548	120,306
Depreciation	2,013	1,429
Franchise Conference	53,695	75,414
Marketing support	127,705	149,429
Office Supplies	991	3,119
Other Marketing Expenses	263,290	227,870
Postage	573	-
Promotional Items	-	1,171
Store Front Expenses (Reimbursements)	7,472	28,981
Technology	15,296	10,119
Total Specified Operating Expenses	574,121	628,175
SPECIFIED EXPENSES IN EXCESS OF SPECIFIED REVENUES	(42,517)	(19,542)
Net Deficit - Beginning of Year	(28,458)	(8,916)
NET DEFICIT - END OF YEAR	$ (70,975)	$ (28,458)

See accompanying Notes to Specified Elements of the Financial Statements.

FWR, LLC DBA: VERLO MATTRESS
SCHEDULES OF RESTRICTED CASH FLOWS
YEARS ENDED DECEMBER 25, 2025 AND DECEMBER 26, 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Specified Revenues (Losses) in Excess of Specified Expenses/Revenues	$ (42,517)	$ (19,542)
Adjustments to Reconcile Specified Expenses in Excess of Specified Revenues to Net Cash Provided (Used) by Operating Activities:		
Depreciation	2,013	1,429
Change in Specified Operating Assets and Liabilities:		
Accounts Receivable	(32,264)	(3,695)
Accounts Receivable - Related Party	34,410	(23,283)
Prepaid Expenses	4,833	(4,280)
Accounts Payable	83,192	(59,336)
Accounts Payable - Related Party	(25,347)	25,378
Accrued Liabilities	(10,795)	3,590
Net Cash Provided (Used) by Operating Activities	13,525	(79,739)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	-	(3,387)
Net Cash Used by Investing Activities	-	(3,387)
CASH FLOWS FROM FINANCING ACTIVITIES		
Intercompany Advances from General Operations	(28,813)	53,564
Net Cash Provided (Used) by Financing Activities	(28,813)	53,564
NET DECREASE IN RESTRICTED CASH	(15,288)	(29,562)
Restricted Cash - Beginning of Year	56,929	86,491
RESTRICTED CASH - END OF YEAR	$ 41,641	$ 56,929

See accompanying Notes to Specified Elements of the Financial Statements.

NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

FWR, LLC dba: Verlo Mattress (the Company) is a franchisor which awards the franchises in exchange for an initial franchise fee and provides marketing, technology, and various other support services to its franchisee's stores in exchange for royalties and other fees. Currently all franchisee stores are located in 11 states within the continental United States and the Company has franchise agreements signed to open stores in two additional states.

Fiscal Year

Effective January 1, 2017, the Company elected to have a fiscal year that ends on the Thursday nearest; each year customarily consists of four 13-week quarters totaling 52 weeks. Every sixth year includes 53 weeks. The Company's 2025 fiscal year ended December 25, 2025, the 2024 fiscal year ended on December 26, 2024 and were 52-week years, each.

Specified Elements Presentation

The Company has an agreement with the franchisees to provide an accounting of assets, liabilities, revenues, and expenses directly related to the marketing efforts of the Company on their behalf, including statements of cash flows from marketing activities as it pertains to the restricted cash account.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Advertising and Marketing

The Company utilizes various advertising and marketing techniques, including print, radio, and television advertisements and other direct marketing methods.

Restricted Cash

Substantially all cash is deposited in one financial institution. At times, amounts on deposit may be in excess of the Federal Deposit Insurance Corporation insurance limit.

Restricted cash consists of amounts reserved for the use in advertising and marketing activities and related costs to benefit the franchisees.

Accounts Receivable

Accounts receivable are based on franchise agreements. The Company provides an allowance for credit losses based on a review of outstanding receivables, historical collection information, and current economic conditions. The Company performs periodic credit evaluations of its customers' financial condition and generally grants credit on an unsecured basis. Past due receivables are written off after management has used reasonable collection efforts based on individual credit evaluations and specific customer circumstances.

NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable (Continued)

The Company grants credit to customers, all of whom are located in the United States of America. Management did not include current expected credit losses for 2025 and 2024.

Property, Equipment, and Depreciation

Property and equipment specifically related to marketing activities are stated at cost. Expenditures for additions and improvements are capitalized while replacements, maintenance, and repairs, which do not improve or extend the lives of the respective assets are expensed as incurred. Properties sold or otherwise disposed of are removed from the property accounts, with gains or losses on disposal credited or charged to the results of operations.

Computer hardware and software are depreciated over an estimated useful life of three to five years.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method for financial reporting purposes, and, in general, accelerated methods for income tax purposes. Total depreciation expense for assets specifically related to marketing was $2,013 and $1,429 for the years ended December 25, 2025 and December 26, 2024, respectively.

Impairment of Long-Lived Assets

The Company reviews property and equipment for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when estimated future cash flows from the use of the asset are less than the carrying amount of that asset. No such losses were recognized for the years ended December 25, 2025 or December 26, 2024.

Intercompany Due to General Operations

The Company has incurred marketing and advertising costs in excess of fees and commissions collected. As a result, funds have been forwarded from the general operating account of the Company to cover such costs. The amount forwarded has been accumulated in an intercompany payable account and included on the schedule of specified assets and liabilities. This amount is eliminated for general reporting purposes on the Company's balance sheet.

Revenue Recognition

ASC 606 eliminates industry-specific guidance and provides a single revenue recognition model for recognizing revenue contracts with customers. The core principle of ASC 606 is that a reporting entity should recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the reporting entity expects to be entitled in exchange for those goods or services.

NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

The Company has established a general marketing fund to promote the brand for the common benefit of the franchisees. The purpose of the fund is to pay the costs of the system wide advertising, marketing, and promotional programs using marketing fees collected from the franchisees over the term of the franchise agreement. The marketing fees are a flat fee charge per franchisee location per month over the term of the franchise agreement. The Company recognizes revenue on a straight-line basis over the course of the franchise agreement.

The Company recognizes commission income from certain of its franchisees' use of certain preferred vendor arrangements. Under the arrangements, the Company receives a payment from the preferred vendors based on predetermined percentages of total franchisee purchases for the month. Commissions are recognized in the period from which the initial purchase was made by the franchisee.

The timing of revenue recognition, billings and cash collections results in receivables, contract assets and contract liabilities. Accounts receivable are recorded when the right to consideration becomes unconditional and are presented separately in the balance sheets. The Company does not have significant contract assets and contract liabilities as of December 25, 2025 and December 26, 2024. Accounts receivable from contracts with franchisees were as follows:

Accounts Receivable:	
December 28, 2023	$34,054
December 26, 2024	$37,749
December 25, 2025	$70,013

The Company has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by customer type, line of business, and geographic locations.

Income Taxes

The Company is treated as a limited liability company (LLC) for federal and state tax purposes. As such, the Company's income, losses, and credits are included in the income tax returns of its members.

Subsequent Events

In preparing the financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through March 5, 2026, the date the financial statements were available to be issued.

NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards

At the beginning of fiscal year 2025, the Company adopted FASB ASU 2025-05, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets*. This standard introduces a practical expedient that all allows entities to assume that current conditions persist over the life of the asset, and an election permitting consideration of post-balance-sheet cash collections when estimating expected credit losses.

As a result, the Company no longer incorporates forward looking macroeconomic forecasts into its credit loss estimate for outstanding accounts receivable and contract assets. Instead, the Company relies on historical loss experience and current conditions as of the reporting date. Additionally, the Company considers subsequent cash collections received prior to issuance of the financial statements when evaluating collectability.

NOTE 2 CONCENTRATIONS

Revenue includes commissions from a vendor which accounted for 0% and 23% of total revenue for the years ended December 25, 2025 and December 26, 2024, respectively.

NOTE 3 LOSS CONTINGENCY

The Company is the defendant in litigation involving three separate franchisees and their guarantors related to the Franchise Disclosure Document. The Company believes that the claims are without merit and intends to vigorously defend its position. There has been no conclusion as to the likelihood of the outcome as either being probable or remote. As such, the estimated loss related to the claims ranges from $-0- - $3,600,000. However, in management’s opinion, the likelihood of a material adverse outcome is remote. Accordingly, adjustments, if any, might result from the resolution of this matter have not been reflected in the financial statements.



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FWR, LLC DBA: VERLO MATTRESS

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 26, 2024
AND DECEMBER 28, 2023



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FWR, LLC DBA: VERLO MATTRESS
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INDEPENDENT AUDITORS' REPORT

Board of Directors
FWR, LLC dba: Verlo Mattress
Milwaukee, Wisconsin

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of FWR, LLC dba: Verlo Mattress, which comprise the balance sheets as of December 26, 2024 and December 28, 2023, and the related statements of operations and members' equity (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FWR, LLC dba: Verlo Mattress as of December 26, 2024 and December 28, 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of FWR, LLC dba: Verlo Mattress and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about FWR, LLC dba: Verlo Mattress's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

CLA (CliftonLarsonAllen LLP) is an independent network member of CLA Global. See CLAglobal.com/disclaimer.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Milwaukee, Wisconsin
March 14, 2025

FWR, LLC DBA: VERLO MATTRESS
BALANCE SHEETS
DECEMBER 26, 2024 AND DECEMBER 28, 2023

ASSETS	2024	2023
CURRENT ASSETS		
Cash	$ 134,153	$ 69,896
Restricted Cash	56,929	86,491
Accounts Receivable, Net of Allowance for Credit Losses of $-0- and $35,000 in 2024 and 2023, Respectively.	163,383	137,982
Accounts Receivable, Related Party	86,484	34,108
Prepaid Software	20,862	99,981
Prepaid Insurance	15,048	14,859
Other Prepaid Expenses	36,678	36,402
Total Current Assets	513,537	479,719
PROPERTY AND EQUIPMENT		
Furniture and Equipment	34,890	31,969
Computer Hardware and Software	104,949	98,365
Leasehold Improvements	78,882	78,882
Total	218,721	209,216
Less: Accumulated Depreciation	115,105	104,744
Net Property and Equipment	103,616	104,472
OTHER ASSETS		
Intangible Assets, Net	2,768,809	2,768,809
Deferred Franchise Costs	1,773,260	1,775,916
Related Party Notes Receivable	425,362	418,290
Other Assets	21,162	16,417
Total Other Assets	4,988,593	4,979,432
Total Assets	$ 5,605,746	$ 5,563,623

See accompanying Notes to Financial Statements.

FWR, LLC DBA: VERLO MATTRESS
BALANCE SHEETS
DECEMBER 26, 2024 AND DECEMBER 28, 2023

	2024	2023
LIABILITIES AND MEMBERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Line of Credit - Related Party	$ 1,479,369	$ -
Accounts Payable	41,509	177,980
Related Party Payable	259,216	153,310
Accrued Expenses	119,474	86,116
Current Portion of Related Party Notes Payable	-	1,278,385
Current Portion of Deferred Revenues	52,570	138,807
Total Current Liabilities	1,952,138	1,834,598
LONG-TERM LIABILITIES		
Related Party Notes Payable, Less Current Portion	3,056,816	1,650,665
Deferred Revenues, Less Current Portion	2,030,612	1,970,001
Total Long-Term Liabilities	5,087,428	3,620,666
Total Liabilities	7,039,566	5,455,264
MEMBERS' EQUITY (DEFICIT)	(1,433,820)	108,359
Total Liabilities and Members' Equity (Deficit)	$ 5,605,746	$ 5,563,623

See accompanying Notes to Financial Statements.

FWR, LLC DBA: VERLO MATTRESS
STATEMENTS OF OPERATIONS AND MEMBERS' EQUITY (DEFICIT)
YEARS ENDED DECEMBER 26, 2024 AND DECEMBER 28, 2023

	2024	2023
REVENUE		
Royalties	$ 1,506,004	$ 1,484,035
Information Technology Fees	210,500	192,000
Other Operating Revenue	160,268	30,785
Marketing Revenue:		
Marketing Fees	210,500	192,000
Vendor Commissions	319,383	292,063
Conference Sponsorships	78,750	35,726
Total Revenue	2,485,405	2,226,609
OPERATING EXPENSES		
General and Administrative	3,149,816	2,469,233
Marketing	628,175	572,035
Total Operating Expenses	3,777,991	3,041,268
LOSS FROM OPERATIONS	(1,292,586)	(814,659)
OTHER INCOME (EXPENSE)		
Interest Income	7,072	6,954
Interest Expense	(257,135)	(103,515)
Miscellaneous Income	470	615
Net Other Expense	(249,593)	(95,946)
NET LOSS	(1,542,179)	(910,605)
Members' Equity - Beginning of Year	108,359	1,174,742
Distributions	-	(155,778)
MEMBERS' EQUITY (DEFICIT) - END OF YEAR	$ (1,433,820)	$ 108,359

See accompanying Notes to Financial Statements.

FWR, LLC DBA: VERLO MATTRESS
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 26, 2024 AND DECEMBER 28, 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss	$ (1,542,179)	$ (910,605)
Adjustments to Reconcile Net Loss to Net Cash Used by Operating Activities:		
Depreciation and Amortization	10,361	12,971
Current Expected Credit Losses	(35,000)	-
Payments In-Kind Interest, Net	257,135	103,515
Change in Operating Assets and Liabilities:		
Accounts Receivable, Net of Allowance for Credit Losses of $-0- and $35,000 in 2024 and 2023, Respectively.	9,599	42,617
Accounts Receivable, Related Party	(52,376)	(11,127)
Prepaid Software	79,119	(42,156)
Prepaid Insurance	(189)	4,608
Other Prepaid Expenses	(276)	(6,951)
Deferred Franchise Costs	2,656	(1,277,000)
Other Assets	(4,745)	(16,417)
Accounts Payable	(136,471)	88,582
Related Party Payables	105,906	(20,122)
Accrued Expenses	33,358	(20,730)
Deferred Revenue	(25,626)	1,446,911
Net Cash Used by Operating Activities	(1,298,728)	(605,904)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(9,505)	(3,300)
Payments from (Advances to) Related Parties	(7,072)	61,653
Net Cash Provided (Used) by Investing Activities	(16,577)	58,353
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Line of Credit - Related Party	1,350,000	-
Distributions to Members	-	(155,778)
Net Cash Flows Provided (Used) by Financing Activities	1,350,000	(155,778)
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	34,695	(703,329)
Cash and Restricted Cash - Beginning of Year	156,387	859,716
CASH AND RESTRICTED CASH - END OF YEAR	$ 191,082	$ 156,387
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Refinanced Related Party Notes Payable	$ 1,278,385	$ -

See accompanying Notes to Financial Statements.

NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

FWR, LLC dba: Verlo Mattress (the Company) is a franchisor which awards the franchises in exchange for an initial franchise fee and provides marketing, technology, and various other support services to its franchisee's stores in exchange for royalties and other fees. Currently all franchisee stores are located in 12 states within the continental United States and the Company has franchise agreements signed to open stores in 3 additional states.

Fiscal Year

Effective January 1, 2017, the Company elected to have a fiscal year that ends on the Thursday nearest; each year customarily consists of four 13-week quarters totaling 52 weeks. Every sixth year includes 53 weeks. The Company's 2024 fiscal year ended December 26, 2024, the 2023 fiscal year ended on December 28, 2023 and were 52 week years, each.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Restricted Cash and Concentrations of Risk

Substantially all cash is deposited in one financial institution. At times, amounts on deposit may be in excess of the Federal Deposit Insurance Corporation insurance limit. The Company performs periodic credit evaluations of its customers' financial condition and generally grants credit on an unsecured basis.

Restricted cash consists of amounts reserved for the use in advertising and marketing activities and related costs to benefit the franchisees. Cash is composed of the following at year-end:

	2024	2023
Cash	$ 134,153	$ 69,896
Restricted Cash	56,929	86,491
Total Cash	$ 191,082	$ 156,387

Accounts Receivable

Accounts receivable are based on franchise agreements. The Company provides an allowance for credit losses based on a review of outstanding receivables, historical collection information, current and forecasted economic conditions. Past due receivables are written off after management has used reasonable collection efforts based on individual credit evaluations and specific customer circumstances.

NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable (Continued)

The Company grants credit to customers, all of whom are located in the United States of America. The current expected credit losses were $-0- at December 26, 2024 and $35,000 at December 28, 2023.

Accounts receivable are composed of the following at year-end:

	2024	2023
Royalty and Technology Receivables	$ 114,881	$ 135,921
Marketing Fee Receivables	34,949	34,054
Other Receivables	13,553	3,007
Less: Current Expected Credit Losses	-	(35,000)
Total Accounts Receivable, Net	$ 163,383	$ 137,982

Property, Equipment, and Depreciation

Property and equipment are stated at cost. Expenditures for additions and improvements are capitalized while replacements, maintenance and repairs, which do not improve or extend the lives of the respective assets are expensed as incurred. Properties sold or otherwise disposed of are removed from the property accounts, with gains or losses on disposal credited or charged to the results of operations.

Estimated useful lives are as follows:

Furniture and Equipment	5 to 7 Years
Computer Hardware and Software	5 to 15 Years
Leasehold Improvements	39 Years

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method for financial reporting purposes, and, in general, accelerated methods for income tax purposes. Total depreciation expense was $10,361 and $12,971 for the years ended December 26, 2024 and December 28, 2023, respectively.

Impairment of Long-Lived Assets

The Company reviews property and equipment for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when estimated future cash flows from the use of the asset are less than the carrying amount of that asset. No such losses were recognized for the years ended December 26, 2024 or December 28, 2023.

NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible Assets

Intangible assets consist of the following at year-end:

	2024	2023
Intangibles Not Subject to Amortization:		
Trademarks	$ 2,728,120	$ 2,728,120
Patents and Copyrights	40,689	40,689
Total	$ 2,768,809	$ 2,768,809

Intangible assets subject to amortization were fully amortized as of December 26, 2024 and December 28, 2023.

Income Taxes

The Company is treated as a limited liability company (LLC) for federal and state tax purposes. As such, the Company's income, losses, and credits are included in the income tax returns of its members.

The Company follows the accounting standard for income taxes in evaluating uncertain tax positions and has determined that no uncertain tax positions exist as of December 26, 2024 and December 28, 2023.

Revenue Recognition

ASC 606 eliminates industry-specific guidance and provides a single revenue recognition model for recognizing revenue contracts with customers. The core principle of ASC 606 is that a reporting entity should recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the reporting entity expects to be entitled in exchange for the those goods or services.

The Company's revenues consist primarily of royalties, initial and renewal franchise fees, transfer fees, information technology fees, retail sales, marketing fees, and commission income.

The Company's primary performance obligation under the franchise license is granting certain rights to use the Company's intellectual property, and all of the other services that the Company provides under a franchise agreement are highly interrelated, not distinct within the contract, and therefore accounted for under ASC 606 as a single performance obligation, which is satisfied by granting certain rights to use the Company intellectual property over the term of each franchise agreement.

The Company receives royalty payments from franchisees over the course of the term of the franchise agreement. The royalties are calculated as a percentage of franchisee revenues over the term of the franchise agreement. Royalties are sales-based royalties that relate entirely to the Company performance obligation under the franchise agreement and are recognized as sales occur at the franchisee level.

NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Initial and renewal franchise fees are payable by the franchisee upon executing a new franchise agreement or renewal of an existing franchise agreement, and transfer fees are paid to the Company when one franchisee transfers a franchise agreement to a different franchisee. Under ASC 606, initial and renewal franchise fees, as well as transfer fees, are recognized as revenue on a straight-line basis over the term of the respective agreement which is typically 10 years. Under the Previous Standards, initial and renewal franchise fees, and transfer fees were recognized as revenue when the related franchisees executed the new or renewal franchise agreement.

The Company collects information technology fees from franchisees. The information technology fees are a flat fee charge per franchisee location per month over the term of the franchise agreement. The Company recognizes revenue on a straight-line basis over the course of the franchise agreement.

Retail sales consist of orders received on the Company's website. If the order is received from a location where a franchisee exists, the franchisee is given the first option to fulfill the order. If a franchisee does not fulfill the order, the Company will process the order. Revenue is recognized when control of the product has transferred to the customer. Control is deemed to have transferred to the customer at the point in time the product is available for fulfillment and the customer has the right to direct the asset and the ability to benefit from the risk and rewards.

The Company recognizes incremental costs incurred to obtain contracts, which primarily represent commissions paid to a broker network over the life of the contract.

The Company has elected to account for shipping and handling costs as fulfilment costs and are included in cost of goods sold in the statements of operations and members' equity (deficit). The Company accrues for costs of shipping and handling activities if revenue is recognized before contractually agreed shipping and handling activities occur.

The Company has established a general marketing fund to promote the brand for the common benefit of the franchisees. The purpose of the fund is to pay the costs of the system wide advertising, marketing, and promotional programs using marketing fees collected from the franchisees over the term of the franchise agreement. The marketing fees are a flat fee charge per franchisee location per month over the term of the franchise agreement. The Company recognizes revenue on a straight-line basis over the course of the franchise agreement.

The Company recognizes commission income from certain of its franchisees' use of certain preferred vendor arrangements. Under the arrangements, the Company receives a payment from the preferred vendors based on predetermined percentages of total franchisee purchases for the month. Commissions are recognized in the period from which the initial purchase was made by the franchisee.

NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

The timing of revenue recognition, billings and cash collections results in receivables, contract assets and contract liabilities. Accounts receivable are recorded when the right to consideration becomes unconditional and are presented separately in the balance sheet. Contract assets relate to incremental costs incurred to obtain contracts, which primarily represent commissions paid to a broker network over the term of the agreement. Contract liabilities relate to deferred revenue on initial and renewal franchise fees deferred over the term of the agreement. Accounts receivable, contract assets, and contract liabilities from contracts with franchisees were as follows:

Accounts Receivable:	
December 28, 2023	$172,090
December 26, 2024	$249,867
Contract Assets:	
December 28, 2023	$1,775,916
December 26, 2024	$1,773,260
Contract Liabilities:	
December 28, 2023	$2,108,808
December 26, 2024	$2,083,182

The Company has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by customer type, line of business, and geographic locations.

Subsequent Events

In preparing the financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through March 14, 2025, the date the financial statements were available to be issued.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

NOTE 2 ADVERTISING AND MARKETING ACTIVITIES

In accordance with the franchisee agreement, franchisees pay to the Company a fixed fee for the specific use of marketing and advertising efforts intended to benefit their stores. The Company maintains an external record of assets, liabilities, revenues, and expenses that directly relate to marketing and advertising efforts and the associated costs, here forward referred to as the Marketing Accounts.

Marketing Accounts included in the balance sheets as of December 26, 2024 and December 28, 2023 consisted of:

	2024	2023
Balance Sheets:		
Restricted Cash	$ 56,929	$ 86,491
Accounts Receivable	72,159	45,181
Prepaid Expenses	9,153	4,873
Property and Equipment, Net	4,937	2,979
Accounts Payable	(26,396)	(60,354)
Accrued Expenses	(10,795)	(7,205)
Due to FWR, LLC	(134,445)	(80,881)
Net Liabilities in Excess of Assets	$ (28,458)	$ (8,916)

NOTE 3 LINE OF CREDIT – RELATED PARTY

The Company has a revolving line of credit with a related party that allows for maximum principal borrowings of $1,500,000. The agreement expires on January 10, 2029. The total principal and interest outstanding on the line of credit is $1,479,369 and $-0- at December 26, 2024 and December 28, 2023, respectively. Interest is payable at the expiration date and compounds annually at a rate of 15%.

NOTE 4 LONG-TERM AND RELATED PARTY DEBT

The Company has several notes due to related parties with compounding interest rates varying from 3.67% to 5.0% that are secured by substantially all of the Company's assets. No interest or principal payments are required until maturity; annual interest is capitalized into a new note with varying maturity dates. Notes payable – related party consist of the following at December 31:

Description	2024	2023
Note Payable - Related Party:		
Due December 31, 2027, with adjustable interest rate (4.76% as of December 26, 2024 and 4.29% as of December 28, 2023)	$ 341,324	$ 325,549
Due June 30, 2028, interest at 5%	290,041	275,924
Due September 30, 2028, with adjustable interest rate (3.67% as of December 26, 2024 and 4.38% as of December 28, 2023)	1,094,229	1,049,192
Due May 1, 2024, with adjustable interest rate (3.54% as of December 28, 2023)	-	1,278,385
Due May 1, 2033, with adjustable interest rate (4.37% as of December 26, 2024)	1,331,222	-
Total Debt	3,056,816	2,929,050
Less: Current Maturities	-	1,278,385
Net Long-Term Debt	$ 3,056,816	$ 1,650,665

As of December 26, 2024, future maturities and required principal payments are as follows:

Year	Amount
2025	$ -
2026	-
2027	341,324
2028	1,384,270
2029	-
Thereafter	1,331,222
Total	$ 3,056,816

NOTE 5 LETTER OF COMMITMENT

Over the course of the last year, ownership has provided the Company a line of credit outlined in Note 3. In addition, subsequent to year end, a letter of commitment from the majority member to fund the working capital and operations of the Company as needs arise in the future for at least the next year was obtained. The Company has signed new franchise agreements in the years ended December 26, 2024 and December 28, 2023, and the majority remains committed to funding its growth.

NOTE 6 EMPLOYEE BENEFIT PLAN

The Company has a retirement plan which is administered in accordance with the provisions of Section 401(k) of the Internal Revenue Code and which covers substantially all of its employees. The Company offers a match of employee contributions equal to 100% up to 3% and 50% up to an additional 2%. For the years ended December 26, 2024 and December 28, 2023, the Company matching contribution was $33,087 and $28,978, respectively.

NOTE 7 RELATED PARTIES

The Company has an agreement with an entity under common ownership for management and professional services. During 2024 and 2023, the Company incurred management fees of $193,200 and $142,800, respectively. The Company also has a sublease agreement on a month-to-month basis with a different related entity under common ownership, related party lease expense was $84,000 for the years ended December 26, 2024 and December 28, 2023.

The Company receives franchise royalty fees as well as information technology and marketing fees from a related entity under common ownership. During 2024, these revenues totaled $255,720 and $72,000, respectively. During 2023, these revenues totaled $256,710 and $71,000, respectively.

The Company has notes receivable from related parties under common ownership in the amount of $316,363 and $108,999 as of December 26, 2024 and $311,103 and $107,187 as of December 28, 2023. These notes accrue interest at 1.68% compounded quarterly and mature August 31, 2029 and December 31,2029, respectively.

As of December 26, 2024 and December 28, 2023, the Company had receivables due from related parties under common ownership in the amount of $86,484 and $34,108, respectively.

The Company had payables due to related parties under common ownership in the amount of $259,216 and $153,310 for the years ended December 26, 2024 and December 28, 2023, respectively.

NOTE 7 RELATED PARTIES (CONTINUED)

Related party interest income and expense for the fiscal year ends were as follows:

	2024	2023
Interest Income	$ 7,072	$ 6,954
Interest Expense	(257,135)	(103,515)
Net Related Party Interest	$ (250,063)	$ (96,561)

NOTE 8 SUMMARY OF FRANCHISE STORES

For the year ended December 26, 2024, the Company had 39 franchise stores. Of these stores, six were stores commonly owned by a related party under common ownership. During 2024, there were ten new locations opened and five store closures.

For the year ended December 28, 2023, the Company had 34 franchise stores. Of these stores, six were stores commonly owned by a related party under common ownership. During 2023, two new store locations were opened and there were no store closures.

NOTE 9 LOSS CONTINGENCY

The Company is the defendant in litigation involving two separate franchisees and their guarantors related to the Franchise Disclosure Document. The Company believes that the claims are without merit and intends to vigorously defend its position. The ultimate outcome of this litigation cannot presently be determined. However, in management's opinion, the likelihood of a material adverse outcome is remote. Accordingly, adjustments, if any, might result from the resolution of this matter have not been reflected in the financial statements.



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FWR, LLC DBA: VERLO MATTRESS

SPECIFIED ELEMENTS OF THE FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 26, 2024 AND DECEMBER 28, 2023



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FWR, LLC DBA: VERLO MATTRESS
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INDEPENDENT AUDITORS' REPORT

Board of Directors
FWR, LLC dba: Verlo Mattress
Milwaukee, Wisconsin

Report on the Audit of the Specified Elements of the Financial Statements

Opinion

We have audited the accompanying specified elements of the financial statements of FWR, LLC dba: Verlo Mattress, which comprise the schedules of specified assets and liabilities as of December 26, 2024 and December 28, 2023, and the related schedules of specified revenues and expenses and net equity (deficit), and restricted cash flows for the years then ended, and the related notes to the specified elements of the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the balances of specified elements of the financial statements of FWR, LLC dba: Verlo Mattress as of December 26, 2024 and December 28, 2023, and the results of specified operations and specified cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of FWR, LLC dba: Verlo Mattress and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Specified Elements of the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about FWR, LLC dba: Verlo Mattress's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

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Auditors' Responsibilities for the Audit of the Specified Elements of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Report on Audited Financial Statements

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of FWR, LLC dba: Verlo Mattress as of and for the years ended December 26, 2024 and December 28, 2023, and our report thereon dated March 14, 2025, expressed an unmodified opinion on those financial statements.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Milwaukee, Wisconsin
March 14, 2025

FWR, LLC DBA: VERLO MATTRESS
SCHEDULES OF SPECIFIED ASSETS AND LIABILITIES
DECEMBER 26, 2024 AND DECEMBER 28, 2023

	2024	2023
SPECIFIED CURRENT ASSETS		
Restricted Cash	$ 56,929	$ 86,491
Accounts Receivable	37,749	34,054
Accounts Receivable - Related Party	34,410	11,127
Prepaid Expenses	9,153	4,873
Total Specified Current Assets	138,241	136,545
SPECIFIED PROPERTY AND EQUIPMENT		
Computer Hardware and Software	14,845	11,458
Less: Accumulated Depreciation	9,908	8,479
Net Property and Equipment	4,937	2,979
Total Specified Assets	143,178	139,524
SPECIFIED CURRENT LIABILITIES		
Accounts Payable	1,018	60,354
Accounts Payable - Related Party	25,378	-
Accrued Liabilities	10,795	7,205
Due to FWR, LLC	134,445	80,881
Total Specified Current Liabilities	171,636	148,440
TOTAL SPECIFIED LIABILITIES IN EXCESS OF SPECIFIED ASSETS	$ (28,458)	$ (8,916)

See accompanying Notes to Specified Elements of the Financial Statements.

FWR, LLC DBA: VERLO MATTRESS
SCHEDULES OF SPECIFIED REVENUES AND EXPENSES AND NET EQUITY (DEFICIT)
YEARS ENDED DECEMBER 26, 2024 AND DECEMBER 28, 2023

	2024	2023
SPECIFIED REVENUE		
Marketing Fees	$ 210,500	$ 192,000
Commissions	319,383	292,063
Conference Sponsorships	78,750	35,726
Total Specified Revenue	608,633	519,789
SPECIFIED OPERATING EXPENSES		
Accounting and Tax	10,295	7,035
Bank Charges	42	45
Creative Production	120,306	166,157
Depreciation	1,429	1,861
Franchise Conference	75,414	37,142
Marketing support	149,429	83,050
Office Supplies	3,119	5,846
Other Marketing Expenses	227,870	221,355
Postage	-	358
Promotional Items	1,171	-
Store Front Expenses (Reimbursements)	28,981	(6,677)
Technology	10,119	55,864
Total Specified Operating Expenses	628,175	572,036
SPECIFIED EXPENSES IN EXCESS OF SPECIFIED REVENUES	(19,542)	(52,247)
Net Equity (Deficit) - Beginning of Year	(8,916)	43,331
NET DEFICIT - END OF YEAR	$ (28,458)	$ (8,916)

See accompanying Notes to Specified Elements of the Financial Statements.

FWR, LLC DBA: VERLO MATTRESS
SCHEDULES OF RESTRICTED CASH FLOWS
YEARS ENDED DECEMBER 26, 2024 AND DECEMBER 28, 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Specified Revenues (Losses) in Excess of Specified Expenses/Revenues	$ (19,542)	$ (52,247)
Adjustments to Reconcile Specified Expenses in Excess of Specified Revenues to Net Cash Used by Operating Activities:		
Depreciation	1,429	1,861
Current Expected Credit Losses	-	-
Change in Specified Operating Assets and Liabilities:		
Accounts Receivable	(3,695)	(4,421)
Accounts Receivable - Related Party	(23,283)	(11,127)
Prepaid Expenses	(4,280)	436
Accounts Payable	(59,336)	(5,263)
Accounts Payable - Related Party	25,378	-
Accrued Liabilities	3,590	7,205
Net Cash Used by Operating Activities	(79,739)	(63,556)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(3,387)	-
Net Cash Used by Investing Activities	(3,387)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Intercompany Advances from General Operations	53,564	58,290
Net Cash Provided by Financing Activities	53,564	58,290
NET DECREASE IN RESTRICTED CASH	(29,562)	(5,266)
Restricted Cash - Beginning of Year	86,491	91,757
RESTRICTED CASH - END OF YEAR	$ 56,929	$ 86,491

See accompanying Notes to Specified Elements of the Financial Statements.

NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

FWR, LLC dba: Verlo Mattress (the Company) is a franchisor which awards the franchises in exchange for an initial franchise fee and provides marketing, technology, and various other support services to its franchisee's stores in exchange for royalties and other fees. Currently all franchisee stores are located in 12 states within the continental United States and the Company has franchise agreements signed to open stores in 3 additional states.

Fiscal Year

Effective January 1, 2017, the Company elected to have a fiscal year that ends on the Thursday nearest; each year customarily consists of four 13-week quarters totaling 52 weeks. Every sixth year includes 53 weeks. The Company's 2024 fiscal year ended December 26, 2024, the 2023 fiscal year ended on December 28, 2023 and were 52 week years, each.

Specified Elements Presentation

The Company has an agreement with the franchisees to provide an accounting of assets, liabilities, revenues, and expenses directly related to the marketing efforts of the Company on their behalf, including statements of cash flows from marketing activities as it pertains to the restricted cash account.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Advertising and Marketing

The Company utilizes various advertising and marketing techniques, including print, radio, and television advertisements and other direct marketing methods.

Restricted Cash

Substantially all cash is deposited in one financial institution. At times, amounts on deposit may be in excess of the Federal Deposit Insurance Corporation insurance limit. The Company performs periodic credit evaluations of its customers' financial condition and generally grants credit on an unsecured basis.

Restricted cash consists of amounts reserved for the use in advertising and marketing activities and related costs to benefit the franchisees.

NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable are based on franchise agreements. The Company provides an allowance for credit losses based on a review of outstanding receivables, historical collection information, and forecasted economic conditions. Past due receivables are written off after management has used reasonable collection efforts based on individual credit evaluations and specific customer circumstances.

The Company grants credit to customers, all of whom are located in the United States of America. Management did not include current expected credit losses for 2024 and 2023.

Property, Equipment, and Depreciation

Property and equipment specifically related to marketing activities are stated at cost. Expenditures for additions and improvements are capitalized while replacements, maintenance, and repairs, which do not improve or extend the lives of the respective assets are expensed as incurred. Properties sold or otherwise disposed of are removed from the property accounts, with gains or losses on disposal credited or charged to the results of operations.

Computer hardware and software are depreciated over an estimated useful life of three to five years.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method for financial reporting purposes, and, in general, accelerated methods for income tax purposes. Total depreciation expense for assets specifically related to marketing was $1,429 and $1,861 for the years ended December 26, 2024 and December 28, 2023, respectively.

Impairment of Long-Lived Assets

The Company reviews property and equipment for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when estimated future cash flows from the use of the asset are less than the carrying amount of that asset. No such losses were recognized for the years ended December 26, 2024 or December 28, 2023.

Intercompany Due to General Operations

The Company has incurred marketing and advertising costs in excess of fees and commissions collected. As a result, funds have been forwarded from the general operating account of the Company to cover such costs. The amount forwarded has been accumulated in an intercompany payable account and included on the schedule of specified assets and liabilities. This amount is eliminated for general reporting purposes on the Company's balance sheet.

NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

ASC 606 eliminates industry-specific guidance and provides a single revenue recognition model for recognizing revenue contracts with customers. The core principle of ASC 606 is that a reporting entity should recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the reporting entity expects to be entitled in exchange for those goods or services.

The Company has established a general marketing fund to promote the brand for the common benefit of the franchisees. The purpose of the fund is to pay the costs of the system wide advertising, marketing, and promotional programs using marketing fees collected from the franchisees over the term of the franchise agreement. The marketing fees are a flat fee charge per franchisee location per month over the term of the franchise agreement. The Company recognizes revenue on a straight-line basis over the course of the franchise agreement.

The Company recognizes commission income from certain of its franchisees' use of certain preferred vendor arrangements. Under the arrangements, the Company receives a payment from the preferred vendors based on predetermined percentages of total franchisee purchases for the month. Commissions are recognized in the period from which the initial purchase was made by the franchisee.

The timing of revenue recognition, billings and cash collections results in receivables, contract assets and contract liabilities. Accounts receivable are recorded when the right to consideration becomes unconditional and are presented separately in the balance sheets. The Company does not have significant contract assets and contract liabilities as of December 26, 2024 and December 28, 2023. Accounts receivable from contracts with franchisees were as follows:

Accounts Receivable:	
December 28, 2023	$34,054
December 26, 2024	$37,749

The Company has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by customer type, line of business, and geographic locations.

Income Taxes

The Company is treated as a limited liability company (LLC) for federal and state tax purposes. As such, the Company's income, losses, and credits are included in the income tax returns of its members.

Subsequent Events

In preparing the financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through March 14, 2025, the date the financial statements were available to be issued.

NOTE 2 CONCENTRATIONS

Revenue includes commissions from a vendor which accounted for 23% and 36% of total revenue for the years ended December 26, 2024 and December 28, 2023, respectively.

NOTE 3 LOSS CONTINGENCY

The Company is the defendant in litigation involving two separate franchisees and their guarantors related to the Franchise Disclosure Document. The Company believes that the claims are without merit and intends to vigorously defend its position. The ultimate outcome of this litigation cannot presently be determined. However, in management's opinion, the likelihood of a material adverse outcome is remote. Accordingly, adjustments, if any, might result from the resolution of this matter have not been reflected in the financial statements.



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See CLAglobal.com/disclaimer. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.

Exhibit D

Franchised VERLO® Mattress

Stores List of Franchised Verlo

Mattress Stores
(as of December 31, 2025)

Arizona

VERLO MATTRESS of Glendale (Retail Assembly Store)
5729 West Bell Road
Glendale, AZ 85308
Phone: 623-440-7000
Owner: Michell Sachau and Jonathan Scholtz

Arkansas

VERLO MATTRESS of Rogers (Retail Assembly Store)
4415 W Walnut St
Rogers, AR 72756
Phone: 479-588-2337
Owner: Nikitas Brountas

Florida

VERLO MATTRESS of Boca Raton (Retail Assembly Store)
6600 W Rogers Cir # 14
Boca Raton, FL 33487 Phone: 561-562-9119
Owner: Martin Ghambaryan and Mikayel Abrahamyan

VERLO MATTRESS of Doral (Retail Only Store)
7901 NW 36th St Suite 113
Doral, FL 33166
Phone: (786) 568-8375
Owner: Carlos Pittier-Octavio

Idaho

VERLO MATTRESS of Boise (Retail Assembly Store)
3658 Findley Avenue
Boise, ID 83705
Phone: 208-717-2337
Owner: Brian Armstrong

Illinois

VERLO MATTRESS of Crystal Lake (Retail Only Store to McHenry)
5150 Northwest Highway Unit 1
Crystal Lake, IL 60014 Phone: 815-455-2570
Owner: Ray Westman

VERLO MATTRESS of McHenry (Retail Assembly Store)
3710 West Elm St.
McHenry, IL 60050
Phone: 815-578-8375
Owner: Ray Westman

VERLO MATTRESS of Naperville (Retail Assembly Store)
422 W. 5th Ave.
Naperville, IL 60563
Phone: 630-961-9191
Owner: Kerin Smith

VERLO MATTRESS of Peoria (Retail Assembly Store)
4538 N Brandywine Drive
Peoria, IL 61614
Phone: 309-685-5820
Owner: Len Bertuli and Kristen Raes

VERLO MATTRESS of Sleepy Hollow (Retail Assembly Store)

1700 W Main Street, Unit A
Sleepy Hollow, IL 60118 Phone: 847-836-8800
Owner: Jim Sersen and Rita Sersen

VERLO MATTRESS of Springfield (Retail Assembly Store)
3308 Robbins Road
Springfield, IL 62704
Phone: 217-787-2125
Owner: Caleb Kietzman

VERLO MATTRESS of West Chicago (Retail Assembly Store)
2682 E Main St.
St. Charles, IL 60174
Phone: 630-474-2337
Owner: Jeff Hirner

VERLO MATTRESS of Yorkville (Retail Only Store to West Chicago, IL)
98 E Schoolhouse Rd
Yorkville, IL 60560
Phone: (630) 360-9998
Owner: Jeffrey Hirner

Iowa

VERLO MATTRESS of Dubuque (Retail Assembly Store)
2725 Dodge Street
Dubuque, IA 52003
Phone: 563-585-0393
Owner: Rodney Leibfried

Kansas

VERLO MATTRESS of Overland Park (Retail Assembly Store)
9140 Metcalf Ave
Overland Park, KS 66212
Phone: 913-363-2337
Owner: Gary and Michelle Johnson

Missouri

VERLO MATTRESS of Brentwood, MO (Retail Only Store to St Charles, MO)
2539 South Brentwood Blvd.
Brentwood, MO 63144
Phone: 314-377-5337
Owner: Stieg Nystrom

VERLO MATTRESS of St. Charles, MO (Retail Assembly Store)
3025 Boschertown Road
St. Charles, MO 63301 Phone: 636-949-9140
Owner: Stieg Nystrom

North Carolina
VERLO MATTRESS of Charlotte, NC
10129 Perimeter Pkwy
Charlotte, NC 28216
Phone: (980) 501-1983
Owner: Ajit Bhat, Kingel Bulsara, Nitin Bulsara

Texas

VERLO MATTRESS of Dallas (Retail Assembly Store)
10759 Preston Road
Dallas, TX 75230
Phone: 214-764-9023
Owner: Jake Tomes

VERLO MATTRESS of McKinney (Retail Only Store to Dallas, TX)
8701 W University Dr Suite 13
McKinney, TX 75071
Phone: (972) 752-0006
Owner: Jake Tomes

Wisconsin

VERLO MATTRESS of Appleton (Retail Assembly Store)
4884 Lawrence St.
Appleton, WI 54914
Phone: 920-734-6700
Owners: Jake Stanek

VERLO MATTRESS of Beaver Dam (Retail Only Store to Fort Atkinson)
1613 North Spring Street
Beaver Dam, WI 53916
Phone: 920-887-9999
Owners: Thomas Metz

VERLO MATTRESS of Delafield (Retail Only Store)
2734 Hillside Drive #6
Delafield, WI 53018
Phone: 262-646-9034
Owners: Thomas Metz

VERLO MATTRESS of Fort Atkinson (Retail Assembly Store)
201 N. Main St.
Fort Atkinson, WI 53538
Phone: 920-568-3899
Owners: Thomas Metz

VERLO MATTRESS of Green Bay (Retail Assembly Store)
920 Lambeau Street
Green Bay, WI 54307
Phone: 920-494-0300
Owner: Jeffrey LeMay

VERLO MATTRESS of Janesville (Retail Assembly Store)
1523 East US Highway 14
Janesville, WI 53545
Phone: 608-754-9022
Owners: Steve Hovland

VERLO MATTRESS of Lake Geneva (Retail Only Store to McHenry)
2462 Highway 120
Lake Geneva, WI 53147 Phone: 262-249-0420
Owner: Ray Westman

VERLO MATTRESS of Madison-West (Retail Assembly Store)
2613 West Beltline Highway
Madison, WI 53713
Phone: 608-273-2882
Owner: Carmen Strum and Cory Cunningham

VERLO MATTRESS of Manitowoc (Retail Assembly Store)
2217 S 44th Street
Manitowoc, WI 54220
Phone: 920-684-7899
Owners: Tim and Laurie Fettig

VERLO MATTRESS of Oshkosh (Retail Only Store to Appleton)
1953 S Koeller Road
Oshkosh, WI 54901
Phone: 920-231-7100
Owners: Jake Stanek

VERLO MATTRESS of Sheboygan (Retail Only Store to Manitowoc)
4315 S Taylor Dr
Sheboygan, WI 53081
Phone: 920-457-2337
Owners: Tim and Laurie Fettig

VERLO MATTRESS of Sturgeon Bay (Retail Only Store to Green Bay)
935 Green Bay Road
Sturgeon Bay, WI 54235
Phone: 920-743 8877
Owner: Jeffrey LeMay

VERLO MATTRESS of Waukesha (Retail Assembly Store)
1717 Highway 164
Waukesha, WI 53186
Phone: 262-544-0002
Owners: Steve and Kathy Peardon

Exhibit E

About Verlo's Electronic Manuals, including the Operations and Brand Standards Manual

Verlo's Electronic Manuals are part of a series of online, electronic manuals, how-to procedures and training information housed within our Learning Management System

Verlo makes the Operations and Brand Standards Manual and the other electronic manuals available to prospective franchise candidates interested in reviewing the training documentation. Franchise candidates must acknowledge the material is proprietary and confidential; and access is conditioned upon the signing of the Confidential Disclosure Agreement, included as Exhibit G to the Franchise Disclosure Document.

The Operations and Brand Standards Table of Contents follows.

1. Introduction

2. Our Systems

3. Creating Your Store

4. Inventory and Supply Chain

5. Our Products

6. Marketing

7. Online Sales

8. Factory Operations

9. Financial Management

10. Disclaimers and Indemnification

Exhibit F

Note: This is a sample form of confidentiality and non-competition agreement. Franchisees are responsible for ensuring that any such agreement complies with applicable state and local law and may need to modify this form accordingly.

Sample Confidentiality and Non-Competition Agreement

This Confidentiality and Non-Competition Agreement (the "Agreement") is made as of ____, 20___. The parties to this Agreement are _____ ("Employer") and _____, an individual ("Employee").

RECITALS:

A. Employer is in the business of operating a franchise distribution system related to the development and operation of VERLO® MATTRESS retail businesses ("Verlo® Stores") selling Verlo® mattresses and box springs (the "Products") and certain accessory items to the Products (the "Accessories") pursuant to a Franchise Agreement with FWR, LLC d/b/a Verlo Mattress ("Franchisor"), a Wisconsin limited liability company. In connection with the Employer's business, the Employer will be using various techniques, systems, procedures, standards, manuals, data, specifications, and other materials, all of which are the proprietary and confidential information ("Proprietary Information") of Franchisor.

B. Employer will also develop or acquire the right to the use of important information relating to the identity of its customers, the nature and amount of their purchases, pricing practices, receipts, methods, materials, the identity of suppliers, sales volumes, costs, expenses and other information. All of the above methods, materials and information are referred to as "Confidential Information."

C. During the course of Employee's affiliation with Employer, Employee will have access and learn from Employer much or all of the Proprietary Information and the Confidential Information.

D. In light of the above facts and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. **Importance of Proprietary Information and Confidential Information**. Employee acknowledges that: (a) Employee has learned and/or will learn Proprietary Information and Confidential Information during Employee's affiliation with Employer; (b) the Proprietary Information and Confidential Information (or, as the case may be, the right to access the Proprietary Information and Confidential Information) is an important asset of Employer and Franchisor; and (c) it is critical that Employee keep the Proprietary Information and Confidential Information confidential so Employer and Franchisor can protect their respective businesses and maintain their respective competitive advantages.

2. **Agreement to Maintain Confidentiality.** Employees agrees that both during and after

the termination of Employee's affiliation with Employer, Employee will: (a) guard and protect the Proprietary Information and Confidential Information so it does not fall into the hands of the Employer's competitors or potential competitors or any other third parties; (b) refrain from using the Proprietary Information or Confidential Information for Employee's own benefit or that of any other person or entity; (c) refrain from disclosing the Proprietary Information and Confidential Information to any other person or entity, unless authorized by Employer and (where, applicable, Franchisor). Employee agrees that "use" and "disclosure" of the Proprietary Information and Confidential Information include use and disclosure through memorization, and not only through use or disclosure of written material.

3. **Exceptions**. Employer agrees that the Proprietary Information and Confidential Information do not include information: (a) which Employee can demonstrate came to Employee's attention before Employee learned the information from Employer, or (b) which has become, through disclosure by others, "public domain" information (i.e., information freely available to everyone).

4. **Return of Materials**. If Employee's relationship with Employer ends for any reason, Employee agrees to immediately return to Employer any of the Proprietary Information and Confidential Information that is either in Employee's possession or under Employee's control.

5. **Non-Competition**. Employee agrees that in order to guard against the improper use of the Proprietary Information and Confidential Information and to avoid unfair competition with Employer, Employee will not:

(a) during the term of this Agreement and for a period of eighteen (18) months following the termination of Employee's affiliation with Employer, for whatever reason, within a radius of twenty-five (25) miles of the location of any and all of Employer's Verlo® Stores (or any other stores developed by Employer pursuant to its Franchise Agreement with Franchisor), which locations are listed on Schedule A, directly or indirectly, manage, operate, control, be employed by, participate in or be connected in any manner with the ownership, management, control, or operation of any business similar to the type of business conducted by Employer pursuant to the Franchise Agreement.

(b) during the term of this Agreement, and for a period eighteen (18) months following the termination of Employee's affiliation with Employer, for whatever reason, either directly or indirectly, for Employee's own account, or as an employee, consultant, partner, joint venturer, owner, officer, director or stockholder of any person, firm, partnership, corporation, limited liability company, or any other entity or in any other capacity, in any way, assist in soliciting, diverting, taking away or interfering with any of the Employer's business, customers, trade or patronage.

Employee agrees the restrictive covenants set forth above should not be construed to prevent Employee from being gainfully employed either in a non-competing business anywhere, or in a competing business that is outside the geographical limitation set forth in paragraph 5(a)~~.~~, or after the restricted time period set forth in paragraphs 5(a) and 5(b).

6. **Discoveries, Inventions and Improvements**. Employee agrees that because of

Employee's affiliation with Employer, Employee may from time to time develop discoveries, inventions, improvements and ideas (collectively called "New Ideas") relating to the Employer's business. Employee agrees to disclose Employee's New Ideas to Employer and agrees that any of those New Ideas which are applicable to the Employer's business will belong solely to the Employer or Franchisor.

7. **Remedies**. Employee agrees that in order to protect Employer's interests if there is a breach or threatened breach of this Agreement, Employer will be entitled to obtain, in addition to any other remedy, a temporary or permanent injunction and consent order for specific performance of this Agreement, without being required to furnish a bond or other security. If an injunction is issued, but is later vacated, Employee agrees to waive any claim for damages as a result of the issuance of the injunction. Employee agrees that if Employee has any claims or causes of action against the Employer arising out of Employee's affiliation with Employer, such claims or causes of action will not constitute defenses to the Employer's enforcement of this Agreement. Employee further agrees to indemnify and hold Employer and Franchisor harmless from any loss or expense (including attorney's fees) that either Employer or Franchisor, or both Employer and Franchisor, incurs (or incur) as a result of Employee's breach of this Agreement.

8. **Enforceability**. Employer and Employee both agree that if any provision of this Agreement is deemed too restrictive in scope, the provision will be modified to the minimum extent necessary to be enforceable to the greatest extent permitted by law.

9. **Third Party Beneficiary**. The parties acknowledge and agree that Franchisor is an intended third party beneficiary of this Agreement, and accordingly, that Franchisor, as well as Employer, shall have the right to enforce the provisions of this Agreement against Employee.

10. **Waiver**. If at any time with respect to any particular incident or breach, the Employer or Franchisor does not exercise its rights under this or any similar Agreement, such inaction will not preclude Employer or Franchisor from doing so in any same or similar situation that subsequently occurs.

11. **Counterparts and Electronic Signature**. This Agreement may be executed in separate counterparts (including by fax, PDF or electronic signature), each of which when so executed shall be an original, but all of which shall constitute one and the same agreement. Executed copies of this Agreement via DocuSign or similar software shall be deemed to be effective as original signatures.

Employer: **Employee:**

By: _____ _____ Title: _____

Schedule A to
Confidentiality and Non-Competition Agreement

(List of Employer's Verlo Mattress Stores)

Exhibit G

Confidential Disclosure Agreement

We at FWR, LLC d/b/a Verlo Mattress are interested in discussing the possibility of you becoming a VERLO® MATTRESS franchisee.

It is our intent to share certain manuals, methods, techniques, systems, procedures, standards, data, specifications, and other information (including information relating to existing or prospective franchise and vendor relationships) and materials (collectively, "Proprietary Information") for the exclusive purpose of enabling you to decide if you wish to proceed with a VERLO® MATTRESS franchise. We wish to maintain the confidentiality of our Proprietary Information. Therefore, you agree: (i) not to copy or try to duplicate the VERLO® MATTRESS store concept; and (ii) to otherwise maintain the confidentiality of our Proprietary Information.

Without limiting any statement above, your acceptance of the terms of this confidential disclosure agreement ("Agreement") indicates that, unless otherwise authorized by us in writing, you agree to use the Proprietary Information for the sole purpose of determining whether to purchase a VERLO® MATTRESS franchise, and that:

1) You agree to maintain as confidential the Proprietary Information;

2) You agree not to disclose the Proprietary Information to any individual or entity without our prior written approval;

3) You agree not to design, manufacture, distribute, or sell or assist others in designing, manufacturing, distributing, or selling products or services of any type relating directly to VERLO® MATTRESS services, products or stores without receiving our written approval;

4) You agree not to reproduce any of the Proprietary Information and to return to us all Proprietary Information received by you immediately upon our request.

Upon a breach or threatened breach by you of this Agreement, we are entitled to immediate injunctive relief and any other equitable remedies, as well as all other remedies available at law. Further, if any provision of this Agreement is deemed too restrictive in scope, the provision will be modified to the minimum extent necessary to be enforceable to the greatest extent permitted by law. If at any time with respect to any particular incident or breach, we do not exercise our rights under this or any similar Agreement, such inaction will not preclude us from exercising such rights in the future.

This Confidential Disclosure Agreement may be executed in separate counterparts (including by fax, PDF or electronic signature), each of which when so executed shall be an original, but all of which shall constitute one and the same agreement. Executed copies of this Confidential Disclosure Agreement via DocuSign or similar software shall be deemed to be effective as original signatures. If these terms are acceptable to you, please indicate your acceptance by signing below.

Accepted and agreed to this _____day of _____, 20___.

_____

Signatu

_____

re Print

Name

ACH Authorization for Recurring Royalty Payments

You authorize regularly scheduled charges to your bank account. You will be charged the amount indicated in your monthly royalty report on the 15th of each month. A receipt for each payment will be provided to you, and the charge will appear on your bank account statement. You agree that no prior notification will be provided unless there is a dispute regarding the amount, in which case you will notify us by the 10th of the month. We will review the dispute and respond within 2 business days with our resolution and a corrected report showing the amount that will be withdrawn.

I, _____ , authorize FWR, LLC dba Verlo Mattress Factory Stores ("FWR") to initiate recurring ACH debits to my bank account in amounts reflected in each month's official royalty report. Such debits will include royalties, the Marketing Fund contribution, and IT fees per location at the current rates in effect. These debits are authorized to commence on _____, and will occur monthly thereafter.

Bank Information
Type of Account: Checking Savings
Name on Account: _____
Bank Name: _____
Routing Number: _____
Account Number: _____
Confirm Account Number: _____

I understand that this authorization will remain in effect until I cancel it in writing, and I agree to notify FWR, LLC in writing of any changes in my account information or termination of this authorization at least 15 business days prior to the next billing date. If the above noted payment dates fall on a weekend or holiday, I understand that the payments may be executed on the next business day. In the case of an ACH transaction being rejected for non-sufficient funds, I understand that FWR, LLC dba Verlo Mattress Factory Stores may attempt to process the charge again within 5 business days, and I agree to an additional $100 charge for each attempt, which will be initiated as a separate transaction from the authorized recurring payment account. I certify that I am the authorized user of this bank account and will not dispute these scheduled transactions with my bank so long as the transactions correspond to the terms indicated in this authorization form.

Account owner's signature _____Date _____

Exhibit I

VERLO® MATTRESS
Multiple Unit Development Addendum

THIS ADDENDUM TO FRANCHISE AGREEMENT (the "Addendum") is dated this _____(the "Effective Date"), by and between FWR, LLC ("Company"), and _____("Franchisee").

RECITALS

A. Company and Franchisee are parties to a VERLO® MATTRESS Franchise Agreement (the "Franchise Agreement"), dated as of the Effective Date, pursuant to which Franchisee is obligated, using the names, marks, know-how, systems, and intellectual property of the Company, to establish and open one (1) VERLO® MATTRESS Retail Assembly Store at a location within the _____market area/Site Selection Map (the "Market Area"). The Market Area is further defined in Exhibit A to this Addendum.

B. Company and Franchisee further intend for Franchisee to open at least VERLO® MATTRESS retail only mattress stores (the "Retail Only Stores") at locations within the Market Area (in accordance with the Retail Only Store development schedule provided below), for a total of no less than one (1) Retail Assembly Store and __Retail Only Stores open and continuously operating in the Market Area by no later than .

C. The parties intend that the Retail Assembly Store will be established at a strategic location that supports the further development of the Retail Only Stores within reasonable proximity to the Retail Assembly Store.

AGREEMENT

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

1. **Retail Assembly Store Development**. Notwithstanding anything in the Franchise Agreement to the contrary, Franchisee agrees to establish, open, and maintain a Retail Assembly Store in the Market Area by no later than __days from the Effective Date (the "Retail Assembly Store Opening Deadline").

2. **Development Fee**. Franchisee shall pay to the Company a development fee (the "Development Fee") equal to $_____, which is comprised of the following: (A) $_____, which is the Franchise Fee for the Retail Assembly Store under the Franchise Agreement; (B) $_____, which is the Franchise Fee for the first Retail Only Store under the applicable franchise agreement; (C) $, which is the Franchise Fee for the second Retail Only Store under the applicable franchise agreement ***[add additional fees for additional Retail Only Stores]***. The Development Fee will be credited toward Franchisee's payment of the Franchise Fee under the Franchise Agreement and any subsequent franchise agreements executed by

Franchisee in accordance with this Addendum. The Development Fee is due and payable, fully earned, and non- refundable as of the Effective Date

Retail Only Store Development. Notwithstanding anything in the Franchise Agreement to the contrary, Franchisee agrees to establish, open, and maintain ___Retail Only Stores in the Market Area by the applicable opening dates set forth in the following development schedule (each, an "Opening Date"):

Cumulative Retail Only Stores Developed, Opened and Operating	**"Retail Only Store Opening Deadlines"**
First Retail Only Store	Within ____months of the Retail Assembly Store Opening Deadline
Second Retail Only Store	Within ____months of the Opening Date of the First Retail Only Store
[insert additional lines for subsequent Retail Only Stores]	

Failure to open any Retail Only Store by the Opening Date will be a breach of this Addendum and the franchise agreement applicable to that Retail Only Store. Further, Franchisee's closure of any Retail Only Store, and failure to reopen or relocate such Store within 60 days will be a breach of this Addendum and the franchise agreement applicable to that Retail Only Store to the extent such closure and failure to reopen or relocate results in a violation of the cumulative development requirements of this Paragraph 2. For the avoidance of doubt, in the event of a breach of this Addendum for failing to comply with the above development schedule, Franchisee may continue to operate the Retail Assembly Store, and any Retail Only Store that is already open and operating, in accordance with the Franchise Agreement or any other applicable franchise agreement; *provided that*, this Addendum will terminate automatically with no further action required by the Company, and all of the rights granted to Franchisee under this Addendum will cease.

[NOTE TO FRANCHISEE: As described in Item 12 of Company's current FDD, Company may provide the protections afforded in the following Paragraph 4 of this Addendum. The actual extent and timing of such protections that Company grants to a particular franchisee under a final execution copy of this Addendum will depend on a number of factors including the size of the market, the number of Retail Assembly Stores and Retail Only Stores that the franchisee agrees to develop, the timing of the franchisee's development schedule, and the competitive environment in, and business potential of, the Market Area]

3. **Limited Market Protection; Company's Development Rights**. Company agrees that, during the _____-month period beginning as of the Effective Date (the "Non-Development Period"), Company will neither develop nor operate, nor license any third party the right to develop and operate, any VERLO® MATTRESS Retail Assembly Stores or Retail Only Stores in the Market Area. However, the Non-Development Period, this Addendum, and all other rights granted hereunder, will automatically cease with no further action required by the Company, upon Franchisee's failure to satisfy any of the following conditions:

A. **Payment of Development Fee**. Franchisee must timely pay the

Development Fee in full on the Effective Date.

B. **Compliance with the Franchise Agreement**. Franchisee must continuously remain in good standing under the Franchise Agreement, any additional franchise agreement executed in accordance with this Addendum, and all other agreements between Franchisee or its affiliates and the Company or its affiliates, or otherwise related to any VERLO® MATTRESS franchise (including any leases for the Retail Assembly Store and Retail Only Stores), whether such agreements are with Company or with any other party. Without limiting the preceding sentence, Franchisee must timely satisfy all monetary and reporting obligations under the Franchise Agreement, additional franchise agreements, and such other related agreements.

C. **Compliance with Development Schedule**. Franchisee must precisely comply with the Retail Assembly Store and Retail Only Store development schedule provided in Paragraphs 1 and 3 of this Addendum.

D. **Execution of Additional Franchise Agreements**. In connection with each Retail Only Store to be opened and operated in accordance with this Addendum, Franchisee must execute Company's then-current form of franchise agreements (including any related agreements), which will govern the site selection, opening, operation and all other matters related to such Retail Only Store.

Except as expressly provided in this Paragraph 4, nothing in this Addendum will be construed as granting any protected territory or exclusive area to Franchisee, whether in the Market Area or in any other geographic market. Further, except as otherwise expressly provided in Paragraphs 3 and 4 of this Addendum, during the term of the Franchise Agreement and any additional franchise agreements (including any renewal terms thereof), Company has the absolute right to develop and operate, or to license other third parties the right to develop and operate, VERLO® MATTRESS Retail Assembly Stores and Retail Only Stores at any location within or outside the Market Area, including locations near to Franchisee's Retail Assembly Store and Retail Only Stores.

4. **Consequences of Breach**. This Addendum will automatically terminate, together with all rights granted to Franchisee hereunder, with no further action by Company, upon any of the following occurrences: (A) Franchisee's failure to comply with the development schedule and obligations set forth in paragraphs 1 and 3 of this Addendum; (B) Franchisee's failure to comply with any condition set forth in paragraph 4 of this Addendum. In lieu of termination, the Company may modify the Market Area, Non-Development Period, or both, and otherwise permit this Addendum to continue in full force and effect, in the Company's sole and absolute discretion. If the Company elects to do so, it will not be deemed to have waived any rights the Company has with respect to any future breaches of this Addendum.

5. **Construction.** Except as expressly modified in this Addendum, the Franchise Agreement and each additional franchise agreement remains in full force and effect as written.

6. **Counterparts; Electronic Signature**. This Addendum may be executed in separate counterparts (including by fax, PDF or electronic signature), each of which when so executed shall be an original, but all of which shall constitute one and the same agreement.

Executed copies of this Addendum via DocuSign or similar software shall be deemed to be effective as original signatures.

IN WITNESS WHEREOF, the parties have signed this Addendum as of the Effective Date.

Company: Franchisee:
FWR, LLC _____

By: _____ By: _____

Print Name: _____ Print Name: _____

Title: _____ Title: _____

Exhibit A
to Multiple Unit Development Addendum

"Market Area"

Site Selection Map

[Insert M.S.A. Map]

Exhibit J

Former Franchisees

List of Stores Closed and/or Transferred
(Effective December 31, 20245)

Franchisees who had Store Terminated, Cancelled, Not Renewed, Transferred or Otherwise Voluntarily or Involuntarily Ceased to do Business under a Franchise Agreement During the Year Ended December 31, 2025 or Who has not Communicated with the Franchisor Within 10 Weeks of the Application Date:

Georgia

VERLO MATTRESS of Peachtree City (Retail Assembly Store)
400 Huddleston Road
Peachtree City, GA 30269 Phone: 770-487-3288
Owner: Jeff Koldoff

Massachusetts

VERLO MATTRESS of Danvers (Retail Assembly Store)
301 Newbury St.
Danvers, MA 01923
Phone: 978-488-3756
Owner: Patrick Bailey and Megan Alexander

Texas

VERLO MATTRESS of New Braunfels (Retail Only Store to San Antonio)
225 Creekside Way, Suite 100
New Braunfels, TX 78130
Phone: 830-507-2337
Owner: Michael and Korina Domgard

VERLO MATTRESS of San Antonio (Retail Assembly Store)
17700 San Pedro Ave Suite 201
San Antonio, TX 78232
Phone: 210-468-7002
Owner: Michael and Korina Domgard

VERLO MATTRESS of Boerne (Retail Only Store to San Antonio)
29252 INTERSTATE 10 W STE 116
Boerne, TX 78006
Phone: 830-222-6639
Owner: Michael and Korina Domgard

VERLO MATTRESS of NW Houston (Retail Assembly

Store)
6911 Farm to Market 1960 Rd W Suite B
Houston, TX 77069
Phone: 346-552-8375
Owner: John and Karen Draeger

VERLO MATTRESS of Cypress (Retail Only Store to NW Houston)
9430 Fry Rd Cypress, TX 77433
Phone: 346-200-6032
Owner: John and Karen Draeger

Wisconsin

VERLO MATTRESS of Beaver Dam (Retail Only Store to Fort Atkinson)
1613 North Spring Street
Beaver Dam, WI 53916
Phone: 920-887-9999
Owners: Adel and Jane Salameh

VERLO MATTRESS of Fort Atkinson (Retail Assembly Store)
201 N. Main St.
Fort Atkinson, WI 53538
Phone: 920-568-3899
Owners: Adel and Jane Salameh

VERLO MATTRESS of Madison-East (Retail Only Store to Madison- West)
4100 E Washington Avenue
Madison, WI 53704
Phone: 608-242-4041
Owner: Carmen Strum and Cory Cunningham

Exhibit K

State-Specific Addenda

ADDENDUM TO
VERLO®
MATTRESS
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF CALIFORNIA

Preliminary Comment: Each provision of this Appendix to the Franchise Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the California Franchise Investment Law, Cal. Corp. Code §§31000 - 31516, and the California Franchise Relations Act, Cal Bus. & Prof. Code §§2000 - 20043, are met independently without reference to this Addendum to the Franchise Disclosure Document.

1. Item 3 is amended to reflect that:

   Neither we nor any person or broker identified in Item 2 of the Franchise Disclosure Document is subject to any current effective order of any national securities association or national securities exchange as defined in the Securities Exchange Act of 1934, U.S.C.A. 78a et seq., suspending or expelling such persons from membership is such association or exchange.

   Item 5 is amended to reflect that:

   Franchisees shall not be required to remit any fees to Verlo until such time as Verlo has fulfilled all its initial obligations owed to Franchisee under the Franchise Agreement, or other documents, and the Franchisee has commenced doing business pursuant to the Franchise Agreement.

3. Item 17 is amended by the addition of the following statements:

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

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

   The California Corporations Code, Section 31125, requires that we give you a disclosure document, approved by the Department of Business Oversight, before we solicit a proposed material modification of an existing franchise.

   The Franchise Agreement contains a liquidated damages clause, under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

   The Franchise Agreement requires the application of the laws and forum of Wisconsin. This provision may be unenforceable under California Law.

The Franchise Agreement requires you to sign a general release of claims if you renew or transfer your franchise. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring a franchise to waive compliance with any provision of that law or any rule or order is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). California Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

3. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE FRANCHISE DISCLOSURE DOCUMENT.

4. OUR WEB SITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEB SITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT www.corp.ca.gov.

5. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a Franchise Agreement restricting venue to a forum outside the State of California.

ADDENDUM TO
VERLO®
MATTRESS
FRANCHISE AGREEMENT
FOR THE STATE OF
CALIFORNIA

The FWR, LLC Franchise Agreement between FWR, LLC ("Franchisor") and _____ ("Franchisee") dated _____(the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "State Addendum"):

CALIFORNIA LAW MODIFICATIONS

1. The California Department of Business Oversight requires that certain provisions contained in franchise documents be amended to be consistent with California law, including the California Franchise Investment Law, CAL. CORP. CODE Section 31000 et. seq., and the California Franchise Relations Act, CAL. BUS. & PROF. CODE Section 20000 et. seq. To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

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

b. Franchisees shall not be required to remit any fees to Verlo until such time as Verlo has fulfilled all its initial obligations owed to Franchisee under the Franchise Agreement, or other documents, and the Franchisee has commenced doing business pursuant to the Franchise Agreement.

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

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

d. The Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

2. Each provision of this State Addendum shall be effective only to the extent that the jurisdictional requirements of the California Business and Professions Code, with respect to each such provision, are met independent of this State Addendum. This State Addendum shall have no force or effect if such jurisdictional requirements are not met.

3. This State Addendum may be executed in separate counterparts (including by ~~facsimile~~ fax, PDF or electronic signature), each of which when so executed shall be an original, but all of which shall constitute one and the same agreement. Executed copies of this State

Addendum via DocuSign or similar software shall be deemed to be effective as original signature IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners, acknowledges that it has read and understands the contents of this State Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this State Addendum and be bound thereby. The parties have duly executed and delivered this State Addendum to the Agreement on the date first set forth above.

FWR, LLC
a Wisconsin limited liability company

By: _____

Name: _____
Title: _____

Date: _____

FRANCHISEE:

_____

_____

By: _____
Name: _____
Title: _____

Date: _____

ADDENDUM TO
VERLO®
MATTRESS
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF ILLINOIS

Illinois law governs the Franchise Agreement(s).

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

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

In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

ADDENDUM TO
VERLO®
MATTRESS
FRANCHISE AGREEMENT
FOR THE STATE OF
ILLINOIS

Illinois law governs the Franchise Agreement(s).

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

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

In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

This Addendum will pertain to franchises sold in the state of Illinois and will be for the purpose of complying with Illinois statutes and regulations. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement will be amended to include the following:

1. The following is hereby added to Section 2 of the Franchise Agreement:

Nothing in Section 2, however, may be construed to mean that you may not rely on the Franchise Disclosure Document that the Company provided to you in connection with the offer and purchase of your VERLO® MATTRESS STORES franchise. Although the statements in the Franchise Disclosure Document do not become part of the Franchise Agreement, nothing in the Franchise Disclosure Document may contradict or be inconsistent with the contract terms.

2. Paragraph 19.F of the Franchise Agreement is hereby deleted and replaced with the following:

F. GOVERNING LAW. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. § 1051 et seq.), and the Federal Arbitration Act (9 U.S.C. § 1, et seq.), this Agreement and the relationship between the Company and Franchisee will be governed by, and construed according to the laws of the State of Illinois.

3. Paragraph 19.G of the Franchise Agreement is hereby deleted and replaced with the following:

G. FORUM SELECTION. The parties hereto agree that any action brought by either party against the other in any court, whether federal or state, shall be brought within the State of

Illinois in the judicial district in which Franchisee has its principal place of business.

4. The following Paragraph 2.F is added to this Agreement:

F. ACKNOWLEDGEMENTS. No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

5. In all other respects, the Franchise Agreement will be construed and enforced according to its terms.

6. This Addendum may be executed in separate counterparts (including by ~~facsimile~~ fax, PDF or electronic signature), each of which when so executed shall be an original, but all of which shall constitute one and the same agreement. Executed copies of this Addendum via DocuSign or similar software shall be deemed to be effective as original signatures.

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

Company:	**Franchisee:**
FWR, LLC d/b/a Verlo Mattress	_____ By:
By: _____	Print Name: _____
Print Name: _____	Title: _____ Title:

ADDENDUM TO
VERLO®
MATTRESS
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF MARYLAND

Item 5 of the Franchise Disclosure Document is amended to reflect that

> Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

Item 17 of the Franchise Disclosure Document is amended to include the following paragraph:

> The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Item 17 of the Franchise Disclosure Document is amended to include the following sentence:

> A provision in the Franchise Agreement that provides for termination on your bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

Item 17 of the Franchise Disclosure Document is modified to include the words:

"arising franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law."

Item 17 is amended to state that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

ADDENDUM TO
VERLO®
MATTRESS
FRANCHISE
AGREEMENT FOR THE
STATE OF MARYLAND

The FWR, LLC Franchise Agreement between FWR, LLC ("Franchisor") and _____ ("Franchisee") dated _____(the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "State Addendum"):

MARYLAND LAW MODIFICATION

1. The Maryland Securities Division requires that certain provisions contained in franchise documents be amended to be consistent with Maryland law, including the Maryland Franchise Registration and Disclosure Law, MD CODE ANN., BUS. REG. Sections 14-201 to 14- 233 (2010 Repl. Vol. and Supp. 2010) (the "Law"). To the extent that this Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Law.

b. Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

c. All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

d. Franchisee may bring a lawsuit in Maryland for claims arising under the Law.

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

2. Each provision of this State Addendum shall be effective only to the extent that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law, with respect to each such provision, are met independent of this State Addendum. This State Addendum shall have no force or effect if such jurisdictional requirements are not met.

3. This State Addendum may be executed in separate counterparts (including by ~~facsimile~~ fax, PDF or electronic signature), each of which when so executed shall be an original, but all of which shall constitute one and the same agreement. Executed copies of this State

Addendum via DocuSign or similar software shall be deemed to be effective as original signatures

WITNESS WHEREOF, the Franchisee on behalf of itself and its owners, acknowledges that it has read and understands the contents of this State Addendum, that it has had the opportunity to

obtain the advice of counsel, and that it intends to comply with this State Addendum and be bound thereby. The parties have duly executed and delivered this State Addendum to the Agreement on the date first set forth above.

FWR, LLC
a Wisconsin limited liability company

By: _____

Name: _____
Title: _____

Date: _____

FRANCHISEE:
_____
_____

By: _____
Name: _____
Title: _____

Date: _____

ADDENDUM TO
VERLO®
MATTRESS
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF MINNESOTA

The following information applies to franchises and franchisees subject to Minnesota statutes and regulations. Item numbers correspond to those in the main body:

1. Cover Page and Item 17.

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

2. Item 17.

Minnesota law provides you with certain termination and nonrenewal rights. As of the date of this Franchise Disclosure Document, Minnesota Statutes § 80C.14, Subdivisions 3, 4 and 5 require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for nonrenewal of the franchise agreement.

3. Item 17.

Minnesota Statutes § 80C.21 and Minnesota Rule 2860.4400D provide that a franchisee cannot be required to assent to a release, assignment, novation or waiver that would relieve any person from liability imposed by Minnesota Statutes 1973 Supplement, sections 80C.01 to 80C.22; provided, however, that these laws do not bar the voluntary settlement of disputes.

ADDENDUM
TO VERLO®
MATTRESS
FRANCHISE AGREEMENT
FOR THE STATE OF
MINNESOTA

This Addendum shall pertain to franchises sold in the State of Minnesota and shall be for the purpose of complying with Minnesota statutes and regulations. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement shall be amended as follows:

1. The following Paragraph 19.U is added to this Agreement:

U. RELEASES. Any release executed in connection with this Agreement will not apply to claims that may arise under the Minnesota Statutes 1973 Supplement, §§ 80C.01 to 80C.22; provided that this Paragraph shall not bar the voluntary settlement of disputes.

2. The following sentence is added at the end of Paragraphs 15.B and 16.B of this Agreement:

Notwithstanding anything to the contrary in this Agreement, the Company will comply with Minnesota Statutes § 80C.14, subds. 3, 4 and 5 which require, except in certain specific cases, that Company will give Franchisee 90 days' notice of termination (with 60 days to cure) and 180 days' notice for nonrenewal of this Agreement.

3. Paragraph 19.D is hereby deleted and replaced with the following:

D. SPECIFIC PERFORMANCE/INJUNCTIVE RELIEF. Nothing herein contained shall bar the Company's or Franchisee's right to seek specific performance of the provisions of this Agreement and injunctive relief against threatened conduct that will cause it loss or damage, under customary equity rules, including applicable rules for obtaining restraining orders and preliminary injunctions. The parties agree that such injunctive relief shall be in addition to such further and other relief as may be available at equity or law.

4. Subparagraph 19.G(ii) (Waiver of Jury Trial) is hereby deleted in its entirety.

5. Minnesota Statutes § 80C.21 and Minnesota Rule 2860.4400J prohibit the Company from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Franchise Disclosure Document or Franchise Agreement can abrogate or reduce any of Franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or Franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction. Therefore, Paragraph 19.G is hereby modified to the extent necessary to comply with Minnesota law; provided that this provision should not be construed to limit the parties' obligation under certain circumstances, as stated in Paragraph 19.H, to use arbitration as the sole and exclusive procedure for resolving disputes arising out of this Franchise Agreement.

6. Paragraph 19.F is hereby deleted and replaced with the following:

F. GOVERNING LAW. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. § 1051 et seq.), and the Federal Arbitration Act (9 U.S.C. § 1, et seq.), or matters arising under the Minnesota Statutes 1973 Supplement, §§ 80C.01 to 80C.22 which shall be governed thereby, this Agreement and the relationship between the Company and Franchisee will be governed by the laws of the State of Wisconsin; provided that nothing in this Paragraph 19.F shall be construed as requiring the application of any Wisconsin franchise, dealership or other similar law to an individual, franchise or business that does not satisfy the jurisdictional elements of such law.

7. Paragraph 19.L (Limitation of Claims) is hereby amended to add the following:

Notwithstanding anything in this Paragraph 19.L to the contrary, the limitation set forth in Minn. Stat. §80C.17, Subd. 5. shall apply to actions commenced pursuant to said Section of the Minnesota franchise law.

8. In all other respects, the Franchise Agreement will be construed and enforced according to its terms.

9. This Addendum may be executed in separate counterparts (including by ~~facsimile~~ fax, PDF or electronic signature), each of which when so executed shall be an original, but all of which shall constitute one and the same agreement. Executed copies of this Addendum via DocuSign or similar software shall be deemed to be effective as original signatures.

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

Company:	**Franchisee:**
FWR, LLC d/b/a Verlo Mattress	_____ By:
By: _____	Print Name: _____
Print Name: _____	Title: _____
Title: _____	

ADDENDUM TO
VERLO®
MATTRESS
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF NEW YORK

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

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK 10271. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

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

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

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

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

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

property; or unfair or deceptive practices or comparable allegations.

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

3. The following is added to the end of Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

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

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

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

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

7. The following is added to the end of the "Summary" section of Item 17(j), titled

"**Assignment of contract by franchisor"**:

> However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the Franchise Agreement.

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

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

ADDENDUM TO
VERLO®
MATTRESS
FRANCHISE AGREEMENT
FOR THE STATE OF NEW
YORK

The Franchise Agreement between FWR, LLC ("Franchisor") and _____ ("Franchisee") dated _____(the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "State Addendum"):

NEW YORK LAW MODIFICATION

1. The New York Department of Law requires that certain provisions contained in franchise documents be amended to be consistent with New York law, including the General Business Law, Article 33, Sections 680 to 695 (1989). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. Release. If Franchisee is required to execute a release of claims, as provided in Article 2(B) of the Franchise Agreement, or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the General Business Law, regulation, rule or order under the Law, such release shall exclude claims arising under the New York General Business Law, Article 33, Sections 680 to 695 and the regulations promulgated thereunder, and such acknowledgments shall be void. It is the intent of this provision that non-waiver provisions of Sections 687.4 and 687.5 of the General Business Law be satisfied.

b. Governing Law. Article 21(A) of the Franchise Agreement is amended by adding the following sentence at the end of such Article: "The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York."

c. Termination by Franchisee. Article 9 of the Franchise Agreement is hereby amended to add the following sentence at the end of the Article: "Notwithstanding anything contained in this Article 9 to the contrary, Franchisee may terminate the Franchise Agreement on any grounds available by law."

d. Renewal, Extension, Approval of Transfer. Article 2 and Article 17 are amended by adding the following: "However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the general Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this provision that the non-waiver provisions of the General business Law sections 687.4 and 687.5 be satisfied."

e. Assignment. Article 17 is amended by adding the following sentence at the end of the Article: "However, no assignment will be made except to an assignee who in good faith and judgment of the Franchisor, is willing and financially able to assume the Franchisor's

obligations under the Franchise Agreement."

2. Each provision of this State Addendum shall be effective only to the extent that the jurisdictional requirements of New York General Business Law, with respect to each such provision are met independent of this State Addendum. This State Addendum shall have no force or effect if such

jurisdictional requirements are not met.

3. This State Addendum may be executed in separate counterparts (including by ~~facsimile~~ fax, PDF or electronic signature), each of which when so executed shall be an original, but all of which shall constitute one and the same agreement. Executed copies of this State Addendum via DocuSign or similar software shall be deemed to be effective as original signatures.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners, acknowledges that it has read and understands the contents of this State Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this State Addendum and be bound thereby. The parties have duly executed and delivered this State Addendum to the Agreement on the date first set forth above.

Company:	**Franchisee:**
FWR, LLC d/b/a Verlo Mattress	_____ By:
By: _____	Print Name: _____
Print Name: _____	Title: _____ Title:

ADDENDUM TO
VERLO®
MATTRESS
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF NORTH DAKOTA

The following information applies to franchises and franchisees subject to North Dakota statutes and regulations. Item numbers correspond to those in the main body.

Item 17.

1. The North Dakota Securities Commissioner has held that requiring franchisees to consent to waiver of a trial by jury unfair, unjust or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

2. To the extent required by the North Dakota Franchise Investment Law, any release executed in connection with the Franchise Agreement will not apply to any claims that may arise under the North Dakota Franchise Investment Law.

3. Notwithstanding anything to the contrary in the Franchise Disclosure Document, covenants not to compete may be subject to Section 9-08-06 of the North Dakota Century Code and unenforceable in the State of North Dakota if contrary to Section 9-08-06.

4. Arbitration of disputes with franchises operating under the North Dakota Franchise Investment Law shall be at a location mutually agreeable to the parties.

5. Any claim under the North Dakota Franchise Investment Law not otherwise subject to arbitration under the terms of the Franchise Agreement may be brought in a court of competent jurisdiction in the State of North Dakota.

6. Notwithstanding anything to the contrary in the Franchise Disclosure Document, and except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. § 1051 et seq.) and the Federal Arbitration Act (9 U.S.C. § 1, et seq.), the Franchise Agreement will be governed by the laws of the State of North Dakota.

7. The North Dakota Securities Commissioner has held that requiring franchises to consent to a termination or liquidated damages unfair, unjust, or inequitable within the intent of Section 51-19- 09 of the North Dakota Franchise Investment Law.

Item 19

1. The North Dakota Securities Commissioner has held that the requiring franchisees to consent to a limitation of claims within one year is unfair, unjust, or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

ADDENDUM TO
VERLO®
MATTRESS
FRANCHISE AGREEMENT
FOR THE STATE OF NORTH DAKOTA

This Addendum will apply to franchises sold in the State of North Dakota and will be for the purpose of complying with North Dakota statutes and regulations. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement will be amended to include the following:

1. The following Paragraph 19.U is added to this Agreement:

U. RELEASES. Any release executed in connection with this Agreement will not apply to claims that may arise under the North Dakota Franchise Investment Law.

2. Paragraph 17.E of the Franchise Agreement (Covenant Not to Compete) is amended by the addition of the following sentence at the end thereof:

Covenants not to compete may be subject to Section 9-08-06 of the North Dakota Century Code and unenforceable in the State of North Dakota if contrary to Section 9-08-06.

3. Paragraph 19.F is hereby deleted and replaced with the following:

F. GOVERNING LAW. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. § 1051 et seq.), and the Federal Arbitration Act (9 U.S.C. § 1, et seq.), this Agreement will be governed by the laws of the State of North Dakota.

4. Notwithstanding anything to the contrary in Paragraphs 19.G and 19.H of the Franchise Agreement, and except as otherwise mutually agreed by the parties: (1) any arbitration proceeding will be conducted in the city nearest to the Authorized Location; and (2) any claim under the North Dakota Franchise Investment law not otherwise subject to arbitration under the terms of the Franchise Agreement may be brought in a court of competent jurisdiction located within the State of North Dakota.

5. Subparagraph 19.G(ii) (Waiver of Jury Trial) is hereby deleted in its entirety.

6. Subparagraphs 19.G(iii) and 19.H(ii)(a) (Waiver of Punitive Damages) of the Franchise Agreement is, to the extent required by law, hereby deleted.

7. Item 17(i) of the Disclosure Document and Section 17 of the Franchise Agreement noting the requiring franchisees to consent to termination or liquidated damages is hereby deleted in its entirety as it related to the consent to termination and liquidated damages.

8. Section 19 (Limitations of Claims) The provision of limitation of claims within one year shall be amended to read that the statute of limitations under North Dakota law will apply.

9. In all other respects, the Franchise Agreement will be construed and enforced according to its terms.

10. This Addendum may be executed in separate counterparts (including by ~~facsimile~~ fax, PDF or electronic signature), each of which when so executed shall be an original, but all of which shall constitute one and the same agreement. Executed copies of this Addendum via DocuSign or similar software shall be deemed to be effective as original signatures.

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

Company:	**Franchisee:**
FWR, LLC d/b/a Verlo Mattress	_____ By:
By: _____	Print Name: _____
Print Name: _____	Title: _____ Title:

ADDENDUM TO
VERLO®
MATTRESS
FRANCHISE AGREEMENT
FOR THE STATE OF RHODE ISLAND

This Addendum pertains to franchises sold in the State of Rhode Island and is for the purpose of complying with Rhode Island statutes and regulations. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended as follows:

1. The Rhode Island Franchise Investment Act (the "Act") at Section 19-28.1-14 provides that "a provision in a franchise agreement restricting jurisdiction or venue to a forum outside of this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act." The parties agree that to the extent that any provision in any of the contracts entered into by the parties are inconsistent with the Act, the provisions of the Act shall control.

2. Paragraph 19.F is hereby deleted in its entirety and the following is substituted in its place:

> F. GOVERNING LAW. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. § 1051 et seq.), and the Federal Arbitration Act (9 U.S.C.
> § 1, et seq.), or matters arising under the Rhode Island Franchise Investment Act which shall be governed thereby, this Agreement and the relationship between the Company and Franchisee will be governed by the laws of the State of Wisconsin; provided that nothing in this Paragraph
> 19.F shall be construed as requiring the application of any Wisconsin franchise, dealership or other similar law to an individual, franchise or business that does not satisfy the jurisdictional elements of such law.

3. In all other respects, the Franchise Agreement will be construed and enforced according to its terms.

4. This Addendum may be executed in separate counterparts (including by ~~facsimile~~ fax, PDF or electronic signature), each of which when so executed shall be an original, but all of which shall constitute one and the same agreement. Executed copies of this Addendum via DocuSign or similar software shall be deemed to be effective as original signatures.

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

Company:	**Franchisee:**
FWR, LLC d/b/a Verlo Mattress	_____ By:
By: _____	Print Name: _____
Print Name: _____	Title: _____ Title:

ADDENDUM
VERLO®
MATTRESS
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF SOUTH DAKOTA

The following information applies to franchise and franchisees subject to South Dakota statues and regulations. Item numbers correspond to those in the main body.

Item 5.

Payment of all initial franchise fees due the franchisor is deferred until such time as the Store has opened for business.

RIDER TO
VERLO®MATTRESS
FRANCHISE
AGREEMENT
FOR THE STATE OF SOUTH DAKOTA

This Rider is entered into this _____, 20_(the "**Effective Date**"), between **FWR, LLC d/b/a Verlo Mattress**, a Wisconsin limited liability company, with principal offices located at 301 N. Broadway Street, Suite 300, Milwaukee, Wisconsin 53202 ("**Company**"), and _____, a _____whose principal business address is _____("**Franchisee**") and amends the Franchise Agreement between the parties dated as of the Effective Date, (the "**Agreement**").

1. **Precedence and Defined Terms**. This Rider is incorporated into the Agreement and supersedes any inconsistent or conflicting provisions of the Agreement. Terms not otherwise defined in this Rider have the meanings as defined in the Agreement.

2. **Initial Fees**. The following is added to Section 8 of the Agreement:

> All initial franchise fees due Company, including the applicable portion of any development fee under a related Area of Development Agreement (if any), are deferred until Franchisee Store is open for operation of business.

3. This Rider may be executed in separate counterparts (including by ~~facsimile~~ fax, PDF or electronic signature), each of which when so executed shall be an original, but all of which shall constitute one and the same agreement. Executed copies of this Rider via DocuSign or similar software shall be deemed to be effective as original signatures.

Intending to be bound, the parties sign and deliver this Rider in 2 counterparts effective on the Agreement Date, regardless of the actual date of signature.

Company:

FWR, LLC d/b/a Verlo Mattress

By:_____
Name:_____
Title:_____

Franchisee:

_____

By:_____ Print
Print Name:_____ Title:

ADDENDUM TO
VERLO®
MATTRESS
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF VIRGINIA

1. In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, Item 17.h. of the Franchise Disclosure Document for FWR, LLC is supplemented by the following:

"Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the franchise agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable**."**

"Any securities offered or sold by the Investor Franchisee as part of the FWR, LLC Franchise must either be registered or exempt from registration under Section 13.1-514 of the Virginia Securities Act."

ADDENDUM TO
FRANCHISE DISCLOSURE DOCUMENT
FOR VERLO® MATTRESS
FOR THE STATE OF WASHINGTON

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act (the "Act"), Chapter 19.100 RCW, prevails.

Section RCW 19.100.180 of the Act, may supersede the Franchise Agreement in your relationship with us, including the area of termination and renewal of your franchise. There may also be court decisions which may supersede the Franchise Agreement in your relationship with us including the are of termination and renewal of your franchise.

In any arbitration involving a franchise purchased in Washington, the arbitration site will either be in the State of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

A release or waiver of rights signed by you will not include rights under the Act except when signed pursuant to a negotiated settlement after the agreement(s) are in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees may be collected to the extent that they reflect our reasonable estimated or actual costs in effectuating a transfer.

The State of Washington has imposed a deferral conditions on us; therefore, no fees are payable by you to us until all of our pre-opening obligations are completed and your business has opened.

ADDENDUM
TO VERLO®
MATTRESS
FRANCHISE AGREEMENT
FOR THE STATE OF
WASHINGTON

This Addendum shall pertain to franchises sold in the State of Washington and shall be for the purpose of complying with Washington statutes and regulations. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement shall be amended as follows:

1. Section 16 of the Franchise Agreement is amended by the addition of the following language:

> If any of the provisions in the Franchise Agreement are inconsistent with the relationship provisions of R.C.W. 19.100.180 or other requirements of the Washington Franchise Investment Protection Act, the provisions of the Act will prevail over the inconsistent provisions of the Franchise Agreement with regard to any franchise sold in Washington.

2. The payment of the initial franchise fee is deferred until all of our pre-opening obligations to you are completed and your business has opened.

3. In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in Washington or in a place as mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

4. If any of the provisions in the Franchise Disclosure Document or Franchise Agreement are inconsistent with the relationship provisions of R.C.W. 19.100.180 or other requirements of the Washington Franchise Investment Protection Act, the provisions of the Act will prevail over the inconsistent provisions of the Franchise Disclosure Document and Franchise Agreement with regard to any franchise sold in Washington.

5. A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

6. Transfer fees are collectable to the extent that they reflect the Company's reasonable estimated or actual costs in effecting a transfer.

7. In all other respects, the Franchise Agreement will be construed and enforced according to its terms.

8. This Addendum may be executed in separate counterparts (including by ~~facsimile~~

fax, PDF or electronic signature), each of which when so executed shall be an original, but all of which shall constitute one and the same agreement. Executed copies of this Addendum via DocuSign or similar software shall be deemed to be effective as original signatures.

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

Company:	**Franchisee:**
FWR, LLC d/b/a Verlo Mattress	_____ By:
By: _____	Print Name: _____
Print Name: _____	Title: _____ Title:

ADDENDUM
TO VERLO®
MATTRESS
FRANCHISE AGREEMENT
FOR THE STATE OF
WISCONSIN

This Addendum pertains to franchises sold in the State of Wisconsin and is for the purpose of complying with Wisconsin statutes and regulations. Notwithstanding anything that may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended as follows:

1. Notwithstanding anything that may be contained in the body of the Franchise Agreement to the contrary (including Paragraph 19.F thereof), Paragraph 16 of the Agreement is extended as follows:

> For all franchises sold in the State of Wisconsin, the Company will provide Franchisee at least 90 days' prior written notice of termination, cancellation, nonrenewal or substantial change in competitive circumstances. The notice will state all the reasons for termination, cancellation, nonrenewal or substantial change in competitive circumstances and will provide that Franchisee have 60 days in which to rectify any claimed deficiency. If the deficiency is rectified within 60 days, the notice will be void. These notice requirements shall not apply if the reason for termination, cancellation or nonrenewal is insolvency, the occurrence of an assignment for the benefit of creditors or bankruptcy. If the reason for termination, cancellation, nonrenewal or substantial change in competitive circumstances is nonpayment of sums due under the franchise, Franchisee will be entitled to written notice of such default, and will have not less than 10 days in which to remedy such default from the date of delivery or posting of such notice.

2. Ch. 135, Stats., the Wisconsin Fair Dealership Law, supersedes any provisions of this Agreement or a related document between the Company and Franchisee inconsistent with the Law.

3. In all other respects, the Franchise Agreement will be construed and enforced according to its terms.

4. This Addendum may be executed in separate counterparts (including by ~~facsimile~~ fax, PDF or electronic signature), each of which when so executed shall be an original, but all of which shall constitute one and the same agreement. Executed copies of this Addendum via DocuSign or similar software shall be deemed to be effective as original signatures.

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

Company:
FWR, LLC d/b/a Verlo Mattress

Franchisee:
_____ By:

By: _____ Print Name: _____

Print Name: _____ Title: _____ Title: _____

ADDENDUM TO
VERLO®
MATTRESS
GUARANTY AND ASSUMPTION OF
OBLIGATIONS FOR THE STATE OF WISCONSIN

MARITAL PURPOSE. <u>For Wisconsin Married Residents Only</u>: Each Guarantor who signs above represents that this obligation is incurred in the interest of his or her marriage or family.

X_____ **X**_____
Name: **Name:**

SPOUSAL CONSENT. <u>FOR WISCONSIN MARRIED RESIDENTS ONLY:</u> My spouse has agreed or may agree with the Company to personally guarantee payment of the Obligations of Franchisee to the Company. I consent to this act by my spouse and acknowledge that I am acting together with my spouse, but by signing below I am not becoming personally liable as a guarantor for the payment of the Obligations of Franchisee.

_____ **X**_____

Date Spouse of Guarantor:

Exhibit L

General Release Form

GENERAL RELEASE

THIS IS A CURRENT RELEASE FORM THAT GENERALLY WILL BE USED WITH OR INCORPORATED INTO A SEPARATE AGREEMENT. THIS FORM IS SUBJECT TO CHANGE OVER TIME.

This General Release (this "Release") is made and entered into effective as of _____, 20____(the "Effective Date") by and among FWR, LLC, a Wisconsin limited liability company ("Franchisor"), _____ ("Franchisee"), and _____("Principal Owners"). RECITALS

WHEREAS, Franchisor and Franchisee entered into a Franchise Agreement dated _____(the "Franchise Agreement") (each capitalized term used but not defined herein shall have the meaning assigned to that term in the Franchise Agreement), pursuant to which Franchisee was granted the right and license (the "Franchise") to operate a lodging Location under the Verlo® system of operation and using certain Verlo® Marks to be located at _____(the "Location");

WHEREAS, Franchisee desires, and Franchisor has agreed, to [transfer the Location]/[renew the Franchise Agreement]; and

WHEREAS, in connection with such [transfer]/[renewal], Franchisor requires a General Release.

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

RELEASE

1. Franchisee. Franchisee, and its respective officers, directors, employees, successors, assigns, heirs, personal representatives, and all other persons acting on their behalf or claiming under them, past or present, hereby unconditionally release, remise and forever discharge Franchisor, its predecessors, parents, subsidiaries, and affiliates and their respective officers, directors, shareholders, employees, past or present, successors, and assigns (collectively, the "Franchisor Released Parties"), from any and all claims, debts, liabilities, demands, obligations, actions, and causes of action, known or unknown, vicarious, derivative or direct, vested or contingent ("Claims"), which any of them may now have, have ever had, or may hereafter have by reason of any event, transaction, or circumstance, whether under federal, state or local law or otherwise, arising out of or relating to the disclosure, application, negotiation, formation, execution or performance of the Franchise Agreement or arising out of or in any way relating to the Location from the beginning of time through the date of this Release.

2. Franchisor. Except as otherwise set forth in this Release, Franchisor, for itself and its successors and assigns and all other persons acting on its behalf or claiming under it, hereby releases and forever discharges Franchisee and its respective officers, directors, employees, successors, assigns, heirs and personal representatives from all Claims which Franchisor may have ever had, now has, or may hereafter have by reason of any event, transaction, or circumstance arising out of or relating to the performance of the Franchise

Agreement from the beginning of time through the date of this Release.

[If Franchisee or any of Franchisee's Principals is located in California: In executing this General Release, Franchisee and Franchisee's Principals hereby waives all rights and benefits which it now has or in the future may have under and by virtue of the terms of Section 1542 of the Civil Code of the State of California, which Section reads as follows:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.]

This Release may be executed in separate counterparts (including by ~~facsimile~~ fax, PDF or electronic signature), each of which when so executed shall be an original, but all of which shall constitute one and the same agreement. Executed copies of this Release via DocuSign or similar software shall be deemed to be effective as original signatures.

This Release is made in the State of Wisconsin and its provisions shall be governed by and enforced and interpreted under the laws of that State, except that conflicts of law rules shall be excluded.

IN WITNESS WHEREOF, the parties have duly executed this Release on this _____ day of _____.

FRANCHISOR:
FWR, LLC,
a Wisconsin limited liability company

By:_____

Name:
_____

Title:
_____

FRANCHISEE:

_____

[Name]

_____

[Signature]

Exhibit M

STATE EFFECTIVE DATES

The following states require that the disclosure document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

This disclosure document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

State	Effective Date	State	Effective Date
California	N/A	New York	N/A
Hawaii	N/A	North Dakota	N/A
Illinois		Rhode Island	N/A
Indiana		South Dakota	N/A
Maryland	N/A	Virginia	N/A
Michigan	N/A	Washington	N/A
Minnesota	N/A	Wisconsin	

In the states listed below, the effective date (and issuance date) of this disclosure document is April 21, 2026

Alabama	Kentucky	North Carolina
Alaska	Louisiana	Ohio
Arizona	Maine	Oklahoma
Arkansas	Massachusetts	Oregon
Colorado	Mississippi	Pennsylvania
Connecticut	Missouri	South Carolina
Delaware	Montana	Tennessee
District of Columbia	Nebraska	Texas
Florida	Nevada	Utah
Georgia	New Hampshire	Vermont
Idaho	New Jersey	West Virginia
Iowa	New Mexico	Wyoming
Kansas		

Exhibit N

Receipt

This disclosure document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If FWR, LLC d/b/a Verlo Mattress ("Verlo") offers you a franchise, Verlo must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, Verlo or its affiliate in connection with the proposed franchise sale. Iowa, New York and Rhode Island require that Verlo gives you this disclosure document at the earlier of the first personal meeting or 10 business days (or 14 calendar days in Iowa) before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that Verlo gives you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Verlo does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and those state administrators listed on Exhibit A.

The franchisor is FWR, LLC d/b/a Verlo Mattress located at 301 N. Broadway Street, Suite 300, Milwaukee, Wisconsin 53202. Its telephone number is (414) 585-8900.

Issuance Date: April 21, 2026.

Franchise Sellers: _____

The franchise sellers involved in offering and selling the franchise to you will be provided to you separately before you sign Franchise Agreement. Verlo authorizes the respective state agencies identified on Exhibit A to receive service of process for Verlo in the particular state.

I have received a disclosure document dated April 21, 2026 that included the following exhibits:

Exhibit A	State Administrators/Agents for Service of Process	Exhibit H	Draft Authorization Form
Exhibit B	Franchise Agreement and Ancillary Documents	Exhibit I	Multi-Unit Development Addendum
Exhibit C	Financial Statements	Exhibit J	Former Franchisees
Exhibit D	Franchised Locations	Exhibit K	State-Specific Addenda
Exhibit E	Table of Contents of Operations & Brand Standards Manual	Exhibit L	General Release Form
Exhibit F	Confidentiality and Non-Competition Agreement	Exhibit M	Receipts
Exhibit G	Confidential Disclosure Agreement		

Date: _____ _____

(Do not leave blank) Signature of Prospective Franchisee

_____

Print Name

Copy for Franchisee

Receipt

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Franchise Sellers: _____

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Exhibit F	Confidentiality and Non-Competition Agreement	Exhibit M	Receipts
Exhibit G	Confidential Disclosure Agreement		

Date: _____ _____

(Do not leave blank) Signature of Prospective Franchisee

Print Name _____

Copy for FWR, LLC d/b/a Verlo Mattress

Please sign and date both copies of this receipt, keep one copy (the previous page) for your records, and mail one copy (this page) to the address listed on the front page of this disclosure document or send to Emily Espinoza by email to eespinoza@verlo.com